

# 7

## When Science Meets Revolution: The Influence of Rosa Luxemburg on Oskar Lange's Early Project (1931–1945)

*Roberto Lampa*

### 7.1 Introduction

Oskar Lange's great breadth of interest (in the period 1931–1945) has generally been interpreted as evidence that he was an eclectic economist who cherry-picked between marginal analysis and Marxian economics. However, a consistent and alternative interpretation becomes possible once we take into account that mainstream economic theory and Marxian economics constituted two halves of a unique scientific project which included a relevant critical dimension.

In light of such a premise, this chapter aims first to review the main contents of Lange's scientific (and critical) project and to investigate both its foundations and sources of inspiration. In particular, we are going to develop the (so far) unexplored relationship of Lange's works with those of Rosa Luxemburg, as many clues suggest that – notwithstanding their analytical differences – they share a similar perspective on both the scope and the political implications of economics.

In more detail, in Section 7.2 we expound the features of Lange's scientific and critical project. In Section 7.3 we suggest that Rosa Luxemburg's general beliefs about the role of science in the revolutionary strategy – as expressed in *Introduction to Political Economy* – represented a crucial source of inspiration for such a project. In Section 7.4 we perform a comparative analysis between Lange's theory of crisis (and under-consumption) and Luxemburg's theory, contained in *The Accumulation of Capital*. In Section 7.5, by means of

an unpublished manuscript in the National Archives in Chicago, we highlight the influence played by several of Rosa Luxemburg's works (*Reform or Revolution*, *The Junius Pamphlet*, 'What Does the Spartacus League Want?' and *The Russian Revolution*) on Lange's political and socialist theory. Finally, in Section 7.6, we draw some conclusions about the relationship between the two authors, and also with respect to the existing literature.

## 7.2 Deglamourising Oskar Lange's eclecticism

In the first and western part of his life (which ended in 1945), Oskar Lange published an impressive amount of works<sup>1</sup> dealing with economic theory, Marxian economics, welfare economics, socialist theory, politics, statistics and even medieval economic history.

Such an incredible breadth of interest, together with the long-lasting absence of any detailed and comprehensive analysis of his body of literature of the period – except for a series of influential but also synthetic judgements expressed by Prof. Tadeusz Kowalik (1964b, 1994 and 2008) – has resulted in a widespread *common sense* among economists. Accordingly, Lange is simplistically regarded either as an eclectic economist who alternated between neoclassical economics and Marxian analysis (Becker and Baumol, 1952) or as a syncretic marginalist who randomly mixed up Marshallian and Walrasian tools at his convenience (Lendjel, 2001).

In the writer's opinion, neither if these interpretations are convincing, since they completely ignore many textual evidences provided by Lange himself and they do not explore any connection *between* his works. Thus, they inevitably reduce – by means of a truism – this author's complexity into mere syncretism. Furthermore, according to accepted wisdom, it could even be argued that Lange was a sort of Jekyll and Hyde, incapable of reconciling his several personalities corresponding to the different branches of his economic investigation.

Fortunately, many clues suggest that it is possible to provide an alternative and consistent interpretation.

First of all, it is useful to recall a crucial passage included in Lange's 1964 Biography (Kowalik, 1964b). Notwithstanding it was part of his *festschrift* and, therefore, may legitimately be regarded as a 'controversial' source, to us it remains an important document, as it was reviewed and approved by Oskar Lange himself, who was still alive at the time. Talking about the years from 1931 to 1945, the author described his entire body of literature of the period as an attempt to criticise traditional

theory – albeit ‘from the inside’ of its disciplinary boundaries – due to its complete lack of any realism:

Lange sometimes compares [the theory of automatically obtained economic equilibrium] [...] with the case of an ape’s writing the text of the Encyclopaedia Britannica while pounding the keys of a typewriter [...] is it worthwhile to take into account such a highly unlikely contingency? (Kowalik, 1964b: p. 6)

In light of such an eloquent statement, there is no option but to determine, *ex-post*, both the existence and the features of Lange’s critique on traditional theory, as well as to study the role of each of his most outstanding contributions to this particular extent.

In previous works, we have already suggested a detailed answer to these crucial questions (Lampa, 2010, 2011). This notwithstanding, it is worthwhile both to recall and to re-formulate the main results of our investigations.

