

Rosa Luxemburg And The Contradictions Of Capitalism: Imperialism And Capital Accumulation

Ricardo Da Costa Nunes
Ministry Of Finance, Brazil

Abstract:

Background: This article examines the capitalist system and its evolution through the work of Rosa Luxemburg, comparing her analysis with that of Karl Marx. Luxemburg's work differs from Marx's in her belief in capitalism's dependence on external markets. For Luxemburg, external markets are fundamental for realising unconsumed surplus value. As external markets are gradually incorporated into the capitalist system, it is allowed to expand by integrating new territories and economies. At first, this process appears to ease economic pressures by providing outlets for surplus production. However, over time, these markets lose their capacity to absorb the growing surpluses as they become fully integrated into the system. This creates what can be described as a boomerang effect: the solution that temporarily mitigates economic imbalances exacerbates realisation difficulties. As these challenges intensify, the system increasingly relies on imperialist practices to sustain capital accumulation. What initially helps to address surplus production ultimately exacerbates realisation issues, deepening systemic contradictions and further entrenching the need for imperialist strategies. In contrast, Marx focuses on the internal contradictions of capitalism, such as the conflict between capital and labour and the tendency for the rate of profit to fall. This tendency is driven by the rising organic composition of capital, which, in turn, results from competition among capitalists. Both authors highlight that capitalist development involves destroying pre-capitalist modes of production and integrating these economies into the system, driven by the superior productivity of capital compared to earlier forms of production. Thus, the article explores how these dynamics reveal the limits of capitalism, contributing to discussions on its recurring crises.

Key Word: Rosa Luxemburg; Imperialism; Internal Contradictions; Economic Crises; Karl Marx.

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I. Introduction

Capitalism, as the predominant economic system since the Industrial Revolution, is characterised by fostering rapid economic growth, particularly when compared to preceding modes of production, driving productivity increases that have supported population growth and living standards. However, like any mode of production, capitalism possesses an internal logic of development that is historically determined and, as such, is subject to structural transformations that may lead to its eventual surpassing. From a Marxist perspective, no economic system is eternal; all have a beginning, a period of development, and an end.

Over time, numerous thinkers have sought to analyse the characteristics of capitalism and the internal conflicts that drive it, but which also intensify structural tensions, constrain its expansion, and may lead not only to recurrent economic crises but also to the system's collapse. Karl Marx and Rosa Luxemburg stand out among these authors, offering complementary perspectives on the logic of capital accumulation and the crises arising from its structural contradictions. Marx focuses on the relationship between the organic composition of capital, mechanisation, and the tendency for the rate of profit to decline. On the other hand, Luxemburg broadens the discussion by examining the role of imperialist expansion and external markets in the capitalist system's survival. Both perspectives highlight capitalism's inherent contradictions, which explain its recurring crises and expose its structural limits.

For Luxemburg, imperialism is not merely a stage of capitalism but an essential characteristic. The conquest of new markets and the maintenance of existing ones are fundamental to sustaining capital accumulation and ensuring the system's survival. This dependence on external markets reflects the insufficiency of effective demand, as internal markets cannot absorb all the production generated.

Capitalism, in its operational logic, creates a structural mismatch between production and consumption, which Rosa Luxemburg identifies as one of its principal contradictions. This imbalance arises from factors intrinsic to the system. On the one hand, workers, who are the primary creators of value, receive wages insufficient to consume the entirety of the production generated, thereby limiting internal demand. On the other hand, capitalists,

whose consumption is confined mainly to luxury goods, channel the majority of surplus value into capital accumulation, expanding production without generating sufficient demand to absorb it.

This contradiction is exacerbated by the advancement of production driven by the relentless pursuit of surplus value. At the same time, internal demand (from workers and capitalists) fails to grow at the same pace. To address this insufficiency of internal demand, the capitalist system relies on expansion into external markets, which absorb production surpluses and enable the realisation of surplus value. However, this solution is only temporary, as incorporating non-capitalist markets into the system merely reproduces the original problem, intensifying the contradictions and bringing capitalism closer to its structural limits.

This article aims to analyse capitalism's structural contradictions from the perspectives of Karl Marx and Rosa Luxemburg, emphasising Luxemburg's interpretation of imperialism as a continuous and intrinsic necessity of the system. The study explores how dependence on external markets, the tensions between rising production and limited consumption, and imperialist dynamics contribute to recurrent economic crises.

