

THE COUNCIL COMMUNISTS BETWEEN THE NEW DEAL AND FASCISM*

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In recent years, growing interest in the problems of the 1930s has brought to light aspects of the labor movement that had been relegated to oblivion by traditional historiography. This is especially true for the council communists¹ who, in an America upset by the Great Depression, sought to renew a political project that had been crushed in Europe. While there have already been numerous studies of the International Workers of the World (IWW) in the harsh and violent context of American factories prior to WW II,² there has not yet been any thorough investigation of the convergence of the remnants of the IWW and the council communists.

Generally speaking, the progressive loss of influence of those defined as “the most dangerous subversives ever raised on sacred American soil”³ over the

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1. In his introduction to the reprinted volumes of *New Essays*, the theoretical organ of the council communists (published by Greenwood Reprint Corp., Westport, Conn., 1970), Mattick describes the political matrix out of which the members of the editorial group came as follows: “This series of publications, which appeared during the years 1934 to 1943 under the title *International Council Correspondence*, later to be renamed *Living Marxism*, and finally *New Essays*, expressed the political ideas of a group of American workers concerned with the proletarian class struggle, the conditions of economic depression and worldwide war. Calling themselves Council Communists, the group was equally far removed from the traditional Socialist Party, the new Communist Party and the various ‘opposition’ parties that these movements brought forth. It rejected the ideologies and organizational concepts of the parties of the Second and Third Internationals, as well as those of the stillborn Fourth International. Based on Marxist theory, the group adhered to the principle of working-class self-determination through the establishment of workers’ councils for the capture of political power and the transformation of the capitalist into a socialist system of production and distribution. It could be regarded, therefore, only as a propaganda organization advocating the self-rule of the working class. . . . The few Germans in the American group came from the German council movement. The large majority were native workers, and those with a political background came either from the Industrial Workers of the World or from the left wing of the Proletarian Party—the most ‘American’ of the three Socialist groups that had vied for Russian acceptance as the ‘official’ Communist party” (pp. i, vii-n).

2. The “discovery” of the objectively advanced and subversive character of the (not by chance) less “European” and less “ideological” wing of the American labor movement—the IWW—is a recent event. Cf. Mario Tronti, “Workers and Capital,” *Telos*, 14 (Winter 1972), pp. 25-62. A series of preliminary remarks can also be found in Patrick Renshaw, *The Wobblies: The Story of Syndicalism in the United States* (New York, 1967) and in G.D.H. Cole, *A History of Socialist Thought* (New York, 1960), Vol. III. An alert and interesting profile of the history of the American movement can be found in Daniel Guerin, *Le Mouvement Ouvrier aux Etats Unis* (Paris, 1970). A rich source—even if entirely within the traditional “syndicalist” reductionist perspective—for the study of American labor struggles is provided in the volumes by Boyer and Morais, *Storia del movimento operaio negli Stati Uniti* (Bari, 1974) and by Irving Bernstein, *The Lean Years. A History of the American Worker* (Baltimore, 1960). Less traditional is the study of Jeremy Brecher, *Strike! The True History of Mass Insurrection in America* (San Francisco, 1972).

3. This description was given by Woodrow Willson’s attorney general, Mitchell Palmer,

American proletariat after WW I, goes back to the incongruence of their strategic “lack of organization”⁴ with the changes imposed on American capital and labor by the real winners of the war: the key auto, steel and rubber industries.⁵ Paradoxically, it was their genuine “Americanism” which brought the Wobblies to reject any kind of “political” proposal (even De Leon’s) as extraneous to the needs of the enormous majority of their members, largely unskilled and lacking any organizational tradition.⁶ This Americanism was formed out of the confrontation with the new reality of the October Revolution along with the emergence of a “new working class” in base industries. It tended to lapse into more traditionally “political” forms of organization and to abandon factories to the CIO’s purely industrial syndicalism, which the IWW had once threatened to disrupt.⁷ Revolutionary praxis proclaimed in theory by

destined to go down in history for his raids against radicals—especially the IWW—and for having ordered the arrest of six thousand persons on January 1, 1920. On this last occasion, he stated: “Like a prairie fire, the blaze of revolution was sweeping over every institution of law and order a year ago. It was eating its way into the homes of the American workman, its sharp tongues of revolutionary heat were licking the altars of churches, leaping into the belfry of the school bell, crumbling into the sacred corners of American homes, seeking to replace marriage vows with libertine laws. . . .” Cited in Robert Goldston, *The Great Depression* (Indianapolis, 1969), p. 16. A broad documentation of American labor struggles during WW I, especially in 1919 (the year that witnessed the “massification” of the rebellion against craft unionism of the AFL and, at the same time, the progressive loss of the leading role by those who had been its vanguard, the Wobblies), can be found in Samuel Yellen, *American Labor Struggles* (New York, 1936). See also *The History of Violence in America*, ed. Hugh D. Graham and Ted R. Gurr (New York, 1969); Sylvia Kopald, *Rebellion in Labor Unions* (New York, 1924); Robert K. Murray, *Red Scare. A National Study in National Hysteria, 1919-1920* (New York, 1964).

4. For the clearly “laborist” matrix of the opposition by the most radical wing of the IWW (the leaders of the Western Federation of Miners, advocates of industrial unionism such as Big Bill Haywood, Vincent St. John and Charles H. Moyer) to “political” organizations other than those directly relating to factory struggles—an opposition not only against the Socialist Party but also against De Leon’s Socialist Labor Party—cf. Renshaw, *op.cit.*, pp. 42-74.

5. Still uninvestigated are the changes in class composition of the American proletariat which accompanied the displacement (accelerated by the war) of the center of gravity of capitalist development from productive activities with a low organic composition of capital (the textile and clothing industries, and the mining industry) to heavy industry. For the relation of “pre-figuration” between the struggles of the most important industries of the pre-war period (mining and railroad) and those developed in the steel industry immediately after the war, cf. Gerald G. Eggert, *Railroad Labor Disputes; The Beginning of Federal Strike Policy* (Ann Arbor, 1967), and the reflections of the most important militant of the railroad organizations, in *Writings and Speeches of Eugene Victor Debs* (New York, 1948). Of great interest, with respect to the process of U.S. concentration and monopolization after WW I is the 1939 report by the Superintendent of Documents (Washington, D.C., VII) for the National Resources Committee with the title, *The Structure of the American Economy*, under the direction of Gardiner O. Means who, along with Adolf Berle, co-authored *The Modern Corporation and Private Property* (New York, 1932).

6. In addition to Renshaw, *op.cit.*, for the IWW’s activity among hoboes and immigrants who were unskilled and extremely mobile—thus impossible to approach by the AFL organized along the most reactionary traditions of craft syndicalism—see P.F. Brissenden, *The I. W. W.; A Study of American Syndicalism* (New York, 1957). On the most “European” of the prominent participants at the founding congress of the IWW (Chicago, 1905), see the remarks of Cristiano Camporesi in “Marxismo e sindacalismo in Daniel De Leon,” in A. Zanardo, ed., *Storia del marxismo contemporaneo* (Vol. XV of *Annali Feltrinelli*, Milan, 1974), pp. 615-42, and the brief introduction by M. Salerno to the translation of part of a speech given by De Leon at the Chicago Congress, in *Problemi del Socialismo*, 2-3 (1971), pp. 321-325.

7. On the various organizations, often sectarian and dogmatic, which vied for the right to be

“European intellectuals,” overcoming the separation between economic and political struggles,⁸ did not seem likely to become a mass reality—not even in a country where industrial concentration provided more favorable conditions for a workers’ revolution. The fact that Roosevelt’s New Deal was so successful in “politicizing” a labor movement traditionally uninclined to extend the struggle beyond factory boundaries, can be attributed to the inadequate “materialist” politicization during the pre-WW I strikes led by the Wobblies.⁹

Beginning with the Palmer raids, immediately after the war, the Wobblies gradually faded from center-stage in the most significant labor struggles of the period: the great strikes against the steel industry to dismantle that open shop and industrial feudalism which the IWW had been the first to radically oppose.¹⁰ Preoccupied with the legal defense of nearly all its leaders and torn by internal struggles between the supporters of centralization and the “decentralizers” over the ideological repercussions of the October Revolution, the IWW could not adequately respond to the strikes.¹¹ By stubbornly reiterating its historical rejection of any legalization of the struggle between capital and labor, the IWW only succeeded in retarding the institutional-

proclaimed the American Communist Party—e.g., the Communist Party of America and John Reed’s Communist Labor Party, which in 1921 became the Workers’ Party of America (not to be confused with the Trotskyite American Workers’ Party quite a bit later)—see Theodor Draper, *American Communism and Soviet Russia* (New York, 1960), and by the same author, *The Roots of American Communism* (New York, 1957). Also see Karsh and Garman, “The Impact of the Political Left,” in Milton Derber and Edwin Youngs, eds., *Labor and the New Deal* (Madison, 1957). On the separation of the left wing from the old Socialist Party after the October Revolution, see Daniel Bell, “The Background and Development of Marxian Socialism in the United States,” in *Socialism and American Life* (Princeton, 1952); David A. Shannon, *The Socialist Party of America* (New York, 1955); John H. Laslett, “Socialism and the American Labor Movement: Some New Reflections,” *Labor History*, 8 (Spring 1967); V. O. Key, *Politics, Parties and Pressure Groups* (New York, 1959). On communist penetration into labor unions, cf. David J. Saposs, *Left Wing Unionism* (New York, 1959) and his *Communism in American Unions* (New York, 1957); Max Kempelmann, *The Communist Party vs. the CIO* (New York, 1957); Earl Latham, *The Communist Controversy in Washington* (Cambridge, 1966). On the influence of Trotskyism in the American Communist movement, see James P. Cannon, *The History of American Trotskyism* (New York, 1944), R. C. E. James, “The Purge of the Trotskyists from the Teamsters,” in *Western Political Quarterly*, 19 (March, 1966). For the Wobblies’ “direct action” (sabotage, stopping of production, militant picketing) in factories of immigrant-dominated cities, cf. William D. Haywood, *Bill Haywood Book* (New York, 1929); E. Gurley Flynn, *Sabotage* (Cleveland, 1915); Ralph Chaplin, *Wobbly* (Chicago, 1948).

8. Cf. Karl Korsch, “On the Program of the ‘American Workers’ Party,’” in *International Council Correspondence*, 4 (January, 1935), pp. 15-25.

9. On the struggle for the reduction of working hours carried out by the IWW, cf. Marion C. Cahill, *Shorter Hours: A Study of the Movement since the Civil War* (New York, 1932).

10. On the violence of the government’s reply to the great wave of post-war strikes, cf. Alexander M. Bing, *War-Time Strikes and Their Adjustment* (New York, 1921); G. Taylor, “An Epidemic of Strikes in Chicago,” in *The Survey*, 42 (August, 1919); “Strike Investigation,” in *Iron Age* (February 5, 1920), pp. 632-661. Cf. also Boyer and Morais, *op.cit.*, pp. 208-315.

11. On the trial of the IWW for “active militarist propaganda” (the same reason that Frank Little was lynched) in Chicago in 1918, cf. Renshaw, *op.cit.*, pp. 181-209. On the struggle running through the whole history of the IWW between the advocates of absolute autonomy of sections ‘dislocated’—according to them—in class situations too diverse to be placed under Chicago’s control and the supporters of a homogenization of various IWW activities, see B. Cartosio, “Note e documenti sugli Industrial Workers of the World,” *Primo Maggio*, 1 (June-September, 1973), p. 43.

zation of collective bargaining in the steel industry—first sought by one of its ex-members, William Z. Foster.¹²

Yet, the “first general strike in American history”—i.e., the 1919 Seattle strike, which was characterized by a militant solidarity among organized, non-organized, skilled and unskilled workers from local metallurgical industries¹³—still reflected the Wobblies’ active presence, especially in its methods of struggle and propaganda. But from then on, instead of becoming the mass labor organization that had been predicted by the supporters of industrial unionism,¹⁴ the IWW began to lose its historical role as a radical proletarian organization. The same mass spontaneity that had greatly contributed to the IWW’s success in advocating the Free Speech Movement (which demanded the extension to the factories of constitutional liberties) began to grow and assert itself in civil society. The IWW, however, was unable to respond to the new demands prefigured by the steel strikes and the break-up of the old American Socialist Party as a result of Comintern attacks.