In June 1935, Lange published the article ‘Marxian Economics and Modern Economic Theory’ on a method which aimed to reconcile his most outstanding issues of research, that is Marxian economics and marginal analysis.

Tacitly assuming that economics is both a social and a theoretical science, his solution consisted of a complementary use of these paradigms, as they deal with two interdependent fields of economic analysis. In fact, marginal analysis investigates the abstract and ‘objective’ (that is, independent of any institutional data) dimension of this discipline, whereas Marxian economics focuses on the ‘macroeconomic’ level of analysis, assuming the existence of a capitalist economy and specifying its actual (dis-)functioning:

The superiority of Marxian economics in analysing Capitalism is not due to the economic concepts used by Marx [...], but to the exact specification of the institutional datum distinguishing Capitalism from the concept of an exchange economy in general. (Lange, 1935: p. 201)

With this idea in mind, a year later Lange finally defined his ambitious research project in the article ‘The Place of Interest in the Theory of Production’.

At first sight, it is essentially a *scientific* project, whose first stage is to rewrite the traditional theory of both capital and interest (in order to

correct their fallacies). Afterwards, the second stage would have been the introduction of money within such an upgraded framework:

- only after the theory of interest has been established independently of the effects of money creation can a satisfactory elucidation of the influence of money creation on interest and production be achieved. (Lange, 1936a: p. 159)

However, once he has clarified the abstract and objective purposes of any theory of interest (that is the rational allocation of capital resources), Lange introduces the institutional datum represented by a capitalist economy. In this way, he is able to show that capitalist economy is the worst instrument to achieve the abstract goals of the highly economic theory, since capitalism is actually characterised by a chronic scarcity of capital as well as by a permanent sub-optimal allocation of capital resources, whose intensity is measured by the rate of interest:

as the rate of real interest is an index of the distance of the allocation of the original resources from the allocation maximising net output of the economic system, so the rate of interest on money capital is an index of the distance of the methods of production actually employed from the methods of production which maximise profit for all firms simultaneously. (Lange, 1936a: p. 177)

As a consequence, Lange was able to set the stage for an alternative proposal, represented by the well-known socialist model included in 'On the Economic Theory of Socialism'. Not coincidentally, this article was published in the same year and contained an explanation of the superiority of socialism expressed (also) in terms of the better allocation of capital resources, as saving is performed 'corporately' by a Central Planning Board and not in accordance with consumer preferences.

In other words, by means of an original symbiosis of economic and socialist theories (the two blades of his scissors), Lange aimed to cut any tie between neoclassical economics and its implicit defence of capitalism, widely considered as the best *possible* economic organisation by orthodox economists.

Therefore, his *scientific* project (that is, a critique of mainstream economics from the inside) finally revealed a *critical* dimension of the 'present state of things' as well; its authentic motives, rather than being abstract or idealistic, are clearly aimed at the radical transformation of society.

Despite the analytical distance, in 1938 Lange reaffirmed the validity of this project in 'The Rate of Interest and the Optimum Propensity to Consume', in which he re-formulated his theory of interest along Keynesian lines (Toporowski, 2005: p. 189; Lampa, 2011: pp. 20–22). Also in this case, the work is divided into two parts, depending on the level of abstraction. The first section is based on an abstract analysis (with a generalised theory), whereas the second deals with the case of a capitalist economy, stressing the disturbing role of such an institutional datum in order to achieve the highly abstract purposes of the economic theory. Not coincidentally, 'On the Economic Theory of Socialism' was re-published the same year, in order to provide an alternative institutional solution.

To a great extent, the same rule also applies to the second stage of Lange's scientific project, represented by the 1942 'Say's Law: a Criticism and Restatement', together with the 1944 *Price Flexibility and Employment*.

By way of simplification, in the former Lange showed the abstract conditions of validity of Say's Law, given an equilibrium price system and a barter economy. However – recalling Malthus and Marx – Lange emphasised that once we introduce the existence of a capitalist economy (in his mind, non-neutral money), such conditions are no longer sufficient to attain monetary equilibrium, so that Say's Law will no longer hold and unemployment will arise.