In addition to the introduction, which outlines the context and objectives of the article, the text is structured into four main sections. The first section, titled Capitalism and Its Structural Contradictions, examines the contradictions of capitalism from Karl Marx's perspective, highlighting the tendency for the rate of profit to fall, the impact of mechanisation, and the historical separation between workers and the means of production. The second section, Rosa Luxemburg and Capitalist Expansion explores Luxemburg's ideas on imperialist expansion and the significance of external markets for capital accumulation, including her reflections on the role of non-capitalist economies. The third section, Crises as Manifestations of Capitalism's Contradictions, analyses recurring economic crises, understood as manifestations of the system's internal and external tensions, drawing on the contributions of Marx and Luxemburg. Finally, the fourth section, Crises and the Limits of the Capitalist System discusses how these structural contradictions bring capitalism closer to its limits, emphasising the difficulties of continuous accumulation and the depletion of external markets.

II. Capitalism And Its Structural Contradictions

Historical Transformations of Capitalism

These tensions, analysed by Karl Marx (2017) and Rosa Luxemburg (1970), arise from capitalism's structural dynamics. While Marx highlighted internal contradictions, such as the tendency for the rate of profit to fall and the conflict between social classes, Luxemburg expanded this analysis by exploring the system's external limits, such as its dependence on non-capitalist markets. Both approaches demonstrate that capitalism, despite its capacity for adaptation, carries inherent elements that lead to its self-destruction. For Rosa, capitalism would be replaced by socialism.

Over time, various thinkers have sought to understand the dynamics and internal conflicts that drive and limit capitalism's expansion. Karl Marx and Rosa Luxemburg stand out, offering complementary perspectives on the logic of capital accumulation and the crises that stem from its structural contradictions.

The capitalist economy is governed by economic laws that emerged independently, without any conscious intervention from society. The capitalist mode of production is characterised by its singular focus on profit, prioritising capital accumulation over social needs. In Marxist thought, this mode of production is defined by the confrontation between two fundamental classes: the owners of the means of production, intent on increasing their wealth, and the free workers, who, lacking ownership of the means of production, are compelled to sell their labour power in exchange for wages.

The end of serfdom was made possible because it aligned with the interests of capitalism, allowing for greater extraction of surplus value from workers while adapting to the new system, which required wage payments and transformed workers into consumers. In this new system, consumption became socially stimulated, which did not exist under feudalism. To meet this new dynamic, there was a reduction in the cost of goods, often accompanied by standardisation and simplification of products. Items that artisans once crafted began to be mass-produced by workers specialising in segmented tasks, diminishing the individual skill applied to each product. This specialisation of labour also facilitated the inclusion of more individuals in the labour market, as the simplification of tasks enabled the employment of less skilled workers.

This mode of production is distinguished from others by its intrinsic tendency to expand worldwide, standardising economic forms and integrating them into a single world economy¹. To achieve this, capitalism employs international trade and colonial conquests to integrate less developed countries into the world economy. Capitalism has demonstrated greater productivity compared to previous modes of production.

This higher productivity enables nations to aspire towards capitalism. As a result, countries tend to become interdependent producers and consumers, integrating as parts of a unified economic system. Capitalist

¹ On the other hand, Max Weber (2001) argues that traits of economic rationality and other capitalist aspects were present in earlier societies but considers modern capitalism a specific historical phenomenon shaped by cultural and institutional factors such as the Protestant ethic and formal law.

nations continuously expand their production and capital accumulation in their search for new external markets, thereby enlarging the capitalist sphere. However, this progressive expansion gradually reduces the availability of new markets, bringing capitalism closer to its structural limits and highlighting its dependence on non-capitalist spaces. In this sense, capitalism reveals itself as a system ontologically defined by inherent contradictions that point towards its eventual exhaustion.

Karl Marx(2005)'s analyses suggest that the internal contradictions of capitalism, such as the tendency for the rate of profit to fall and the recurring cycles of economic crises, are rooted in the logic of capital accumulation. However, as the system expands worldwide, it also exposes external limits that deepen these contradictions, particularly in its reliance on external markets and non-capitalist spaces. These external dependencies highlight the systemic tensions within capitalism, as its global expansion not only perpetuates internal conflicts but also accelerates the exhaustion of new markets, ultimately intensifying the structural challenges inherent in its mode of production.

Rosa Luxemburg and the Limits of Capitalism

Rosa Luxemburg builds on Marx's analysis by emphasising that capitalism depends on the exploitation of non-capitalist markets for its survival. Her approach highlights how the mismatch between capital accumulation and the realisation of surplus value cannot be resolved within the system but can only be delayed by incorporating new territories and external economies. This perspective broadens the understanding of capitalism's structural limits, revealing the tensions between its global expansion and its long-term sustainability.