The clash within the labor movement between the “jealous guardians”¹⁵ of a genuine but small native tradition of labor struggles and those who were quickly branded the “dogmatic followers of Moscow’s directives” took place as a

12. On Foster’s development from his polemic with Haywood’s deputy Joseph Ettor concerning dual unionism and the “necessity to destroy the AFL” (Ettor) to the founding of the Trade Union Educational League and to the attempt to lead the AFL to organize on a vast scale workers from base industries, and finally, to his conversion to communism, see the profile (*ex negativo*) offered by Ole Hanson, *Americanism vs. Bolshevism* (New York, 1920); and Guerin’s observations in *op.cit.*, pp. 45-63.

13. Brecher, *op.cit.*, p. 96. This strike by shipyard workers paralyzed the entire city for five days and gave life to a concrete example of “workers’ administration.” Notwithstanding the founding of the “councils of soldiers, sailors and workers” by the IWW and the Metal Trades Council, it had the leadership not of a vanguard but of the whole urban proletariat. Cf. Robert Friedheim, *The Seattle General Strike* (Seattle, 1964); Wilfrid Crook, *The General Strike* (Chapel Hill, 1951) and his *Communism and the General Strike* (Hamden, 1960); Harvey O’Connor, *Revolution in Seattle* (New York, 1964); A.L. Strong, *The Seattle General Strike* (Root and Branch reprint, Cambridge, 1972). In fact, the workers’ united mass effort prevented the embarkation of arms destined for Admiral Kolchak and distributed hundreds of thousands of flyers announcing the Russian Revolution. On the Boston police strike, which was the culminating moment of the strike wave following the explosion in Seattle—which then appeared purely Bolshevik—cf. A. Warner, “The End of Boston’s Police Strike,” *The Nation*, December 20, 1919. On the great steel strikes of 1919 (against Carnegie Steel Co., U.S. Steel Co., and ‘Little Steel’—a consortium of minor steel companies such as Bethlehem)—an attack launched by the huge unskilled masses of workers against the traditions of non-unionism in the giants of this field and, at the same time, against AFL craft unionism—cf. William Z. Foster, *The Great Steel Strike and its Lessons* (New York, 1920); Interchurch World Movement, *Report on the Steel Strike of 1919* (New York, 1920); Kopald, *Rebellion in Labor Unions*, *op.cit.*; James Morris, *Conflict within the AFL* (Ithaca, 1958). For the attitude of managers in the steel industry, see J. Garraty, “The United States Steel Corporation versus Labor: The Early Years,” *Labor History* 1 (Winter, 1960), and Morris Cool and Philip Murray, *Organized Labor and Production* (New York, 1940).

14. For material dealing with Eugene Debs as a proponent of the idea of industrial unionism, see Daniel Guerin, *Le Mouvement Ouvrier aux Etats Unis*, *op.cit.*, pp. 21-30, and Milton Derber, “The Idea of Industrial Democracy in America, 1898-1915,” in *Labor History* 7 (Fall, 1966).

15. T. Wolfson and A. Weiss, *Industrial Unionism in the American Labor Movement* (New York, 1935), p. 163.

result of the attempt to apply Lenin's doctrine to U.S. conditions. In addition to criticizing the German and Dutch left-communists in *Left-Wing Communism*, Lenin had also attacked the Wobblies. From the moment that it became a potential alternative to the AFL, the IWW had emphasized the need for dual unionism.¹⁶ Lenin's approach that sought to quell any attempt to found new revolutionary organizations and, instead, to penetrate official labor organizations, was doomed to fail.¹⁷ The American labor movement's "Great Depression" of the 1920s shows the effects of grafting new communist "revolutionary energies" onto the old AFL body. Eventually even the "followers of Moscow's directives" became aware of the AFL's decreasing representativeness and decided to create autonomous organizations along industrial unionist lines (the Trade Union Labor Leagues). By that time, however, it was too late as the break between the communists and the IWW had already taken place.¹⁸

The struggle against attempts to impose the Soviet model in the U.S. took place within a context significantly different from that obtaining in Europe. In the latter—particularly in Germany, burdened as it was by the Treaty of Versailles—the severe consequences of the war prevented a quick capitalist response to the revolutionary crisis.¹⁹ In America, on the other hand, capitalism successfully launched a potent counteroffensive from the strongholds of industrial feudalism (the basic industries that the AFL had found impenetrable) against the "jewels" of industrial syndicalism—i.e., the United Mine Workers and the Amalgamated Clothing Workers of America. The decline of the only American labor unions having the right to collective bargaining and their difficult struggles to prevent the re-introduction of the open shop and company unions during the decade prior to the Depression did not trigger any new organizational departures. The failure of the great strikes against U.S. Steel was not simply due to the owners' strength, but also to the blind corporativism of the Amalgamated Association of Iron, Steel and Tin Workers,²⁰ and that of other reformist labor organizations. The sterility of the

16. On the differences which set the IWW against both Foster and Debs—the latter a forceful advocate of the need to overcome both the Wobblies' "minoritarianism" as well as the AFL's "corporativism" for the sake of a great mass labor organization—see Ray Ginger, *The Vending Cross. A Biography of Eugene Victor (Gene) Debs* (New Brunswick, 1949).

17. This strategy was immediately accepted by American communists under the leadership of Foster, the director of the Trade Educational League, who saw it as a definitive solution to the dilemma which had characterized the American labor movement from its debut with the Knights of Labor. Cf. Guerin, *op.cit.*, pp. 21-25.

18. *Ibid.*, p. 51. The expression "followers of Moscow's directives" is Paynes, who was the director of the *Industrial Worker*, the organ of the IWW faction favoring decentralization. In this regard, cf. Renshaw, *op.cit.*, pp. 219-222. By that time, many IWW leading personalities such as Elizabeth Gurley Flynn, Harrison George, George Andrejcin, Bill Haywood, Charles Ashleigh, George Hardy, Sam Scarlett and Roy Brown, had joined the Communist Party.

19. For a simple and synthetic exposition of the salient facts of the German Revolution, see E. Collotti, "La rivoluzione tedesca," in *Storia delle rivoluzioni del XX secolo* (Rome, 1966), pp. 622-668. One can find a more detailed analysis within this general framework in *Die illustrierte Geschichte der deutschen Revolution* (Frankfurt am Main, 1970).

20. This was an AFL association representing fifty or more craft unions of specialized steel and

1920s also had a lot to do with the "Little Depression" of 1921-22, the massive re-entry of "Pinkerton's Army" into the factories, and the growth of yellow syndicalism.²¹

During that time even confrontations with similar positions rejecting the Bolshevik organizational model and the Third International's plan to re-enter the fold of labor unions and reformist parties failed to reopen any organizational discussions within the IWW. Contacts with German and Dutch left-communists who also shared an anti-Bolshevik outlook were established through the bureaus of Amsterdam and Berlin, but came to naught.²² The rejection of the party, which had been most adamant among the IWW workers in the Pacific Northwest,²³ reflected the influence of an historically outdated type of worker, who was rapidly being displaced by a new type.

The IWW's 1924 Chicago congress (held exactly one year after the unsuccessful Centralia, Oregon, strike)²⁴ only confirmed its paralysis. The "decentralizers" of the Emergency Program succeeded in expelling from the General Executive Board those who supported strengthening the central executive body and who were inclined to enter into a dialogue with the Third International's emissaries. But after this, they found themselves with nothing to do but manage from the Chicago office and from the columns of the *Industrial Worker*²⁵ what remained of the "indomitable spirit of the workers' rebellion" that had been for so long synonymous with the Wobblies. Although the 1927 coal strikes in Colorado and in "bloody Harlan"²⁶ (undertaken by the Eastern and Midwestern sections faithful to Chicago) indicated that the IWW was not entirely dead, still, long before the 1947 Taft-Hartley Act put them out of

iron workers. On the miners' strikes, see McAlister Coleman, *Men and Coal* (New York, 1948); Sylvia Kopald, "Behind the Miners' Strike," *The Nation*, November 22, 1919; Winthrop D. Lane, *Civil War in West Virginia* (New York, 1921). The miners' labor unions lost nearly half of their members (also because of the crisis of the industry which, throughout the 1920s, experienced a significant drop in production and employment), and the clothing industry unions diminished by nearly a third with respect to 1920. Cf. Peterson, *op. cit.*, pp. 33-34.

21. On the use of private detectives in strikes as spies and strong-men for the ruling class throughout the development of U.S. capitalism, see U.S. House of Representatives Report No. 2447, "Employment of Pinkerton Detectives" (quoted in Yellen, *American Labor Struggles*, *op. cit.*); Leon Wolff, *Lockout. The Story of the Homestead Strike of 1892: A Study of Violence, Unionism, and the Carnegie Steel Empire* (New York, 1965); Louis Adamic, *Dynamite. The Story of Class Violence in America* (Chicago, 1937). For the close connection between the rackets, gangsterism and certain labor unions, cf. E.D. Sullivan, *This Labor Union Racket* (New York, 1936). On the Amsterdam and Berlin International and the conflicts with the Comintern, cf. H.M. Bock, *Syndikalismus und Linkskommunismus von 1918-1923* (Meisenheim am Glan, 1969), pp. 334-340. On the role played by an ex-Wobbly, industrial unionist Fritz Wolffheim, in the founding of the "Internationale Arbeiter Assoziation" (IAA) of Amsterdam-Berlin and of the KAPD, see Enzo Rutigliano, *Linkskommunismus e rivoluzione in occidente* (Bari, 1974), pp. 26-27.

22. Cf. Renshaw, *op. cit.*, pp. 212-257.

23. The strike in the wood industry in Oregon, called by Payne's "decentralizers" in September, 1923, concluded in the split between the Centralia section and other sections which refused to go along with it. On this see Renshaw, *op. cit.*, p. 227.

24. The *Industrial Worker* was opposed to Vern Smith's *Industrial Solidarity*, which was more sympathetic to a dialogue with the International.

25. For the struggle in the coal fields of Harlan, Kentucky, by nearly 18,000 miners and the role the IWW played in it, cf. John S. Gambs, *The Decline of the IWW* (New York, 1932).

business for good,²⁷ the Wobblies had ceased to be a major force in American labor despite the visible activism of many former members of the General Executive Board who continued to fight for the labor cause.²⁸ Thus, the European militants who emigrated to the U.S. because of the failed “March action” in Germany or because of Hitler’s rise to power, found the guardians of a tradition themselves in need of protection rather than the exponents of a thriving organization.

In order to understand the reasons why middle-European left-communists chose to emigrate to the U.S., it is necessary to summarize their political and theoretical tradition. Confidently proclaiming the “fatal crisis of capitalism” and the ensuing “worldwide workers’ revolution,”²⁹ they saw the U.S. as the strongest capitalist country with the most radical labor tradition (the IWW)—hence, as providing the ideal conditions for the rapid development of that class autonomy which in Europe had been handicapped by capitalism’s structural backwardness and by the labor movement’s tradition of reformism.

In the debates within the majority faction of the German Communist Party (KPD)—transformed into the German Communist Labor Party (KAPD) after breaking with Paul Levi at the 1919 Heidelberg Congress—all sides accepted one central thesis: the theory of the inevitable collapse of capitalism (*Zusammenbruchstheorie*). The KAPD’s theoretical position,³⁰ in fact, defined the party as the working class’s revolutionary instrument in a situation characterized by the death throes of capitalism. This state of affairs is brought about by what Luxemburg called the “saturation of the market” and is accelerated at the factory level through the AAU (Autonomous Organization of Workers) by an economic struggle which the system can no longer control through reformist labor organizations. It was this fatalism that set the left-communists against the Third International and that forced Lenin, in his *Left-Wing Communism*, to bring his full weight against what was gradually appearing as a dangerous heresy within the communist movement. Unfortunately, this struggle culminated in the Bolshevization of the German Communist Party and the subsequent departure of all Luxemburg’s followers.³¹

Differences among the left-communists themselves—leading to the AAU-E breaking away from the AAU and the March 1922 split in the KAPD—also had their roots in the theory of the crash. Inspired by Rühle’s radical anti-party

27. The Taft-Hartley act, passed in June, 1947, which “regulated” the right to strike and the legal terms of the unions’ representativeness, meant in fact the outlawing of organizations such as the IWW and absolutely rejected any institutionalization of the labor struggles in the factories.