In a similar way, in *Price Flexibility and Employment* Lange first isolated the abstract (and narrow) conditions under which price flexibility is able to automatically restore full employment. This notwithstanding, as he developed the book he provided a sort of 'treatise on the infinite causes that prevent such a market mechanism to operate in a capitalist economy', thus emphasising the necessity of a radical social transformation, namely a transition to socialism.

Finally, as further evidence for the existence of a scientific and critical project, it is worth mentioning that in 1945 Lange published 'The Scope and Method of Economics'. He had intended it to be the first chapter of a broader and systematic treatise on political economy, based on assumptions other than traditional ones. In other words, it represented an attempt to provide a *pars construens* directly related to the previous critique on neoclassical economics (Kowalik, 1964b: p. 11). Not coincidentally, the article contains many themes recurring from the preceding works, such as the definition of economics as both a social and a theoretical science or the objective validity of the abstract dimension of economics and the crucial role played by institutions on a macroeconomic level.

We can thus sum up that in the period in question Lange focused on the traditional theory, providing a (mild) criticism from the inside, and aiming at generalising its assumptions. On the other hand – on a macroeconomic level – he recurrently focused on the destabilising role of capital accumulation, and attacked the validity of both Say's Law and price flexibility in a monetary economy. Along these lines, he stressed how long-lasting sub-optimal functioning can, in a capitalist economy, easily become both a plausible and an enduring scenario.

In other words, according to Lange, economic theory itself demonstrates the necessity of institutional change; the most evident reasons for socialism are provided by Science, that is by the abstract and universal purposes of the economic theory.

### 7.3 Rosa Luxemburg as a source of inspiration

The discourse developed in the previous section culminated in an important statement: not only did Oskar Lange have a detailed *scientific* project, but such a project also included a radically *critical* dimension. In short, we may even argue that Lange's intention was that 'science meets revolution'.

Inevitably, once we adopt this turn of interpretation it becomes necessary to investigate any possible source of inspiration.

First, the unusual commingling of (revisited) traditional theory, critique of capitalism and reasons for socialism brings to mind the well-known 'socialist calculation debate'. More precisely, after his 1936 article 'On the Economic Theory of Socialism', Lange clearly showed that he had taken up the gauntlet of Mises (but also of Barone and Pareto), reversing the logic of his attack against socialist economies.

From this perspective, as Lange had already proven to be a fine connoisseur of the Austro-Marxist debates (Waldenberg, 1985: pp. 907–912), one may even suppose that he was aware of the previous (and unsuccessful) counter-attacks to Mises' challenge, such as those by Otto Neurath (*Wesen und Wert der Sozialisierung*) and Karl Polanyi ('Sozialistische Rechnungslegung', Marramao, 1977: p. 57 and note 148, p. 125).

This notwithstanding, Lange's combination of Science and Revolution should bring to mind at least another inevitable reference, represented by the works of his fellow countrywoman Rosa Luxemburg.

In the first place, it is commonly accepted that according to the latter all political activity must be based on scientific knowledge, as socialism would have succeeded only if it had been possible to prove *scientifically*

both its superiority and capitalism's irremediable contradictions (Frölich, 1972: p. 152).

However, a deeper investigation of Luxemburg's works reveals further analogies with the essentials of Lange's project, even more striking.

In Chapter 1 ('What is economics?') of her *Introduction to Political Economy*, Luxemburg focused on the relationship between Marxist theory and a particular branch of science, namely economics.

In her mind, it was fundamental to study bourgeois economics in depth rather than ignoring it, since economic science and Marxism shared an unusual 'reciprocal relation'. In fact, the critique of political economy provided by Marx should be interpreted essentially as a 'continuation' of the science of economics, which led to opposite conclusions:

The Marxian doctrine is a child of bourgeois economics, but its birth costs the mother's life. In Marxist theory, economics finds its perfection, but also its end as a science. (Luxemburg, 1970[1925]: p. 248)

According to Rosa Luxemburg, such a reciprocal relation between Science and Marxism arose for two interdependent reasons.

First, after the Paris Commune the bourgeois economists realised that their faith in a future of 'natural social harmony' was completely detached from reality. Thus they became incapable of understanding the real tendencies of capitalism and therefore of developing the scientific contents of economics any further. From this perspective, their contribution to the advancement of the discipline, as a result of its lack of realism, was not even up to the heritage of the 'founding fathers' of economics, like Smith and Ricardo.