Rosa Luxemburg (1970) argues that one of capitalism's central contradictions is the gap between capital accumulation and the realisation of surplus value. Technical progress and productive forces increase production capacity, but this exacerbates capitalism's internal contradictions, intensifying the disparity between production and consumption. This imbalance, driven by the concentration of wealth and restricted consumption, arises because workers, the primary value creators, receive insufficient wages to purchase all the goods produced.

The Marxist thesis holds that the development of capitalism is accompanied by a tendency for the rate of profit to fall. This phenomenon occurs because, as more advanced machinery is introduced to replace labour, the organic composition of capital increases: investment in constant capital (machinery, equipment, raw materials) grows relative to variable capital (labour). According to Marx (2005), only labour creates value, while machinery merely transfers the value of constant capital to the final product. The introduction of machinery, while increasing productivity and, in some cases, absolute surplus value, reduces the proportion of living labour in the production process, thereby affecting the rate of profit.

Rosa Luxemburg (1970) questions the logic of accumulating capital merely for accumulation, arguing that such practice lacks economic rationale, particularly if the goal is to realise only part of the surplus value. According to Luxemburg, this dynamic merely exacerbates the contradictions of the capitalist system rather than resolving them.

This structural conflict drives capitalists to seek more efficient production methods, such as introducing machinery to reduce labour costs and increase productivity. However, this process intensifies the mechanisation of labour. As Marx states:

The colonies secured a market for expanding manufactures and, thanks to monopoly, an accelerated expansion. The wealth seized outside Europe through plunder, slavery, and massacre flowed back to the metropolis, where it was transformed into capital. (Marx, 2005, p. 868)

As a result, recurring crises of overproduction and underconsumption emerge, reflecting capitalism's structural inability to balance production and consumption. These crises expose the system's internal contradictions, which are only temporarily alleviated by the exploitation of external markets.

In this context, Rosa Luxemburg's perspective contradicts the notion that capital possesses an unlimited capacity for expansion, highlighting the structural limits imposed by the contradiction between accumulation and realisation. This belief overlooks the system's internal contradictions, particularly the mismatch between rising production and the limited capacity for consumption. Luxemburg emphasises that the root of capitalist crises lies in the system's own dynamics, where unbridled expansion intensifies tensions and accelerates the exhaustion of external markets. Thus, crises are not isolated episodes but manifestations of a system confronting its structural limits.

Rosa Luxemburg argues that capitalists consume not only consumer goods but also capital goods, which are essential for the reproduction of the economic system. However, she cautions against interpretations that radicalise this critique, such as those of the Russian populists, known as the Narodniks, who claimed that an economy could function without consuming consumer goods, provided there was growing demand for investment goods. For the Narodniks, who were especially active in the 19th century, Russia could avoid the hardships of capitalism by preserving rural communes (mir) as the foundation of a socialist society. Representatives of this movement, such as Herzen (1861), who emphasised the importance of alternative development to capitalism; Nikolai Chernyshevsky (1863), with his reflections on social organisation; and Mikhail Bakunin (1870/1873),

who advocated decentralisation and the revolutionary role of the peasantry, upheld the feasibility of a non-capitalist economy.

Even in the absence of cohesive economic organisation among individual producers, and despite the lack of any plan for economic activity, the development of human labour productivity—the foundation of all civilisational progress—remains assured.

When capitalists invest, they hire workers and produce capital goods, generating unrealised demand surpluses. As the economy expands, a realisation crisis may arise at some point, tending to worsen as capitalism develops.

Rosa Luxemburg explains the self-destructive nature of capitalism. According to her, this dynamic is unsustainable because, without consuming consumer goods, entrepreneurs would lack the incentive to invest, undermining the economic system's functionality. This critique also reflects a tension with Marx's model of expanded reproduction. Luxemburg believed Marx proposed an indefinite expansion of capitalism; however, she failed to recognise that, in his analysis, Marx began with equilibrium conditions as a methodological starting point to uncover the fundamental laws of capitalism before advancing his critique. Thus, Rosa Luxemburg highlights the complexity of capitalism's contradictions while underestimating the dialectical and analytical approach employed in Marx's analysis.

In her book *The Accumulation of Capital*, Rosa Luxemburg offers explanations of imperialism through the analysis of the capital accumulation process. For Luxemburg, imperialism's economic foundations were embedded in capital accumulation. She analyses how capitalism, in its relentless pursuit of capital accumulation, becomes trapped in a circular dynamic that intensifies its internal contradictions. Expanded production, driven by surplus value accumulation, demands that capitalists continuously reinvest in expanding the means of production. However, this expansionist logic encounters structural limits, as the system cannot fully realise the value it generates, leading to periodic economic crises.