28. A good example of this is Elizabeth Gurley Flynn, who remained active in the defense committee for Sacco and Vanzetti. Cf. Boyer and Morais, *op.cit.*, pp. 342ff.

29. “Aus der Leitsätzen der ‘Kommunistischen Arbeiter-Internationale’ (KAI),” in Bock, *op.cit.*, pp. 423-427.

30. “Programm der ‘Kommunistischen Arbeiter-Partei Deutschlands’ (KAPD) vom Mai 1920,” in *ibid.*, pp. 407-417.

31. For the events dealing with the founding of the “Kommunistische Partei Deutschlands (Spartakusbund)” and its successive transformations, cf. *ibid.*, pp. 87-139.

positions,³² the AAU-E was predicated on the ultraleftists' fundamental thesis: the immediately political character of economic struggles in a phase when capitalist survival is only possible with the absolute impoverishment of the working masses. The March 1922 split, which resulted in two KAPDs, each with its own press and organizational center (the Essen and the Berlin KAPD), was based on two different interpretations of the concept of "fatal crisis."³³ Discussion of the theory of the crash also came to involve the council communists, who were the heirs of the left-communists' thought.³⁴ The report of the KAPD central committee, which anticipated the creation of a new Communist International³⁵ pending imminent worldwide revolution, did not express the position of the whole party but, rather, represented the perspective of the "intransigent" wing, led by the central committee itself and by the leaders of the Berlin group. Opposing this was the faction headed by the *Geschäftsführender Hauptausschub*, which favored limiting the party's tasks to internal consolidation in order to confront regrouping capitalist forces (which were far from collapsing). (This faction included one of the future founders of council communism, Anton Pannekoek, who—already opposed to the Luxemburgian theory of the crash—was then developing a new critique of more recent versions of that theory.)³⁶

32. Otto Rühle, *Die Revolution ist keine Parteisache* (Berlin, 1920).

33. In fact, the theoretical problem of organization raised by the AAU-E was never dealt with. It referred to the uncritical acceptance of a kind of Leninism which, as a party separate from the economic and syndical organization yet above it, showed itself unable to carry through its critique of the Kautskyian and Hilferdingian elements in the Leninist theory of organization and imperialism. This problem was momentarily set aside with Rühle's re-entry into the German Socialist Party. Cf. Otto Rühle, *Grundfragen der Organisation* (Frankfurt am Main, 1921).

34. On the disintegration of the left-communist organizations and on the formation of the little groups of council communists within the KAPD and—with some differences—within the Dutch Communist Workers' Party, cf. Bock, "Zur Geschichte und Theorie der holländischen marxistischen Schule," introduction to Anton Pannekoek and Hermann Gorter, *Organisation und Taktik der proletarischen Revolution* (Frankfurt am Main, 1969).

35. Cf. B. Reichenbach, "Zur Geschichte der KAPD," in *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, vol. 13 (1928), pp. 117ff.

36. Some years later this same issue inspired a lively polemic within the pages of *Rätekorrespondenz* between Pannekoek and Mattick. The polemical target of pannekoek was Henryk Grossmann and his conception of the automatic nature of the collapse of capitalism as an economic system "independent from all human intervention and revolution" (in Anton Pannekoek, "Die Zusammenbruchstheorie des Kapitalismus," in *Rätekorrespondenz*, June 1, 1934). Pannekoek had already criticized Luxemburg's own theory of the collapse (in "Marxistische Theorie und revolutionäre Taktik," *Die Neue Zeit*, June 31, 1912, pp. 272-281, 365-373). Paul Mattick answered Pannekoek by defending Grossmann's theory with an article entitled "Zur Marx'schen Akkumulations- und Zusammenbruchstheorie," in *Rätekorrespondenz*, September 4, 1934. This polemical exchange has recently been republished in the volume by Karl Korsch, Paul Mattick and Anton Pannekoek, *Zusammenbruchstheorie des Kapitalismus oder revolutionäres Subjekt* (Berlin, 1973). In a 1972 interview with Claudio Pozzoli, Mattick stated that Grossmann's rigorous reformulation of the "fatal crisis" of capitalism (*Todeskrisentheorie*) was received in Germany "with considerable opposition, even from Pannekoek, who had already challenged such a theory. In criticizing Luxemburg's *The Accumulation of Capital* in *Neue Zeit*, he held that the entire theory of the crash was an erroneous conception originating in a purely economic perspective and that, instead, the determining element was subjective: the development of class consciousness. He maintained that this was the essential moment, before which the objective element played a

Pannekoek's rejection of the theory of the crash expressed his own voluntaristic approach to the theory of revolution, based on the Dietzgenian "spirit" of the proletariat.³⁷ This was the foundation of his critique of Kautsky's "fatalism" and Luxemburg's "economic determinism." Luxemburg's own critique of the German Social-Democratic Party and of the Second International was based on the connection she saw between the logic of the mode of production and that of the revolutionary project.³⁸ But the opposition of Pannekoek, Hermann Gorter and Henrietta Roland-Holst to Kautsky's "mechanistic" conception of the revolutionary process and its organization began with the subjective factor of "creativity" and "autonomy."³⁹ This dogmatic and basically ahistorical faith in the revolutionary potential of the masses led to differences of opinion regarding the feasibility of immediately abandoning reformist organizations. It also resulted in the creation of an organization independent from the Spartacist League, the *Internationale Sozialisten Deutschlands* of Bremen, which in 1918 changed its name to the *Internationale Kommunisten Deutschlands*.

The reunification of the two wings of the left-radicals—Luxemburg's faction and that of the Dutch—occurred at the KPD Congress. The basis for this is to be found in the anti-syndicalist and anti-parliamentarian theses of both wings as well as in the council-inspired principles of the "German International Communists" (already criticized by Luxemburg).⁴⁰ But this reunification did not entail that each faction give up its separate existence and, until the 1922 split, both remained within the KAPD. The break between the Essen and the Berlin branches took place in a situation of revolutionary instability and sanctioned the crystallization of a theoretical conflict which, within the frame

secondary role. Faced with the reproposal of the theory of the crash, he reasserted that the problem was not an automatic or mechanical collapse, but the development of class consciousness, not in the Leninist sense of a separate vanguard, but as a direct reflection of the transformed situation in the consciousness of workers themselves. He held that the workers organically developed class consciousness in relation to the class struggle. Thus, he ended by developing a theory which in the last analysis is idealistic. . . . The self-education of the proletariat, in fact, must be a lasting phenomenon closely connected to capitalist development, crystallized and intensified in revolutionary times which are, in turn, the objective result of capitalist contradictions" (Amsterdam, October 7, 1972: manuscript).

37. For the influence exerted by the materialist theory of knowledge formulated by Joseph Dietzgen in *Das Wesen der menschlichen Kopfarbeit* (1869) on the activist conception of the Dutch communists, cf. Anton Pannekoek, "Dietzgens Werk," *Die Neue Zeit*, June 31, 1913, pp. 37-47, and Henrietta Roland-Holst, *Joseph Dietzgens Philosophie gemeinverständlich erläutert in ihrer Bedeutung für das Proletariat* (Munich, 1910).

38. Cf. Rosa Luxemburg, "The Mass Strike, the Political Party and the Trade Unions," in *Rosa Luxemburg Speaks*, ed. Mary-Alice Waters (New York, 1970), pp. 153-281.

39. Anton Pannekoek, "Die taktischen Differenzen in der Arbeiterbewegung," and "Der Marxismus als Tat," now republished in Anton Pannekoek, *Neubestimmung des Marxismus*, Band 1 (Berlin, 1974). On Gorter, see his *Der historische Materialismus* (Stuttgart, 1909). For the conflicts between Luxemburg and the Dutch theorists, cf. Henrietta Roland-Holst, *Rosa Luxemburg. Ihr Leben und Werken* (Zurich, 1937).

40. On this, see H.M. Bock, *op. cit.*, pp. 87ff. For Luxemburg's criticism of the immediate abandonment of labor union organizations, cf. *Bericht über den Gründungsparteitag der Kommunistischen Partei Deutschlands (Spartakusbund) vom 30. Dezember 1918 bis 1. Januar 1919* (Berlin, 1919).

of the council program of the left-communists, also involved practical differences.

Gorter, who stressed the need to reunify the KAPD, supported the Essen branch by participating in the foundation of the *Kommunistische Arbeiter-Internationale* (KAI) and by initiating his famous debate with Lenin. Pannekoek, on the other hand, increasingly emphasized the theses already developed in *Weltrevolution und kommunistische Taktik* that explained the slow revolutionary process in Western countries by reference to the spiritual hegemony of the bourgeoisie which, despite the collapse of its economic basis, was still able to survive.⁴¹ Pannekoek's rejection of the theory of the crash after it had been reasserted by the Berlin faction led him to participate in the discussion that took place within the KAPN (Dutch), established in 1926 as the "Group of International Communists" (*Groep van International Communisten*, GIC). His attempt at an anti-deterministic reconstruction of the economic theory of council communism gave rise to the Dutch Marxist School's final significant theoretical effort: the *Grundprinzipien kommunistischer Produktion und Verteilung* (fundamental principles of communist production and distribution).⁴² Plagued by constant casual dispersals and regroupings from the unsuccessful epilogue of the 1923 crisis (the debacle of the "theory of the offensive") to the Nazis' accession to power, the theme unifying the middle-European radical left can be traced in the debates concerning the historical necessity of socialism. Luxemburg's account of this was by no means fatalistic, inasmuch as it sought, rather than excluded, the working masses' "autonomous activity" (*Selbsttätigkeit*). Often combining Luxemburg's account with the Dutch focus on subjectivism, the left-communists developed a critique of reformism as a guarantee of the exchange equivalence between capital and the commodity labor-power within the general laws of capitalist accumulation. The basis for this hybrid account can be found in the connection between the capitalist crisis and revolution, which in turn provides the *objective foundation* for the workers' struggle for emancipation — something that Luxemburg had already pointed out against Kautsky's "optimistic evolutionism." According to this interpretation, reformism was a mere product of the ascending phase of capitalist mode of production and, therefore, destined to perish with it during its last, "fatal" crisis. But this was also the source of their eventual criticism of Lenin's theory of organization, which they saw as deriving from a voluntaristic and subjectivist vision,

41. Cf. Hermann Gorter, *Die Notwendigkeit der Wiedervereinigung der Kommunistischen Arbeiter-Partei Deutschlands* (Berlin, 1923); *Der Weg des Dr. Levi, der Weg der VKPD*, hrsg. von der KAPD (Berlin, 1921); Hermann Gorter, "Die Klassenkampf-Organisation des Proletariats," now in Pannekoek and Gorter, *Organisation und Taktik der proletarischen Revolution, op. cit.*, pp. 1233-1247.

42. Published in the theoretical organ of the Dutch council communists, the *Rätekorrespondenz*, it was distributed in Germany by the 343 members of the last surviving group of left-communists, the KAUD, born from the union of the AAU-E and the AAU which had broken away from the KAPD.

relegating creativity only to the leadership.⁴³

To reiterate: the Luxemburgian formulation provided the basis for the council theory of organization. As in Luxemburg, organization was seen as an expression of "workers' spontaneity," constituting the actual overcoming of that split between "economic" and "political" struggles which had characterized the labor movement during the laissez-faire, ascendant phase of capitalism.⁴⁴

This political and theoretical debate explains the attempt by a small group of council communists (almost all of whom were German emigrants) to test within the compact monopolistic order of American capitalism a strategic hypothesis that seemed to be too far ahead of the times in Europe.⁴⁵ Thus, the theoretical debate that had tormented first the left-communists and then the council communists moved to the U.S. or, more precisely, to the remaining active centers of the IWW.

Because of the lack of any emancipatory development in existing movements, American labor's 1920 stagnation favored the transplantation of foreign political experiences onto American soil. Later, the Great Depression offered an exceptional opportunity for the consolidation and development of middle-European revolutionary hypotheses. In fact, the latter seemed to provide the only usable tools for understanding the radical mass organizations that were spontaneously formed by the unemployed in the new realities of Hooverville, since the vanguard organizations of the whole American labor

43. It was a misinterpretation of Leninism which, from the Zimmerwald Congress to the October Revolution, led Pannekoek and Gorter to align themselves with Lenin until the function of the soviet in Russia had been scaled down and the Comintern directives revealed to the Dutch the equivocal base on which their alliance with the Bolsheviks rested. Incidentally, this equivocation goes back to the vast influence exerted, even on the left-communists, by Hilferding's *Finance Capital*, which provided a "scientific" basis for the view that capitalism had unlimited possibilities of development and self-regulation. On the solidarity of the Dutch with the "Zimmerwald Left," who supported Lenin's resolution in September 1915, cf. Bock, *op.cit.*, pp. 57ff. On the admiration of the Dutch left for Lenin's actions during the Russian Revolution—i.e., before Leninism became a revolutionary "model"—see Gorter's testimony in his dedication to Lenin ("the vanguard of the world proletariat") which appears in his *Die Weltrevolution* (Amsterdam, 1918).