As a consequence, bourgeois economists eventually became an obstacle to the improvement of the (economic) *scientific knowledge*, as they limited themselves to an ideological defence of the status quo, regardless of any *scientific* justification:

Unable to comprehend the teachings of their own great forebears, and even less to accept Marxist teachings [...] the bourgeois professors serve up a tasteless stew made from the leftovers of a hodge-podge of scientific notions [...] they try only to send up a smoke screen for the purpose of defending capitalism as the best of all economic orders, and the only possible one. (Luxemburg, 1970[1925]: p. 249)

On the other hand, through the Marxian theory, scientific knowledge finally became the guiding principle of the revolutionary working class.

Such a special bond between economics and the working class had two crucial implications: firstly, scientific knowledge became the necessary 'basis of the proletarian enlightenment'. Secondly and foremost, the working class became the only 'receptive audience' for scientific economics.

In other words – just like Oskar Lange – Rosa Luxemburg emphasised the strict connection between science and the struggle for socialism. On this basis, she is also of the persuasion that economics clearly shows the necessity of a social revolution or, to paraphrase the previous section, that the most evident reasons for socialism are provided by economic science:

Forgotten and forsaken by bourgeois society, scientific economics can find its listeners only among class-conscious proletarians, to find among them not only theoretical understanding but also concomitant action. The famous saying of Lassalle is applicable first and foremost to economics: 'When science and the workers, these two opposite poles of society, shall embrace, they shall crush in their arms all social obstacles. (Luxemburg, 1970[1925]: p. 249)

It seems superfluous to highlight the similarity between Rosa Luxemburg's beliefs and the foundations of Oskar Lange's project (as set out in the previous section), since both authors emphasise the need for a close relationship between intellectuals and activists, that is between science and revolution.

In this respect, the aforementioned contents of *Introduction to Political Economy* may even be enough to account for a certain familiarity of Lange with Luxemburg's work.

This notwithstanding, we must recognise that any textual evidence explicitly showing Lange's reference to the book is actually missing. Therefore, at this stage of the analysis, our parallelism necessarily remains a conjecture – although a very plausible one – and it still does not amount to proof.

In order to provide an evidence-based assessment of this relationship, in the following two sections we will portray Lange's unquestionable knowledge of (and reference to) almost the whole body of literature of Rosa Luxemburg, both on the economic and on the political ground.

#### **7.4 Accumulation, underconsumption and the reformulation of Rosa Luxemburg's issues**

In her most prominent work – *The Accumulation of Capital* (1913a) – Rosa Luxemburg raised three crucial and consistent issues related to



capitalist dynamics. Stated schematically, they consisted of the process of the valorisation of capital, the need for enough effective demand and the existence of an incentive to accumulate (Bellofiore, 2009a: p. 1).

But after Lenin's harsh rejection of the book, it was blasted by her critics, who, in addition, limited themselves to a purely negative appraisal: since the solution provided by Rosa Luxemburg contained some mistakes, the Marxist readers were generally persuaded that it was not worthwhile to go into depth to answer the questions posed by the Polish intellectual. As a consequence, no scholar except Otto Bauer dealt seriously with its crucial contents until the late 1920s (Kowalik, 1971: p. 147).

Certainly, it was not the case with Oskar Lange, whose works clearly reveal his interest – largely comparable to Kalecki's or Paul Sweezy's – in some of the problems addressed by Rosa Luxemburg. However, his interest is to a large extent hidden, as it did not imply a complete acceptance of all her propositions, neither did it determine the use of the same analytical tools, essentially for two reasons.

In the first place, Lange did not share the same attitude towards the Marxian theory of value. After noting several unsolved analytical problems, he made a clear distinction between the *quantitative* and the *qualitative* aspects of the Marxian 'law of value' (Cavalieri, 1995: p. 24). Further, he ignored any issue connected to the *measure of value* (on the economic ground) and substituted the neo-classical theory of value for the labour theory of value (Lange, 1944: note 2, p. 383; 1945: p. 132), in consequence of its analytical superiority.

Therefore, Lange also ignored the problems connected with the process of the valorisation of capital raised in *The Accumulation of Capital*.