In this context, Luxemburg emphasises that accumulation is not merely a technical or economic issue but a process that exacerbates the capitalist system's fundamental contradictions, pointing to its unsustainability.

Rosa Luxemburg examines the scheme of expanded reproduction as a fundamental tool for understanding the capital accumulation process, as Miglioli (1981) notes. Through this analysis, she identifies the need for demand capable of absorbing the growing production resulting from capital accumulation. According to the scheme of expanded reproduction, capitalists use surplus value for both consumption and the accumulation of capital—accumulation being understood as the purchase of additional means of production. In this context, the scheme of expanded reproduction becomes essential in determining the conditions necessary for the accumulation process to succeed, highlighting the internal limitations of capitalism in balancing production and consumption. As Luxemburg states:

The conditions for accumulation that we have outlined are nothing more than the conditions without which accumulation cannot occur. (...) An additional condition is required to ensure that accumulation can actually take place and production can expand: effective demand for goods must also increase. (Luxemburg, 1970, p. 131)

III. Rosa Luxemburg And Capitalist Expansion

For Rosa Luxemburg, capitalist expansion is deeply linked to the relationship between the capitalist system and external markets. This dynamic reflects an attempt to temporarily resolve capitalism's structural contradictions. Thus, analysing the interactions between internal and external markets becomes essential to understanding the foundations of this expansion.

The Role of Internal and External Markets in Capital Accumulation

According to Rosa Luxemburg, the distinction between internal and external markets is fundamental to explaining capital accumulation and the capitalist system's expansion mechanisms. The internal market consists exclusively of capitalist sectors, where all goods and inputs are obtained and consumed within the system itself. In contrast, the external market is composed of non-capitalist social spaces whose function is to absorb capitalism's surplus production, provide scarce resources in the internal market, and offer additional labour to sustain production.

An essential feature of this distinction is that transactions between capitalist sectors, even between countries, are classified as internal market operations. Conversely, dealings involving non-capitalist sectors belong to the external market, even within the same national territory. Luxemburg emphasises that this differentiation is not merely geographical but is based on the nature of the economic relationships.

External markets play a critical role in the capitalist dynamic, acting as mechanisms to create demand, supply resources, and provide essential labour to the system. They are responsible for absorbing the surplus value that is neither consumed nor reinvested in the internal market, while also supplying natural and material resources unavailable within the capitalist economy. Additionally, they fulfil the important function of meeting the demand for additional labour, necessary to sustain production expansion in the capitalist system.

For Luxemburg, the survival of capitalism is intrinsically tied to the exploitation of external markets. However, she acknowledges a theoretical scenario in which these markets would not be required: if capitalists acted as a single, unified investment class, they could accumulate capital at the volume necessary to absorb the unconsumed portion of surplus value. In such a scenario, the capitalist system could reproduce itself exclusively within the internal market, without relying on non-capitalist spaces. Yet, in practice, this homogeneous coordination among capitalists does not occur due to the internal contradictions and structural limits of capitalism, making external markets indispensable for postponing economic crises.

However, as external markets are progressively incorporated into the capitalist system, they lose their ability to perform these functions. Expansion into non-capitalist markets temporarily resolves crises of overproduction and underconsumption, but as these economies are integrated into the capitalist system, capitalism exhausts the possibilities for further expansion. This process intensifies the system's contradictions and exposes its structural limitations.

Imperialist Expansion as a Temporary Solution

As a temporary solution to the contradiction between production and consumption, Rosa Luxemburg argues that capitalism seeks to expand into external markets, exploiting non-capitalist economies such as colonies and traditional economies to realise surplus value. However, this strategy does not resolve the system's contradictions; on the contrary, it exacerbates them by intensifying its structural problems. As these economies are progressively integrated into the capitalist system, the possibilities for further expansion diminish, exacerbating the system's internal limitations.

Imperialism emerges as a means of conquering and securing external markets, playing a central role in the logic of capitalist expansion. It not only creates demand for goods produced in the internal market but also establishes a dependency between external and internal markets. The arms industry contributes to the expansion of capitalist economies by absorbing part of the unrealised surplus value and supporting the maintenance of external economies, thereby safeguarding the interests of imperialist countries. This dynamic reflects capitalism's strategy of seeking temporary solutions to its structural contradictions, delaying economic crises by incorporating new regions into the system while intensifying its internal limits and tensions.