44. In this regard, see Korsch, "Gewerkschaftskämpfe, Gewerkschaftseinheit und Einheit der Arbeiterklasse," in Karl Korsch, *Politische Texte* (Frankfurt am Main, 1974), pp. 146ff.

45. Asked in the Pozzoli interview to elaborate why the "objective, or economic, element of the collapse" had been the central focus of theoretical and political re-grouping of the council communists who had emigrated to the U.S., Mattick explained this as follows: "This was the result of our experience in the German revolution. Even after 1923 we continued to think that capital was not able to resolve its problems. Notwithstanding the fact that we were perfectly aware of the possibility of always new highs and lows, we still believed that the class struggle in general would intensify and finally break out in revolution. With this experience we lived in a more or less conscious way through the Great Depression. We felt the total collapse in our flesh and blood, considering that the system then still did not have the adequate means to meet a crisis of such proportions. In that situation we had the collapse, so to speak, before our very eyes; we saw millions of men in motion. We thought that if the crisis had continued, it would have been the fatal crisis since it seemed impossible to find a solution. One acts much better in such a situation than when one is convinced that the crisis taking place is not the definitive one. *To consider every great crisis as the final one means to seek to use it in a revolutionary sense.* According to Marx, and also according to historical experience, every great social crisis can, in determinate circumstances impossible to foresee, lead to a situation liable to become a fatal crisis."

movement were caught completely unprepared by developments whose causes and results remained incomprehensible. This also explains the impact of German militants connected with the IWW working in the new *Chicagoer Arbeiter-Zeitung* edited by Mattick,⁴⁶ and the Communists' early success in the "unemployed councils." It was within these organizations that the advocates of the "theory of the crisis" were most successful. It was in their educational meetings that their analyses were rigorously developed, as Korsch favorably notes in a letter to Mattick.⁴⁷ There, they undertook a critical re-elaboration of the Luxemburgian thesis, which would later constitute the theoretical platform of the Groups of Council Communists and, after 1934, of their journal, *International Council Correspondence*.

In the meantime, New Deal legislation was being passed. Modelled after the early 1932 Norris-La Guardia Act which had dealt a heavy blow to industrial feudalism, Section 7(a) of NIRA extended the right of collective bargaining—until then the privilege of only a few labor unions—and fixed both the maximum number of working hours and the minimum wage. This law had a far greater impact than did all the public works programs scheduled by the 1932 Emergency Relief and Construction Act. It opened new possibilities far beyond the closed circle of alternatives envisaged by business-sponsored anti-crisis projects based on the theory of self-regulation and by those of AFL unionists that emphasized the 30-hour work-week demand (Black bill).⁴⁸

47. These "unemployed councils" developed within the ranks of 14 million unemployed Americans following a model already developed during the "Little Depression" of 1921-22. For a history seen essentially from the perspective of the communist influence on the "movement of the unemployed," cf. D.J. Leab, "United We Eat: The Creation and Organization of the Unemployed Councils in 1930," *Labor History*, 8:3 (Autumn 1967), p. 300. In the previously cited interview, Mattick says: "At the beginning of 1927 I moved to Chicago where I remained 15 years. At first, I worked as a warehouse man at Western Electric—a large firm with over 50,000 employees. . . . Many of my fellow workers were Germans. In Chicago there was a labor movement, but not in the political sense of the word: it was more along the lines of workers' athletic associations, singing groups, etc., all vaguely socialist-inspired with their own press. In the midst of the cultural circle of the German language which I founded on the model of these associations there arose the idea to revive the old *Chicagoer Arbeiterzeitung*, which had been founded in 1866 by August Speiss and had ceased publication only at the beginning of WW I, after having counted among its collaborators people such as Eugen Dietzgen. We tried to make the journal an instrument of propaganda and political action. . . . For a year we succeeded in bringing out a monthly edition of the journal with a print-run of 2,000 copies. Then, we were forced to cease publication for financial reasons."

47. In exile, after a series of misunderstandings with the "Institut für Sozialforschung" (Horkheimer, Pollock, and Grossmann himself), Korsch began working with the group of *International Council Correspondence*, of which he became one of the most assiduous "academic" collaborators (as Mattick defined him). The correspondence between Korsch and Mattick provides us with valuable information which goes back to the time of Korsch's Danish exile. A selection of letters from 1934 to 1939 has recently been published by M. Buckmiller and G. Langkau in *Arbeiterbewegung. Theorie und Geschichte*, Jahrbuch 2: *Marxistische Revolutionstheorien*, hrsg. von Claudio Pozzoli (Frankfurt am Main, 1974), especially pp. 208-210 (Korsch's letter to Mattick of March 27, 1939).

48. Roosevelt signed the National Industrial Recovery Act on June 16, 1933. Section 7(a) established the workers' "right to organize and to stipulate collective contracts through representatives freely chosen without any interference, restriction or coercion of employers or their

Actually, only the labor struggles that began in the rubber factories of Firestone and Goodyear (the sit-down strikes of 1936-37) and culminated in General Motor's capitulation to the United Automobile Workers,⁴⁹ succeeded in legitimizing collective bargaining. Even though it was constantly boycotted by the appeals of Big Business and NAM to the Supreme Court, this law was eventually reasserted by the Wagner Act of 1935.⁵⁰ Still, Roosevelt's initiative gave a "constructive" imprint to tendencies that were already objectively present in the new working class created by Fordism. As such, it constituted an actual capitalist anticipation of the class adversary, which had appeared on the verge of developing a revolutionary solution to the crisis.

But corresponding to this apparently "anomalous" behavior of the State, there was a similar anomaly in the union movement. Instead of the decadence

agents"; that no worker or unemployed in search of work should be forced to join company unions in order to have a job or forcibly kept out of an organization freely chosen by him; and finally, that employers respect the "maximum work hours, the minimum wage, and the other conditions of employment approved or prescribed by the President" (cited in Irving Bernstein, *The Turbulent Years* (Boston, 1970), p. 34. On the politics of collective bargaining in the New Deal, cf. Irving Bernstein, *The New Deal Collective Bargaining Policy* (Berkeley, 1950); Charles F. Roos, *NIRA Economic Planning* (Bloomington, 1937); H.A. Marquand, "American Trade Unionism and the Roosevelt Regime," in *Political Quarterly*, 4 (October, 1933); R. Moley, *The First New Deal* (New York, 1966); Grant N. Farr, *The Origins of Recent Labor Policy* (Denver, 1959). On company unions, cf. Bureau of Labor Statistics, Bulletin no. 634, "Characteristics of Company Unions, 1935-1937." On the discussion preceding approval of the NIRA, cf. "Investigation of Economic Problems," Hearings of the Senate Finance Committee, 1933, cited in Bernstein, *Turbulent Years*, *op. cit.*, pp. 10-40; also Daniel R. Fusfeld, *The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal* (New York, 1956). The statistics on unemployment and on working hours and wages are dealt with in *Employment and Earnings Statistics for the United States, 1909-1960*, cited in *Turbulent Years*, *op. cit.*

49. Along with the United Rubber Workers and the United Iron and Steel Workers, the United Automobile Workers was one of the first labor unions on the industrial level (then rather weak) which joined the Committee for Industrial Organization. The latter had been formed under the guidance of John Lewis, by the signers of the minority motion boycotted by the 1935 AFL Convention. This motion, which sought the extension of labor union organizations to unskilled workers from large industries and the breakdown of the barriers within various industrial sectors, practically became the CIO program. On this see Walter Galenson, *The CIO Challenge to the AFL: A History of the American Labor Movement 1935-1951* (Cambridge, 1960).

50. NAM, which for many years represented the most progressive wing of big business and which was eventually transformed into the symbol of the struggle conducted by private interest groups against the planning of the New Deal, is discussed in Clarence E. Bonnett, *History of Employer's Associations in the United States* (New York, 1956). For the tormented history of the Wagner Act, cf. Harry A. Millis and Emily Clark Brown, *From the Wagner Act to Taft-Hartley: A Study of National Labor Policy and Labor Relations* (Chicago, 1950); Dean Orlando Bowmann, *Public Control of Labor Relations* (New York, 1942); Joseph Rosenfarb, *The National Labor Policy and How It Works* (New York, 1940); Lewis L. Lorwin, Arthur Wubnig, *Labor Relations Boards* (Washington, D.C., 1935); Joseph Huthmacher, *Senator Robert F. Wagner and the Rise of Urban Liberalism* (New York, 1968). Concerning the conflicts between the legislative activity of the New Deal and the entrepreneurs—who appealed to the Supreme Court—cf. Robert H. Jackson, *The Struggle for Judicial Supremacy* (New York, 1941); Joseph Alsop and Turner Catledge, *The 168 Days* (Garden City, 1962); W.E. Leuchtenberg, "The Origins of F.D. Roosevelt's 'Court Packing' Plan," in *The Supreme Court Review* (1966), pp. 347-500; Richard C. Cortner, *The Wagner Act Cases* (Knoxville, 1964); C. Fahy, "The NLRB and the Courts," in L.G. Silvenberg, ed., *The Wagner Act: After Ten Years* (Washington: Bureau of National Affairs, 1945); C.O. Heegory, *Labor and the Law* (New York, 1961).

and repression that marked its European counterpart, the American labor movement seemed to enjoy one of its brightest moments in the constitution of the CIO (i. e., with the triumph of the long-sought “industrial unionism”). The impressive and radical nature of the sit-down strikes that quickly overran citadels of industrial feudalism such as GM, Chrysler, and U.S. Steel,⁵¹ marked the overwhelming victory of the CIO, whose membership grew, in only one year, from 800,000 to over three million. What this ultimately meant, however, was the complete acceptance of the capitalist laws of exchange by men who, like John Lewis, had directed the great 1937 labor offensive.⁵²

In order to locate the subjective limits of the “objective” radicalism of the 1930 labor offensive, it is important to recall that Lewis was not only one of the major CIO promoters (whose penetration into heavy industry had been financed from the miners’ union treasury), but he was also the only labor leader who broke the social pact upon which the New Deal was based by unleashing “his” miners against the American war machine in the middle of WW II.⁵³ It was this turn of events that led the council communists (through Mattick) to

51. On the struggles against the “steel giant,” often considered a symbol of the monopolistic development of American capitalism, cf. Samuel S. Stratton, *et al.*, *The Economics of the Iron and Steel Industry* (New York, 1937).

52. One need only recall his radio speech of September 3, 1937, to understand the driving principles of the powerful president of the United Mine Workers of America—a man with many years of conservative union management behind him and who did not hesitate to surround himself either with ex-socialists like Sidney Hillman of the Amalgamated Clothing Workers and David Dubinsky of the Ladies’ Garment Workers, or with communists disappointed with the failure of their TULL, in order to keep the labor union alive in the only possible guise, that of industrial unionism. At the peak of the terrible recession that within a year pulverized the illusions aroused by the light recovery of the New Deal, and in the wake of the disastrous conclusion of the bloody strikes against Little Steel, he said, “Contrary to communism, syndicalization presupposes labor relations. It is based on the wage system and fully and wholeheartedly recognizes the institution of property and the right to profit stemming from investments.” On the importance of Lewis’ role, cf. Bernstein, *Turbulent Years*, *op. cit.*; Derby and Young, eds., *op. cit.*; and Saul Alinsky, *John Lewis, an Unauthorized Biography* (New York, 1949). On the great strike against General Motors, cf. Sidney Fine, *Sit-Down, the General Motors Strike of 1936-1937* (Ann Arbor, 1969). For more on the struggles against Little Steel, which represented one of the most turbulent and revealing facets of Roosevelt’s “neutrality” in the struggle between capital and labor, cf. L.F. Budenz, “Strikes under the New Deal,” in Alfred M. Bingham and Selden Rodman, eds., *Challenge to the New Deal* (Freeport, N.Y., 1971). Cf. also *International Council Correspondence*, 5 (June, 1937).