Secondly, and for similar reasons, he did not develop Rosa Luxemburg's analysis of the declining trend of relative wages – and, therefore, of the insufficient level of aggregate demand – as an explanation for underconsumption. To a great extent, this depended on the Walrasian tools adopted by Lange, which prevented him *ipso facto* from elaborating any theoretical improvement of a similar idea, such as the principle of effective demand or the underemployment equilibrium provided by Michał Kalecki and John Maynard Keynes.

This notwithstanding, Lange got closer to the spirit of *The Accumulation of Capital* at least with regard to the third issue raised by Rosa Luxemburg: the pivotal role played by both the accumulation of capital and investment in the capitalist crises.

Similarly to Luxemburg, Lange did not think simplistically that in a capitalist economy crisis originates from disproportionalities, but he

was persuaded that disproportionalities are related to the very dynamics of capitalism. Of course, given the (Walrasian) analytical framework adopted, his explanation necessarily implied a reformulation of Luxemburg's problem on an allocative level, as expressed in the traditional terms of equilibrium and disequilibrium.

In greater detail, Lange repeatedly stated that the instability of capitalism comes from the quasi-permanent disequilibrium of the capital goods market, which is in turn induced by the accumulation of capital. In his 1936 article 'The Place of Interest in the Theory of Production', Lange emphasised the disruptive role played by accumulation within capitalist dynamics.

Assuming a Marxian notion of capital meant an essential pre-requisite to production ('a command over means of production'), he attacked the traditional belief that a capitalist economy is always characterised by a perfect saturation with capital, so that any increase in saving automatically implies an increase in investment. Lange believed that capitalism is actually characterised by a chronic shortage of money capital, at least in the short term, and that the very existence of a positive rate of interest clearly indicates the scarcity (that is the sub-optimal allocation) of money capital. Theoretically speaking, it may be legitimate to assume a perfect saturation with capital only in the long term, presupposing a decisive role played by accumulation in this respect:

The accumulation of capital provides the bridge between short-period equilibrium and long-period equilibrium in the theory of interest. (Lange, 1936a: p. 191)

Nonetheless, he emphasised that the path to long-term equilibrium is actually an obstacle race or, even worse, an *anarchic* law of capitalist expansion. As the annual accumulation of capital is but a small fraction of the existing stock of capital, this movement might be of a secular type. Besides, it could slow down further because of business cycles, extension of the durability of equipment and/or time lag.

Rather than an episodic event, the contents of this article reflected Lange's firm belief that the accumulation of capital constituted an unsolvable and disturbing process within capitalist dynamics. As further evidence, a few years later Lange stated his deepest convictions, drawing even more unquestionable conclusions:

'Now, the reason [...] why full employment under capitalism really takes place only during short periods and then which are alternated

by periods of large-scale unemployment and depression [...] *is exactly the fact that capitalism has no definite criteria according to which the accumulation of capital would be regulated.*' [...] there is a certain element of truth in the doctrine about the anarchy of capitalist production and the element of truth is [...] exactly the question of capital accumulation'. (Lange, 1987[1942]: pp. 14–16, emphasis added)

Given this premise, in 1938 Lange was finally able to elaborate a theory of underconsumption. His exposition began with a critique of the idea that total income can be slightly increased by means of an expansion of either investment or consumption. According to Lange, the real issue of any theory of underconsumption should be, instead, that 'investment depends on consumption'.

At a first sight, this remark seems to be addressed solely to Keynes, in light of the contents of his *General Theory* (for example the 'euthanasia of the rentier'). However, on a prophetic note, Lange mentioned another unexpected and 'prominent' intellectual interlocutor:

Few underconsumption theorists ever maintain that *any* saving discourages investment. [continued in note] The most prominent among those who did so was Rosa Luxemburg in her famous book *Die Akkumulation des Kapitals*. (Lange, 1938: p. 23 and note 2, p. 23)

So Lange is explicitly acknowledging that *The Accumulation of Capital* is an important source of inspiration. We can see that starting from Rosa Luxemburg's misunderstanding, he provided an alternative exposition of the problem of underconsumption. In his mind, the immediate effect of an increase in the propensity to save (that is a decrease in the propensity to consume) is a decrease in consumption, accompanied by a decrease in investment and total income. Subsequently, the decreased level of the rate of interest stimulates investment, consumption and total income. Therefore, the real issue of his underconsumption theory becomes the determination of the *optimum propensity to consume*, so as to balance the two aforementioned effects and to maximise both investment and total income (Lampa, 2011: p. 11).