Rosa Luxemburg offers a new perspective on imperialism, arguing that it is not merely a characteristic of a mature phase of capitalism but a continuous and intrinsic process of its development. According to her, conquering new markets and preserving those already incorporated are essential for capital accumulation and the system's survival. Imperialist conflicts also tend to escalate increasingly in the search for new markets. Thus, imperialism does not emerge as an exceptional phenomenon but as a necessary expression of capitalism's structural contradictions.

This analysis highlights capitalism's structural dependency on external spaces, which, despite providing temporary relief, do not eliminate the system's fundamental contradictions and reinforce its unsustainable nature in the long term.

Imperialist Struggles and Structural Limits

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IV. Crises And Limits Of The Capitalist System

Capitalists accumulate capital and, by doing so, expand production. To realise (sell) this expanded production, they must accumulate even more by acquiring a larger volume of means of production. Consequently, the capitalist economy moves in circles—ever larger circles. Since capitalists act as a class, Rosa Luxemburg contends that they cannot accumulate capital merely to realise a portion of the unconsumed surplus value, as this would only expand production and exacerbate economic problems (Miglioli, 1981). Thus, Luxemburg criticises the idea of accumulation as an end in itself, highlighting the economic and structural limitations that render this practice unsustainable in the long term.

Adam Smith (2006) observes that the desire for wealth is not limited to its economic utility but is deeply connected to the social prestige it confers. The author writes: “The rich man glories in his riches because he feels that they naturally draw upon him the attention of the world” (Smith, 1759/2006, p. 85). This analysis illustrates how the drive to accumulate transcends productive logic, encompassing the pursuit of social distinction and recognition.

For Marx (2005), capitalists belong to a class defined by the ownership of the means of production and a shared objective of maximising surplus value. However, this class is characterised by constant competition among its members. While they share general interests, such as defending private property and maintaining conditions for capital accumulation, capitalists compete with one another to reduce costs, innovate, and capture markets. This paradoxical dynamic—unity in general interests but division in economic practice—drives the introduction of new technologies and intensifies labour exploitation.

This competition leads to the adoption of machinery to increase productivity and reduce production costs, particularly in the confrontation between capital and labour. Capitalists strive to produce at the lowest possible cost, and introducing machinery replaces workers with equipment, often harming those unable to adapt, resulting in market displacement. However, rather than decreasing the organic composition of capital, mechanisation intensifies its tendency to increase. In Marx’s analysis, the growing mechanisation of the labour process reflects an inevitable dynamic of capitalism, simultaneously deepening the system’s contradictions, especially the falling rate of profit.

It is important to note that, for Marx, only labour creates value. Replacing workers with machines reduces the proportion of labour in production, which impacts the generation of surplus value. In the long run, this process contributes to the tendency of the rate of profit to fall, one of capitalism’s central contradictions, ultimately leading to its collapse over time.

V. Conclusion

The article examined the contradictions of capitalism from the perspectives of Rosa Luxemburg and Karl Marx, emphasising the system's internal and external limits. The tendency of the rate of profit to fall, dependence on external markets, and the cyclical nature of crises illustrate the unsustainability of capitalism. These analyses highlight the contradictory nature of the system, whose logic of continuous accumulation is unable to balance growing production with the structural limitation of consumption.

Rosa Luxemburg argues that imperialism is not merely a mature phase of capitalism but a continuous and intrinsic feature of its development. Conquering new markets and preserving existing ones are presented as indispensable conditions for capital accumulation and the system's survival. According to Luxemburg, *the effective demand for goods also has to increase* (Luxemburg, 1970, p. 131), underscoring the structural dependence on external markets as central to the capitalist dynamic. However, as these markets are progressively integrated into the system, capitalism approaches its limits, exacerbating crises and accelerating its eventual exhaustion.

These reflections remain relevant in the contemporary context, characterised by new forms of economic imperialism, growing inequalities, and recurring financial crises. The analysis of capitalism's structural contradictions helps to understand current phenomena, such as market instability, wealth concentration, and the exploitation of resources in peripheral countries, which continue to reflect the tensions described by Marx and Luxemburg.

Thus, the ideas of these thinkers not only illuminate the limitations of the capitalist system but also provide a theoretical basis for the formulation of more sustainable and equitable alternatives. Their insights continue to inspire the projection of solutions to the economic and social challenges we face today, pointing to the need to rethink the logic of accumulation and the mechanisms that perpetuate inequality and crises.

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