53. On the power struggle between Lewis and Roosevelt as a pretext for the violent labor response to the New Deal’s war demands, cf. Bernstein, *Turbulent Years*, *op. cit.*, especially the chapters “A House Divided” and “End of an Era,” pp. 682-768. Pointing out the subjugation of the worker to the system implied in the organizational methods employed by such labor unions, Mattick wrote in 1939: “Just as the relations of production—to use a Marxist term—by preventing the further development of the productive forces are at source of the present capitalist decline, so the present labor organizations block the full development of proletarian forces as well as any new action seeking to bring about working class objectives. These antagonistic tendencies—proletarian interests on the one hand and those of the dominant labor organizations on the other—have been clearly outlined in Europe when the process of capitalist expansion stopped and the concentration of the economy took on unprecedented dimensions before giving way to fascist rule. But even in America, where the capitalist economy proved to be less strained than in Europe, the old labor leaders (AFL) saw the leaders of the new and apparently more progressive organizations join them to sustain the capitalist class by seeking in every way possible to save this system, even after its social and historical base had evaporated.”

reassert their complete distrust in the emancipatory abilities of unionism, even in its new "industrial" mass guise.

The council communists regarded the American situation as different than the European one precisely because of the persistent vigor of U.S. private capitalism. Although it was not able to initiate an economic recovery along traditional lines, private capital could still obstruct the transfer of the accumulation process to state capitalist foundations, as shown, for example, in the resistance of Ford, Little Steel, and Swift & Co., to unionization. Roosevelt saw the task of labor organizations to lie precisely in overcoming this opposition. Thus, the council communists' task was the reconstitution of the theoretical framework for analyzing the capitalist crisis in view of the structural modifications created by massive state intervention. This entailed a careful re-examination of the "classical" (underconsumptionist) Luxemburgian theory of the collapse.

The syndical and, within the framework of the New Deal, statist outcome of American labor struggles, was evident in their inability to transpose their attacks against the despotic power of "old" private capital in the factories to civil society, now subsumed directly under the accumulation process. This, taken together with the passive resistance of the European masses (with the exception of Spain) to fascism and Nazism, led the council communists to seek *within the logic of capital* and the new epoch-making developments it had brought about, an understanding of the new realities rising from the ruins of 1929. *Within capital* meant *within the crisis*. Only one attempt had been able to go beyond the Luxemburgian approach to the problem of capitalist accumulation as the "materialist" condition for socialism: namely, Henryk Grossmann's book on the law of accumulation and the collapse of the capitalist system.⁵⁴

By taking up the polemic between Rosa Luxemburg and Otto Bauer concerning the Marxist production schemes,⁵⁵ Grossmann had attempted to faithfully reconstruct the Marxian law of accumulation in order to clarify the necessity of collapse inherent in the very mechanisms of capitalist production. By rejecting all "exogenous" explanations of the crisis—from those which, following Tugan-Baranowski's *Studien zur Theorie und Geschichte der Handelskrisen in England*, saw in the anarchy of the capitalist market the origin of crises of "disproportionality" to those based on the hypotheses of insufficient consumption⁵⁶—Grossmann developed a rigorous critique of

54. Henryk Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems* (Leipzig, 1929; reprinted Frankfurt am Main, 1970).

55. Cf. Rosa Luxemburg, *The Accumulation of Capital—An Anti-Critique*, published jointly with Nikolai Bukharin, *Imperialism and the Accumulation of Capital*, ed. Kenneth J. Tarback, trans. Rudolf Dickmann (New York, 1973).

56. M. Tugan-Baranowski, *Theoretische Grundlagen des Marxismus* (Leipzig, 1905). In discussing those theories which derive the crisis either from disproportionality or underconsumption, Grossmann repeated the very corrections and specifications outlined by Ladislaus von Bortkiewicz in his important work, "Zur Berichtigung der grundlegenden theoretischen Konstruktion von Marx im III. Band des *Kapitals*," in *Jahrbücher für Nationalökonomie und*

Luxemburg's *Accumulation of Capital*. Beginning with Bauer's scheme concerning the infinite endogenous possibilities for capitalist development and the exogenous character of the limits on this development — i. e., “working class rebellion”⁵⁷ — Grossmann sought to show how the crisis and the collapse both sprang necessarily from a system “theoretically” void of the difficulties of “realization” that beset Luxemburg's theory of accumulation and imperialism. According to Grossmann, Luxemburg came to her famous “correction” of the Marxist reproduction schemes as a result of a misunderstanding of Marx's own approach.⁵⁸ Having failed to keep in mind both the basic distinction between the mode of research and the mode of exposition explicitly established by Marx in the postscript to the second edition of *Capital*, and the complex relation between essence and phenomenon (and at another level, theory and praxis) implied in the critique of political economy, Luxemburg had committed a fundamental error: that of attributing “objective social existence” to the reproduction schemes. The relations with which Marx had “simply wished to express” (Mattick) the proportion (also manifest at the level of the “two spheres of production and their relations of exchange”) between surplus-labor and labor (surplus-value and value) had been seen by Luxemburg as the numerical “representation” of the capitalist reproductive process. Hence, Luxemburg had not understood the theoretical and cognitive implications of the level on which Marx was operating (the level of total capital [*Gesamtkapital*]), even though she had already stressed that it did not coincide with the “multiplicity of concrete capitals.” Total capital, as that level where commodities are exchanged on the basis of their value and not — as Luxemburg assumed — also on the basis of market prices, presupposed in Marx's account that the realization of surplus-value had already been achieved. In this reproduction scheme, Marx had hoped to express commodity exchange as a necessary presupposition of the capitalist mode of production.⁵⁹

In answering Sternberg's “Luxemburgian” criticism of his work, Grossmann elaborated a whole series of problems at the thorny level of the “transformation of values into prices,”⁶⁰ thus clarifying both his critique of *Accumulation of*

Statistik, July, 1907.

57. Otto Bauer, “Die Akkumulation des Kapitals,” *Neue Zeit*, 31:1, p. 835.

58. Grossmann, *op. cit.*, pp. 79-109. The second chapter of this book is dedicated to the exposition of the methodological presuppositions of the analysis of capitalism.

59. Thus, Grossmann writes: “By itself, the Marxist reproduction scheme and the flow of production and circulation represented therein, do not claim to provide an image of concrete capitalist reality; the scheme is not *immediately* valid for the empirically given mechanisms of production, but only describes a ‘normal’ process of production which unfolds in relation to fictitious simplifying hypotheses and which thus only signifies an examination of *provisional* knowledge, the first step in the process of approximating the process of actual reproduction.” Cf. Henryk Grossmann, “Die Goldproduktion im Reproduktionsschema von Marx und Rosa Luxemburg,” *Festschrift für Carl Grünberg zum 70. Geburtstag* (Leipzig, 1932), p. 153; now in Henryk Grossmann, *Aufsätze zur Krisentheorie* (Frankfurt am Main, 1971), p. 78.

60. Fritz Sternberg, *Eine Umwälzung der Wissenschaft? Kritik des Buches von Henryk Grossmann “Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems.” Zugleich eine positive Analyse des Imperialismus* (Berlin, 1930), and Grossmann's reply in “Die

Capital and his own theory of the crash. Beginning with the "Hegelian" notion of science in Marx as knowledge of the "hidden essence" and of the "internal connections" among empirical phenomena, he constructed an abstract scheme (rigorously tied to the theory of value) of the accumulation process. This necessarily led to the system's collapse because of the falling rate of profits resulting from the rise in the organic composition of capital. This necessary tendency toward capitalism's fatal crisis was not related to any external contingency (as in the exogenous theories of the crisis). Rather, it was rooted in the dichotomous structure of the system's own "cellular form" — the commodity — which entailed the division of abstract labor (that producing exchange-value) from concrete labor (that producing use-value). Grossmann placed this division at the base of the "two-dimensional" character of the critique of political economy.⁶¹ This entailed a "necessary internal connection" of the theory of accumulation, the theory of value and the theory of the crash. Grossmann had sought to trace the "general possibility" of the crisis in the capitalist productive (and reproductive) process alone, free from any external friction. "*The most abstract form of crisis* (and therefore the formal possibility of crisis)," Marx had written, "is thus the *metamorphosis of the commodity* itself; the contradiction of exchange-value and use-value and furthermore of money and commodity comprised within the unity of the commodity, exists in metamorphosis only as an involved movement."⁶² While the relations established at the level of total capital represent an abstraction which is, of course, indispensable for understanding and explaining empirical events, it excludes the labor process. As Marx pointed out: the "*direct relation* of the different component parts of capital to living labor is not connected with the phenomena of the circulation process. It does not arise from the latter, but from the *immediate process of production* and its [expression] is the relation of *constant to variable capital*, whose difference is based *only* on their relationship to living labor."⁶³ Hence, the analysis at the level of total capital can define only the abstract and general possibility of the crisis, without considering its causes. "The *general possibility* of crisis is the formal *metamorphosis* of capital itself, the separation, in time and space, of purchase and sale. But this is never the *cause* of the crisis. For it is nothing but the *most general form of crisis*, i.e., the crisis itself in *its most generalized expression*."⁶⁴

According to Marx, then, the form of the crisis cannot explain how the potential crisis can ever be realized. Being the result of "*changes in prices and*

Wert-Preis-Transformation bei Marx und das Krisenproblem," in *Zeitschrift für Sozialforschung*, I (1932), p. 55; now republished in *Aufsätze zur Krisentheorie*, *op. cit.*, pp. 45ff. In this theory of value, the groundlessness of Sternberg's hypothesis based upon the deduction of value from competition, i.e., its functions at the level where socially necessary labor time is determined.

61. On this, see Henryk Grossmann, *Marx, die klassische Nationalökonomie und das Problem der Dynamik* (Frankfurt am Main, 1969).

62. Karl Marx, *Theories of Surplus Value* (Moscow, 1960), vol. II, p. 509.

63. *Ibid.*, pp. 578-579.

64. *Ibid.*, p. 515.

revolutions in prices," the crises do not coincide with the "*changes in the values of commodities;*" hence, they could not be explained naturally from "the examination of capital in general, in which the prices of commodities are assumed to be *identical* to the *values* of commodities."⁶⁵ Only the "general conditions of the crisis," apart from price and market fluctuations, had to be explained on the basis of the "general condition of capitalist production." But the shift from the form of the crisis to its reality implied a parallel shift from the value to the prices of commodities. Thus, if Luxemburg rightly thought it foolish to expect the collapse of capitalism because of the falling rate of profit, she had not understood the "self-suppression" of capitalist production expressed by this tendential fall (meaning the "value scheme" of capitalist expansion). The latter is the "theoretical precondition" of concrete capitalist reality "based on value but regulated by production prices." According to Grossmann, the primacy of the law of value over the dynamic of commodity prices must be related to the level where the average rate of profit is formed: the "center of gravity" of the entire capitalist world.⁶⁶ Despite the empirically ascertainable "tendency of the rate of profit to level off in the various productive sectors" (confirmed from Ricardo and Malthus up to Böhm-Bawerk), Luxemburg denied the "possibility of transferring a part of surplus-value from section II to section I," and she based her entire theory of capitalist accumulation on this point. At the same time, she held fast to the principle of market-exchange of commodities according to their value and not their production costs. Thus, she could no longer explain "the formation of the average rate of profit within the theory of value." Stubbornly adhering to the theory of value, Luxemburg had in effect abandoned the theoretical foundation of the Marxist system by completely ignoring what she herself had defined as "one of the most important discoveries of Marxist economic theory."⁶⁷

Grossmann's corrections and elaborations of Luxemburg's work allowed Mattick, one of the leading exponents of the American council communists, to construct the theoretical base underlying his analysis of the New Deal and fascism in *International Council Correspondence*.

By discarding the most clearly dated aspect of Grossmann's theory (i.e., his over-evaluation of the importance of the Marxist reproduction schemes),⁶⁸ Mattick was able to rescue its "rational kernel," which he located in the relation between the theoretical model of the crisis, rigorously based on the law of value, and empirical reality "modified" by market mechanisms. In polemics with Korsch's and Pannekoek's "subjectivist" criticism of Grossmann's apparent

65. *Ibid.*

66. Grossmann, "Die Wert-Preis-Transformation," *op.cit.*, p. 59.

67. *Ibid.*, p. 71.

68. Paul Mattick, introduction to Henryk Grossmann, *Marx, die klassische Nationalökonomie und as Problem der Dynamik*, *op.cit.* For a philologically accurate discussion of the Marxist schemes of reproduction, cf. chapter 30 of Roman Rosdolsky, *Zur Entstehungsgeschichte des Marx'schen "Kapital"* (Frankfurt am Main, 1968).

fatalism, Mattick typically introduced the first issues of *International Council Correspondence* with an essay dedicated to Grossmann's work, which in the meantime had become one of the key texts in the council communists' "schools."⁶⁹

By penetrating the complex Marxist framework and rediscovering in the crisis the essence of the capitalist system, Grossmann had succeeded in focusing on the real "practical and theoretical" nexus of Marx's double criticism of capitalism.⁷⁰ If, indeed, the critical and revolutionary substance of Marx's dialectical method was its understanding of the existing state of affairs as well as its inevitable crash—and therefore, "its transient nature"⁷¹—Grossmann's merit was to have deduced "from an understanding, on the level of philosophy of history, of the historically determined and declining character of capitalist production," the "social tendency which realizes this historical tendency, the contradiction between the forces and relations of production."⁷² But if the theory of the crisis "reconstructed" by Grossmann allowed him to discern its historically determined social bases (the relations of production founded on the separation of the producers from the means of production) by cracking the apparent "naturalness" of the valorization process (i.e., the means whereby value is produced), it was subsequently forced, by the same law which it had used to identify the socio-historical essence (the law of value), to take on once again the fetishistic mantle of economic necessity.

The "quantitative" relations Grossmann had used to express the "inexorable" growth of constant in relation to variable capital (by relying on Bauer's absolutely arbitrary figures), referred back to the *social relations* between value and surplus value (between labor and surplus labor), which constitute the very condition of the capitalist accumulation process. Increases in the productivity of labor, the motor of the accumulation process, presupposed the double character of the commodity labor-power, that of having not only an exchange-value but also a use-value. The limits of accumulation—manifested in the market in the form of the problem of the organic composition of capital and, finally, as an *economic* tendency toward a fall in the rate of profit—were related once again to its dependence on surplus-value, in turn limited by the fact that it could only be an effect of surplus-value, i.e., only a part of total labor. In this sense, Mattick could

69. Cf. Karl Korsch, "Ueber einige grundsätzliche Voraussetzungen für eine materialistische Diskussion der Krisentheorie (1934)," now in Korsch, Mattick, Pannekoek, *op. cit.*, pp. 91-100. Cf. also Korsch's review letter to Mattick's *The Inevitability of Communism* in their volume of correspondence, *Arbeiterbewegung . . .*, *op. cit.*, pp. 136-148 (letter of May 10, 1935). For Mattick's article, see his "The Permanent Crisis," *International Council Correspondence*, November, 1934, pp. 10-20.

70. Paul Mattick, "Value Theory and Capital Accumulation," *Science and Society*, 22:1 (1959), p. 10.

71. Karl Marx, *Capital*, Vol. I (Moscow, n.d.), p. 20.

72. Hans-Jürgen Krahl, *Konstitution und Klassenkampf* (Frankfurt am Main, 1971), p. 98. See also Giacomo Marramao, "Theory of the Crisis and the Problem of Constitution," *Telos*, 26 (Winter 1975-76), pp. 143-164.

provide an interpretation different from that of "underconsumption theoreticians," of the famous passage where Marx writes that: "The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces, as though only the absolute consuming power of society constituted their limit."⁷³ The limit to mass consumption could not be cured by any Keynesian political strategy of "social consumption," inasmuch as it was itself bound to the structure of production (i.e., the extraction of surplus-value) and the profit system.⁷⁴

Thus, the opposed grouping underconsumption-surplus-production only expresses the "phenomenology" of the crisis, the essence of which is to be traced in the social relations of production between labor and surplus-labor (value and surplus-value), manifested on the purely economic level as an increase in the organic composition of capital and consequently as the tendency toward a fall in the rate of profit.⁷⁵

Grossmann's merit, then, consisted in having emphasized the revolutionary character of the Marxist method of exposition: it did not merely "reflect"

73. Karl Marx, *Capital*, Vol. III (New York, 1967), p. 484.

74. Two important quotes from Marx support Mattick's reading. In *Capital*, Vol. III, *op. cit.*, pp. 244-245, he writes: "The conditions of direct exploitation and those of realizing it are not identical. They diverge not only in place and time, but also logically. The first are only limited by the productive power of society, the latter by the proportional relation of the various branches of production and the consumer power of society. But this last-named is not determined either by the absolute productive power or by the absolute consumer power, but by the consumer power based on antagonistic conditions of distribution, which reduce the consumption of the bulk of society to a minimum varying within more or less narrow limits. It is furthermore restricted by the tendency to accumulate, the drive to expand capital and produce surplus-value on an extended scale. This is law for capitalist production, imposed by incessant revolutions in the methods of production themselves, by the depreciation of existing capital, always bound up with them, by the general competitive struggle and the need to improve production and expand its scale merely as a means of self-preservation and under penalty of ruin." And to clarify once and for all what Marx meant by the "underconsumption" of the working masses, one need only recall what he wrote in *Theories of Surplus Value*, *op. cit.*, p. 520: "The mere relationship of wage-laborer and capitalist implies: 1. That the majority of the producers (the workers) are non-consumers (non-buyers) of a very large part of their product, namely, of the means of production and the raw material; 2. that the majority of the producers, the workers, can consume an equivalent for their product only so long as they produce more than this equivalent, that is, so long as they produce surplus-value or surplus-product. They must always be *overproducers*, produce over and above their needs, in order to be consumers or buyers within the limits of their needs."

75. In his article, "The Nature and Significance of 'Overproduction'," Mattick writes: "it is generally believed that apparent over-production causes difficulties in selling the commodities produced which, in turn, would lead to a decrease in profits. Actually, constant capital increases more rapidly than profits by limiting profitability and, consequently, by interrupting the expansion of production and the accumulation process. Only in this phase does 'overproduction' become visible and transmit the *erroneous* impression that there is underconsumption. Overproduction is only a concomitant factor of the crisis, *not its cause*, and makes the crisis more acute by provoking a price drop. But even if the capitalists were able to sell the entire 'surplus' of commodities produced, they could not eliminate the crisis. The cause must be sought in a different direction: economic forces determine the degree of exploitation and the prevailing level of technology, and which can be truly (profitably) related to capital fully involved in the exploitation process only if basic changes in the latter's composition can be effected." Cf. "Nature and Significance of 'Overproduction'," *International Council Correspondence*, 5 (June, 1937), p. 28.

empirical reality, but provided a hermeneutic interpretation; it was not mere speculation on real connections, but an active theoretical intervention over them. On the basis of this highly significant epistemological rediscovery, he had built a theoretical model of the crisis able to explain the ambiguities and equivocations which had given rise to positions foreign to Marxism, of the “harmonic,” “neo-harmonic,” and the “collapse” hypotheses related only to the empirical phenomena of circulation.⁷⁶

The accumulation process described by Grossmann was, as Mattick would say later, “the logical result of an implicit line of development referring only to production and capital accumulation in a system where total labor is opposed to total capital. Therefore, it is the logical result of having exposed the means of producing surplus-value and the dynamic behind the accumulation process.” In other words, it is the recognition of a “dominant tendency within capitalist development that forms the basis of the real movement of capital and constitutes the key to its understanding. It serves to demonstrate that all the problems of capital ultimately arise from capital itself, from the production of surplus-value and from the development of the social productivity of labor, determined by the capitalist mode of production itself.”⁷⁷ The theory of value bound to labor time, which is *abstract vis-à-vis* the market but at the same time *concrete vis-à-vis* relations of production, was to be considered an “intellectual construction,” in the special sense of a uniquely theoretical grasp of the “value relations” hidden “behind prices.” “Only an analysis of value,” as Mattick recently said, “allows one to move from the abstract to the concrete, since it can show the connection between relations in the market and the given relations of production by finally clarifying the total process of the capitalist economy.”⁷⁸ As Mattick made quite clear in *The Inevitability of Communism*, we are not faced with “a purely methodological procedure involving a progressive approximation to the difficult to penetrate world of commodities,” but with “an objective foundation of this world,” the keystone of the entire system of the “various forms of capital.”⁷⁹

If the laws outlined in the Marxist model of the logical unity of total capital only point to the historical limits of the capitalist mode of production without indicating in the least the “moment of its dissolution”—as Mattick stressed in reference to Grossmann—they could thus be understood by reference to changes in the market form itself brought about by competition and, above all, by reference to the measures adopted to prevent its final collapse (what Marx listed as countertendencies). Even the capitalist state’s new function of direct intervention in the economy was interpreted as a countertendency aimed at

76. Mattick’s polemical target is mainly Natalie Moszkowska’s *Zur Kritik der modernen Krisentheorien* (Prague, 1935).

77. Paul Mattick, “Krisen und Krisentheorien,” in Paul Mattick, *et al.*, *Krisen und Krisentheorien* (Frankfurt am Main, 1974), p. 56.

78. *Ibid.*, pp. 57-58.

79. Paul Mattick, *The Inevitability of Communism* (New York, 1935), p. 14. Here Mattick is criticizing a work by Sidney Hook, *Toward the Understanding of Karl Marx* (New York, 1933).

blocking the possible collapse entailed by the general crisis that occurred with the attainment of a level of organic composition all out of proportion with the surplus-value usable for purposes of accumulation.

The tendency toward a monopoly state capitalism in the U.S. took on a form that appeared quite different from the form that it took in Europe. The New Deal represented the attempt to integrate labor into a project of supporting demand, in view of Keynes' "low propensity to invest." Although tactfully financed by the State, it was nonetheless strategically advantageous to reluctant private capitalists still imbued with the ideological nostalgia of *laissez-faire*. In Nazism and fascism, however, limits were placed on consumption, labor unions were suppressed, and authoritarian economic planning forced the relaunching of the accumulation process. But in both cases, state intervention in the economy suspended the market's competitive laws by continuing and "nationalizing" a practice already begun by monopolies, thus marking an organic weakness in the capitalist mode of production. As a stagnation in the accumulation process, the crisis could no longer be overcome with classical measures because of the high level of the organic composition of social capital. The "normal" destruction of capital was demonstrated inadequate to lower constant capital and re-establish its ratio with surplus-value. Where the destruction of the use-value of the labor force (fascism) was no longer sufficient or feasible, it had been necessary to destroy capital through the unproductive expense of public works and armaments. As a countertendency, state capitalism *was not able to resolve, but only to raise to a different and higher level*, the contradiction implicit in the capitalist accumulation mechanism. As Marx put it in the third volume of *Capital*: "the same influences which produce a tendency in the general rate of profit to fall also call forth counter-effects, which hamper, retard, and partly paralyse this fall. The latter do not do away with the law, but impair its effect."⁸⁰ After the harsh refutation of Korsch's prediction of a working class explosive response to the maturation of capitalism (represented by fascist, Rooseveltian or Stalinist state planning) and in the face of fascist counter-revolution, Korsch undertook a revision of Marxism which eventually resulted in the Zurich Theses.⁸¹ Mattick, on the other hand, rediscovered in the countertendencies of the New Deal and fascism further confirmation of Marxism's anticipation of the capitalist system's collapse. The differences among the counter-measures adopted by various forms of capitalism were determined by a difference in the intensity of their respective accumulation processes. American "corporate capitalism," less strained than its European counterpart, turned the organized labor movement into one of the hinges of the "new" Keynesian system (based on

80. Karl Marx, *Capital*, Vol. III, *op.cit.*, p. 239.

81. Cf. Karl Korsch, "Ten Theses on Marxism (1950)," *Telos*, 26 (Winter 1975-76), pp. 40-41; cf. also Heinz Langerhans, "The Next World Crisis, the Second World War and the World Revolution," *International Council Correspondence*, 8 (May, 1935), pp. 7-12 and Korsch's reply, "Remarks on the Thesis," *ibid.*, pp. 13-22; and Korsch's "The Fascist Counter-Revolution," *International Council Correspondence*, 2 (Autumn 1940), pp. 29-41.

the "multiplier" effect of state expenditures), owing to the energy that still remained at the disposal of private interest groups.⁸² The public works programs that were adopted after four futile years of trying to overcome the crisis by eliminating value (the concentration and elimination of "minor capital") and mass unemployment, were essentially modified forms of the destruction of surplus-value carried out by diverting it into unproductive channels—"pyramid building"—thus controlling the social tensions resulting from stagnation, without at the same time creating additional capital.

By analyzing the principles of Keynes' *General Theory*, regarded as the "scientific legitimization" of such measures as public works, unemployment benefits, social security, etc., Mattick developed his critique of the Keynesian system of the "mixed economy."⁸³ As has been recently pointed out,⁸⁴ when examined from a rigorously Marxist perspective, Keynes' theory contains a correct intuition along with a "classical" error. He was the only economist among his contemporaries to locate clearly the kernel of the crisis in what he called "the low propensity to invest," which he attributed to the diminished "marginal efficiency" of capital.⁸⁵ By emphasizing the close tie between the idle money and idle men of the crisis and the capitalists' "liquidity preference"—a preference which, moreover, he traced as a constant through the entire history of humanity⁸⁶—he expressed the "natural" connection between the crisis and the fall of the rate of profit which had been identified by Marx with the capitalist process of expansion and accumulation. But he only provided a *tactical* solution to the crisis, anchored on the level of distribution. On the level of capital, however, the Keynesian solution was apparently unable to re-establish the very condition for accumulation, the ratio between additional capital and accumulated capital, on whose fate rests the whole process of capitalist growth. The profitability of capitalist investments is rigidly determined by the amount of capital already invested (accumulated), so that compulsory investments imposed by the State do not by themselves guarantee a productive return. The excess capital which is not "productively" employed during the crisis is exchanged for revenue,⁸⁷ not being able to be exchanged either for constant or variable capital. In other words, it is realized through an exchange for part of the surplus-value produced and not "capitalized." The realization of this revenue, then, comes about at the expense of the

82. Paul Mattick, *Arbeitslosigkeit und Arbeitslosenbewegung in den USA, 1929-1935* (Frankfurt am Main, 1969), pp. 15-43.

83. This critique eventually was fully developed in Mattick's volume, *Marx and Keynes* (Boston, 1969).

84. M. Cogoy, "Les theories neo-marxistes, Marx et l'accumulation du capital," *Les Temps modernes*, 314-315 (September-October, 1972), pp. 396-427, and "Werttheorie und Staatsausgaben," in the collection *Probleme einer materialistischen Staatstheorie* (Frankfurt am Main, 1973), pp. 129-198.

85. Paul Mattick, "Competition and Monopoly," *New Essays*, 3 (Spring 1943), p. 29.

86. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York, 1936), especially pp. 164-374.

87. For the Marxist discussion of rent, revenue and profit, cf. chapters three and four of Vol. I and chapters 16 and 17 of Vol. II of *Theories of Surplus Value*, *op. cit.*

surplus-value already realized in the sectors where there is productive use of capital (an exchange of wage-goods for capital-goods, of constant capital against variable capital). State-financed production, by representing the counter-value of surplus-value not accumulated and appropriated by the state as taxes, is realized by exchanging surplus-value for revenue. Thus, it takes place at the expense of other sectors and at the expense of accumulation in general. Far from resolving the capitalist difficulties of accumulation — curable only through an increase not in total income, but only in that part which can be capitalized for purposes of accumulation — state intervention (apparently antithetical to the law of value) is in the long run destined to intensify the contradictions of the system founded on profit. What has been called the “most serious depression in American history”⁸⁸ emerged in 1937, suddenly reasserting the exigencies of accumulation four years after Roosevelt’s “hundred days” had dissolved any illusion about the miraculous effects of “pyramid building” or the “social pact” signed by John Lewis and U.S. Steel.⁸⁹

The Marxist theory of the crisis as resulting from the tendency of the rate of profit to fall reversed the crisis’ “appearance” in the sphere of circulation by tracing the apparent over-accumulation of capital to an actual lack of accumulation. Thus, it exposed as fraudulent every solution proposing the reabsorption of over-production through an artificial increase in demand generated by public debt. At the same time, the war (i.e., production for classically and exclusively destructive purposes) revealed the truth that the New Deal was subject to the law of value like every other capitalist state. Essentially, the New Deal had paved the way for the development of monopolies by introducing labor unions into large factories and exempting the price of labor-power from the “free laws of supply and demand,” thereby ruining small businesses and encouraging that process of concentration which Marx had seen as an “external coercive law” imposed by the necessities of accumulation. The 1937 crisis showed the inadequacy of eliminating competition at the national level. Thus, the pursuit of super-profits, on which the growth of monopolies is based, had to shift to the international level to construct a comprehensive

88. Goldston, *The Great Depression*, *op.cit.*, p. 245.

89. In “Competition and Monopoly,” Mattick wrote: “If the upswing does not come, the Keynesian methods of stabilizing the system lead to the end of the whole capitalist structure; an end that finds its beginning in complete government control unless what is done on a limited national scale is repeated on the larger plane of the world economy. A greater mass of the world’s surpluses must be brought into fewer hands, so that the victorious monopolies will be able to change the whole process of capitalist production and circulation in such a manner that it yields profits which will enable the further expansion of both constant and variable capital, despite the further growth of the organic composition of capital. . . In each capitalistic nation a lack of capital with regard to the capitalistic social needs of accumulation appears as a surplus in the hands of the competitive and monopolistic entrepreneurs. In a similar manner a shortage of capital with regard to the expansion needs of the world economy appears in each capitalist nation and each monopolistic power bloc as a surplus without profitable investment possibilities within their narrow structures. Hence their attempts to widen the structure, to gain *Lebensraum*, to concentrate the wealth and poverty of the world still further. The New Deal becomes the new world war. Centralization by competition and law changes into centralization by direct force. Unprofitable production and ‘pyramid building’ changes into the destruction of capital by military means.” *Op.cit.*, p. 43.

system of cartels which constituted the only possible structure proportionate to the capital already accumulated.⁹⁰

Given that the amount of additional capital for expansion is determined by the amount of capital already invested, then in order to increase profits, it is necessary to increase the number of workers and to have them work under more profitable conditions. It was at this point that stagnation set in, since inactive capital (regardless of its absolute amount) had turned out to be inadequate in relation to the needs of capitalist expansion. Only a further concentration and centralization could create the basis for overcoming the impasse in the accumulation process. The war revealed the truth of the New Deal also in the sense that it laid bare its authoritarian and strategically anti-labor foundation: the no-strike pledge made to the state by labor union leaders faithful to the regime, the freezing of wages, and the repression of the miners' strike by the National Guard, indicated that the submission of all social productivity to destructive forces had already been accomplished.⁹¹

Monopolization and government control were transforming the American economy into a "guided" economy—i.e., into an economic system where "the mechanical and self-contradictory forces of capitalist accumulation" remained determining factors, while at the same time the monopolistic control of various products and distribution independent of the market was in the process of being institutionalized. This, however, should not be confused with a "consciously directed economy," which is impossible within a system still based on commodity production, i.e., the central form of the crisis itself.⁹²

90. Mattick describes the limits of capitalism intrinsic in the Keynesian pseudo-solution as follows: "mere governmental control of investment certainly cannot increase its volume, which does not depend on attitudes but on abilities. But it does transfer capital from the hands of private capital to those of the government. . . . The war seems, however, to disprove the idea that what is here involved is the mere transfer of capital. . . . The blessings of the New Deal measures in all capitalist nations could be questioned, because nobody can really tell whether or not, sooner or later, business would not have picked up of its own accord and driven the revival further than that presumably created by government action. The spurt in economic activity was too insignificant to be able to prove anything. It went far ahead only wherever 'public works' and 'pyramid building' served, or changed into, war production. And only intensive preparation for, and the final outbreak of, the war led to the desired situation where there was neither idle men nor idle money." *Ibid.*, pp. 40-41.

91. As Mattick put it: "Just like capital accumulation, the war situation, too, masters the capitalists instead of being mastered by them. The war of monopolists becomes more than that. The released forces of destruction enforce changes in the form of the economy which go beyond the control and the desires of the ruling class. . . . To satisfy the demands of war, the capitalists must use more and more of the surplus labor and, finally, more than just the surpluses for purposes of war, which leads, on the one hand, to the accelerated centralization and concentration of capital and power in the hands of the monopolistic government and, on the other, to a decreasing productivity because of the impoverishment of the broad masses who, paid below their value, are no longer able fully to reproduce their 'labor power.'" *Ibid.*, p. 44.

92. Thus, Mattick wrote: "The very nature of capitalist production itself precludes the possibility of producing at will or 'according to a plan.' Neither the individual entrepreneur, the monopolist, nor the government can decide what and what not to produce. Whether they know it or not, all their decisions are determined not by their will to serve themselves and society, but are forced upon them by the development of capital and the social frictions connected therewith. All positive expectations connected with the increase of production and productivity by way of war are

Thus, the elimination of competition did not constitute the overcoming of the law of value over the productive, and reproductive mechanisms of capitalism, but rather its reassertion. From a Marxist perspective, competition could only lead to a pricing of commodities according to which all capital yields the same profit in relation to its magnitude, which, as Marx pointed out, is itself independent from competition. Mattick adds: "But all depends on this magnitude. Capitalism, being production for profit, prospers, stagnates or declines in accordance with the movements of the profit rate. In addition to others, its most important economic difficulty consists in the decreasing profit rate that accompanies the formation of capital. This tendency asserts itself under all the forms that capitalism may assume; it determines to a large extent the changes in form."⁹³

The crux of the various capitalist solutions to the crisis was their necessary submission (independently of their pretense of "rational" planning) to the laws of accumulation, as external coercion to the maintenance of a given relation between constant and variable capital. In their common outcome in war, both "deflationary" (fascism) and "inflationary" (Keynes) solutions demonstrated the strategic inadequacy of interventions exclusively focused on wages (as variable capital) without adequate destructions (lowering) of constant capital. It was not accidental that Keynes, too, by identifying product, income and profit, seemed to ignore, along with the "classics" of political economy before him, the determining importance of constant capital in the formation of profit.⁹⁴

The intrinsically capitalist character of the two "solutions" prevented them from acknowledging the essential *disproportionality* for capitalist development. This disproportionality could not be corrected by government regulation of the various productive and distributive sectors, since it involved the birth, growth and death of capitalism: the disproportionality of development of the two components of capital—variable (wages) and constant (the means of production).⁹⁵ Thus, the war matched two basically similar

based on the illusion that the capitalist system can be regulated consciously, on the false notion that those people who declare war may also assure peace; that those who preside over the chaos of destruction may also bring about abundance for all. To us, however, who proceed from the peculiar laws which determine capitalist development, the present restriction of the social forces of production by way of the progressive destruction of men and materials. . . also removes the last remnants of the old *laissez-faire* structure. And yet, though it appears as if something new has evolved, what is really new concerns only the *form* not the *substance* of capitalism." *Ibid.*, pp. 28-29.

93. *Ibid.*, p. 36.

94. As Marx pointed out: "The production in which the surplus-product is divided between variable and constant capital, depends on the average composition of capital, and the more developed capitalist production is, the smaller, *relatively*, will be the part which is directly laid out in wages. The idea that, because the surplus-product is solely the product of the labor newly added during the year, it can therefore only be converted into variable capital, i.e., only be laid out in wages, corresponds altogether to the false conception that because the product is only the result, or the materialization, of labor, its value is resolved only into revenue—wages, profit, and rent—the false conception of Smith and Ricardo." *Theories of Surplus Value, op.cit.*, Vol. II, p. 491.

95. Mattick concludes: "The means of production belong and remain in the hands of a

systems (the Allies and the Axis). With different tactical tools, both had tried to overcome stagnation by accelerating the concentration process which, in the absence of the "autonomous action of the working class," led necessarily to the most general form of concentration determined by war. If the struggle appeared to be between "monopolism" and "totalitarianism," this was due only to different degrees of difficulty in the valorization process of these respective forms of capitalism. Totalitarianism was the attempt by a weaker monopolistic group to conquer a stronger one in a super-monopolistic way, by concentrating power in the hands of a centralized ruling power. In fact, the monumental obstacles that Weimar's social reformism left in its wake were so great that, when confronted with the 1929 crisis, German capital's only recourse was found in a monstrously aggressive version of the traditional deflationary solution (the *absolute* compression of wages and the frenetic destruction of "minor" private capitals). By focusing on capital's movements (i.e., on the constant relation between their appearance and their essence), Mattick discovered that the task necessary to preserve the theoretical patrimony of the "labor left" lay in the critical effort to tear open the "ideological wrapping" of events apparently entrusted to the exclusive "management" of capital. This fundamental analytical and theoretical attitude toward state monopoly capitalism sets him apart from Korsch during the crisis and the World War.

Mattick grounded the theoretical and cognitive possibility of Marxism in the permanence of the dialectical relation between use-value and exchange-value. At the same time, however, he clearly recognized that the constituted concreteness of the Marxist categories is not attained merely through a process of "reflection," but by returning the given to the concept. By setting itself up, from the crisis onward, as the rupture with the ideological "naturalness" and "eternity" of the capitalist mode of production, Marxism poses class struggle as the possible rupture in the unity between use-value and exchange-value in the commodity labor-power. But the logical and cognitive constitution *does not immediately coincide* with historical constitution: between the two moments there is the autonomy and anticipatory character of theory as the scientific (conceptual) penetration of the "inverted world" of capital.

Meanwhile, in a situation characterized by the absence of any autonomous political action by workers, Korsch had undertaken his revision of Marxism as a "science of the working class," beginning with a reductive conception of theory as mere "reflection" of the "real movement," and of the workers' praxis as "the other face" of the capitalist organization of labor. Starting from these premises, he had predicted a "worldwide workers' revolution" as the

separate class and because of this class-relation in the productive process, means of production appear as constant and labor power appears as variable capital. Because of particular social relations, and for no other reason, the results of previous labor oppose the existing laborers since the former can serve only to exploit them. The growth of wealth in capitalism is the growth of profits which find their way into means of production with which more labor can be exploited and all labor more intensively. Without the division of the products of labor into constant and variable capital, capitalism would not be possible." "Competition and Monopoly," *op.cit.*, pp. 38-39.

“dialectical result” of the fascist intensification of the contradictions between the productive forces and the relations of production.⁹⁶

As a result, to Korsch the unsuccessful revolutionary outcome of the economic crisis and the overcoming by the subject state (fascist and monopolistic) of the old scholastic Marxist separation between economics and politics, seemed to contradict Marxism which had the working class as its very subject.⁹⁷ But the *mechanical* juxtaposition of theory and the empirical dimension on the one hand, and between theory and praxis (“reflection”) on the other, underlying the schematic counterposition between capital and the working class, resulted from Korsch’s failure to root revolutionary theory in the dialectical nature of the commodity form through the critique of political economy. Thus Korsch failed to understand the Luxemburgian lesson (subsequently elaborated by the European left, even if in a contradictory and politically bankrupt way): the location in the commodity-form of labor-power of both the possibility of working class emancipation (progressively becoming the historical subject) and its function as the motor of capitalist development. By not discerning the central character of the *commodity* and its contradictory nature as the *constitutive* moment of capitalist society, he could even claim that Marx’s emphasis on this moment was the source of the historical obsolescence of Marxist theory as the “reflection” of a revolutionary movement which did not pertain either to the present or to the future, but to the past. In other words, for Korsch the Marxist theory of revolution followed the emancipatory model of the bourgeois revolution.⁹⁸

96. Thus, he had written that, just as “the *regulating of the domestic market* through the fascist state-subject Capital actualizes itself on an *international* scale as a sharpened competition which very quickly recoils upon the domestic market as well, so the alleged ‘solution’ of the economic and political tasks of Fascism becomes involved in advance, within the production process itself on the purely national scale, and from the first step onward, in ever new and sharper contradictions. At this place it would have been in order to take up a truly Marxist, materialistically practical analysis of the present and future combinations of world crisis, world war and world revolution, and to proclaim the present struggle of the proletariat in each country and on an international scale against the *here and now* present form of capitalist mastery, and all its expressions, as the single genuine content of the proletarian ‘world revolution’.” Cf. Korsch, “Remarks on the Thesis,” *op.cit.*, pp. 21-22.

97. For a clear discussion of the theoretical limitations of Korsch’s Marxism, see Leonardo Ceppa, “Korsch’s Marxism,” *Telos*, 26 (Winter 1975-76), pp. 94-119; and Gian Enrico Rusconi, “Korsch’s Political Development,” *Telos*, 27 (Spring 1976), pp. 61-78.

98. Karl Korsch, “War and Revolution,” *International Council Correspondence*, 1 (Autumn 1941), pp. 1-14. At the end of a long analysis dealing with the transformations brought about by the “morphology” of capital as a result of the monopolistic and state-capitalist developments triggered by the crisis and the war, he wrote: “The second thing that the workers may be expected to do, once the importance of the change in the basic conditions of capitalist economy has been fully experienced and grasped by them, is to reshuffle their hitherto most cherished revolutionary and class ideas. When Marx described capitalist society as being fundamentally a ‘production of commodities’ this term included for him — and was meant to include for all those who would be able to understand the peculiar ‘dialectical’ slang of the old Hegelian philosophy — the whole of the suppression and exploitation of the workers in a fully developed capitalist society, the class struggle and its increasingly stronger forms, up to the revolutionary overthrow of capitalism and its replacement by a socialist society. This is all right as far as it goes, except that today it should be

The internal dynamic of the World War, in which workers seemed to passively participate, brought about in Korsch an increasingly indifferent and undifferentiating interpretation of a situation leading, no matter who won, to the fascistization of the world and — this is what separated him from Mattick — to an *absolute arrest* of the development of the productive forces.⁹⁹ Even in the absence of an “autonomous working class action,” Mattick chose the terrain of capital to test Marxism’s persistent theoretical and cognitive worth. It is through his efforts that we have pointed and detailed analyses — almost all drawn from capitalist sources such as the *Economist* of London or *Fortune* — the internal struggles of capitalist groups and their resonance on an international level. By rejecting the abstract scheme underlying both the contraposition of a democratic (New Deal) to a reactionary (Axis powers) capitalism and the *immediate* equation under the label “state capitalism” or (Langerhans and Korsch), of the New Deal, Nazism-fascism and Stalinism (which he saw as “different answers to one and the same problem”), Mattick became more and more involved in the analysis of the decomposition and recomposition of the national and international mosaic of capitalist activities. His insistence, criticized by Korsch,¹⁰⁰ on the more diplomatic and political aspects of the extreme war solution to a crisis having no other resolution, permitted Mattick to identify a “worldwide tendency” of capitalist development. By stubbornly stressing the *essential* unity of the fundamental problem (the overcoming of the difficulties of valorization), Mattick forcefully rejected all “millenarian” accounts based on the ideological vision of a Capital as a Moloch having no internal contradictions. (Langerhans and Korsch based on this kind of account their anticipation of a revolutionary break entirely external to capital as the only alternative to total destruction.)

Mattick’s claims that the crisis is not the result of problems in exchange (and therefore, not resolvable by the state regulating the upset world market)¹⁰¹ but the result of the arrest of the accumulation process, entailed a series of important analytical consequences. They enabled one to associate fascist

translated into a less mysterious and much more distinct and outspoken language. But Marx’s emphasis on ‘commodity production’ included something else, and, this time, something that may well have become inadequate for the workers’ fight against the two species of the ‘corporate state’ that exist in the fascist and the so-called democratic countries today. The emphasis on the principle of commodity production, that is, production for exchange, for an anonymous and ever-extended market was at the same time an emphasis on the positive and progressive functions that capitalism was to fulfill by expanding modern ‘civilized’ society all over the world and, as Marx said, ‘transforming the whole world into one gigantic market for capitalist production.’ . . . The workers, in all their divisions, had a big share in those illusions of commodity production and their political expression, the illusions of democracy.” In Karl Korsch, “The Workers’ Fight against Fascism,” *Living Marxism*, 3 (Winter 1941), pp. 48-59.

99. Korsch, “The Fascist Counter-Revolution,” *op.cit.*, pp. 38-40.

100. On this, see Korsch’s letter to Mattick, December 7, 1938, in the correspondence volume, *Arbeiterbewegung . . .*, *op.cit.*, pp. 196-197.

101. For a discussion on the relations between the crisis and the world market, cf. Christel Neustüss, *Imperialismus und Weltmarktbeugung des Kapitals* (Erlangen, 1972), especially pp. 200-210, where there is a critique of Eugen Varga, *Die Krise des Kapitalismus und ihre politischen Folgen* (Frankfurt am Main, 1969).

“extra-economic violence” with the labor organizations of the New Deal accepting and internalizing the “economic” rules of the game, while bringing to light the blind automatism with which total capital asserted itself over particular capitalist groups. On the one hand, the “quantitatively” different level of the mode of accumulation (and corresponding “difficulties” pertaining to it) explained the difference which, on the international level, set the fascist response—based on “return to the extraction of absolute surplus-value” (Sohn-Rethel)—apart from that of the Anglo-American bloc. On the other hand, the “transcendence” of the law of value regulating “total capital” allowed for the clarification of existing conflicts between the various economic interest groups within the capitalist nations struggling with each other.¹⁰²

Linking the internal differences of the dominant capitalist groups with the valorization problems of capital (the cause of the crisis), Mattick succeeded in explaining the relative autonomy of the Rooseveltian and fascist political projects without identifying them with the sum total of particular capitalist wills, revealing their slow and tormented evolution into the “total capitalist brain.”¹⁰³ Of course, it cannot be claimed that in this way he resolved *ante litteram* the problem of the “autonomy” or “heteronomy” of the Nazi regime in relation to the dominant economic forces. Yet, Mattick has provided us with a rigorous theoretical model of the crisis and a useful interpretive key for a Marxist analysis of fascism and, more generally, of the function of the state in late capitalist societies.

102. Cf. Paul Mattick, “The World War in the Making,” *International Council Correspondence*, 6 (November, 1938), pp. 129-139; “The War Is Permanent,” *ibid.*, 1 (Spring, 1940), pp. 1-27, and “Two Men in a Boat,” *ibid.*, 6:1 (Autumn 1941), pp. 47-48.

103. The methodological foundation of Mattick’s analysis can be traced to his emphasis, following Grossmann, on the category “capital in general” (*Kapital im allgemeinen*) as distinct and, on the empirical level, often opposed to “multiple capitals” (*viele Kapitalien*). This criterion allows him to avoid an abstract identification of “state” and “capital,” particularly dangerous when it is a matter of analyzing the specific economic and institutional structure of fascism. As in the case of 1929 Germany, the dominant capitalist groups, reduced by the exhaustion of the “rationalizing offensive”—very far, then, from being integrated into that “state plan” which has recently for the nth time been repropounded as a hermeneutic-historical canon in Karl H. Roth’s volume *Die “andere” Arbeiterbewegung* (Munich, 1974)—were only in agreement on the necessity, but not on the mode of suspending the “free laws” of the competitive market. This is made clear by Alfred Sohn-Rethel’s analyses. His studies on national socialism, recently published in the volume *Oekonomie und Klassenstruktur des deutschen Faschismus* (Frankfurt am Main, 1973) have exceptional historical value since they came out during the period (1928-1936) of his collaboration with the *Mittleuropäischer Wirtschaftstag* (MWT) as an assistant to Dr. Hahn and as a member of the *Redaktionskonferenz der Deutsche Führerbriefe* (the private political and economic correspondence which was founded in 1928 by Otto Meynen and Schacht’s friend, Franz Reuter). From this “exceptional observatory” (as he calls it) closely bound to the “masters of the economy” (high officials of the Reichswehr, the owners of large agricultural businesses, the friends of Hindenburg and Schacht, etc.), Sohn-Rethel was able to follow the activities of the *ökonomische Charaktermasken* represented by the *Wirtschaftsführer* and thus the process which led to that “concentration of large capitalist interests” that in 1933 made possible the arrival of the dictatorship. We cannot consider here the lines of a new and more precise interpretation of the economic and political background of the national-socialist regime that emerge from Sohn-Rethel’s considerations. We will limit ourselves only to emphasizing that his grounding hypothesis—fascism as the *return to an extraction of absolute surplus value*—is based on the general theoretical premises which, while converging with Mattick’s perspective, seem to deny the seemingly always alive hypothesis of a possible “Keynesian alternative” to Hitler’s “Keynesianism.”