However, in a capitalist economy the anarchic character of either the accumulation or the allocation of capital resources prevents the attainment of an optimum propensity to consume, so that underconsumption and crisis can plausibly become a long-lasting scenario:

In a society where the propensity to save is determined by the individuals, there are no forces at work that keep it automatically at its optimum, and it is well possible, as the underconsumption theorists maintain, that there is a tendency to exceed it. (Lange, 1938: p. 32)

Thus, Lange did not share Luxemburg's assumption that entrepreneurs operate like individual 'collective capitalists'<sup>2</sup> whenever they have to set out the level of investment. Like Michał Kalecki (D'Antonio, 1978: p. 23), he was persuaded that crisis originates from the *individual decisions* of saving and investment. Along this line, the irremediable instability of capitalism becomes strictly related to the separation between *social* and *individual* in the sphere of both production and consumption.

In other words – given the common point of departure, that is the anarchic character of capitalist accumulation – the whole analysis of underconsumption developed by Lange can be interpreted (also) as an attempt to both reformulate and answer some crucial issues previously raised by Rosa Luxemburg in *The Accumulation of Capital*. As further evidence, one may add that he also introduced – at the second stage of his project – non-neutral money, just as Rosa Luxemburg tried to do in her famous book (Bellofiore, 2004b).

Furthermore, 'young' Lange's specific attention to Rosa Luxemburg's review of the reproduction schemes of the Second Book seems to be unquestionable, once we take into account that at the age of 57 he provided the very first exposition of a general theory of reproduction along Marxian lines (Kowalik, 1977: p. 137).

## 7.5 Socialism as an act of revolutionary courage

### 7.5.1 The critique of the reformist socialists

The influence of Rosa Luxemburg becomes self-evident once we investigate both the political assumption and the implications (in terms of socialist theory) of Lange's project.

Starting from the former, we note that in 1931 – during his speech at the VII Conference of the Polish Left-Socialist Youth (ZMSA) – Lange had already exalted Rosa Luxemburg's *Reform or Revolution*, defining it as 'the best manual in Marxist politics' (Waldenberg, 1985: p. 909, originally in Italian). Rather than being a mere appraisal, this judgement actually anticipated Lange's reception of much of the book's contents.

In the first place, it is useful to recall that Luxemburg had clearly stated that the monopolistic and 'senile' phase of capitalism would have

implied a severe exacerbation of its crises, because of the greater anarchy of both production and consumption:

Cartels aggravate the antagonism existing between the mode of production and exchange by sharpening the struggle between the producer and consumer [...]. They aggravate, furthermore, the antagonism existing between the mode of production and the mode of appropriation by opposing, in the most brutal fashion, to the working class the superior force of organised capital, and thus increasing the antagonism between Capital and Labour. (Luxemburg, 1986[1900]: ch. 2)

Given this premise, Rosa Luxemburg harshly condemned both the analysis and the strategy of the German reformist socialists, particularly Eduard Bernstein, according to whom monopolies and cartels had attenuated the internal contradictions of capitalism, thus implying a progressive organisation of the production:

In other words, when evaluated from the angle of their final effect on capitalist economy, cartels and trusts fail as 'means of adaptation'. They fail to attenuate the contradictions of capitalism. On the contrary, they appear to be an instrument of greater anarchy. They encourage the further development of the internal contradictions of capitalism. They accelerate the coming of a general decline of capitalism. (Luxemburg, 1986[1900]: ch. 2)

In a similar way, Lange laid strong emphasis on the disturbing role of cartels and trusts, in a series of works published in Poland in the early 1930s. In 'The Role of the State under Monopoly Capitalism' (1931), he emphasised that the monopolistic mutation of capitalism was the main cause of the 1929 breakdown, which would probably represent the final collapse of capitalism.

However, the similarity with Luxemburg's analysis is even clearer in 'The Way to the Socialist Planned Economy'. In the first section, Lange (together with Marek Breit) wrote an eloquent analysis of the breakdown of capitalist economies:

capitalism has transformed itself from freely competing capitalism into monopoly capitalism in which production is regulated by cartels, trusts and syndicates, by large banks, and by the state. [...] Not being a planned economy, monopoly capitalism removed the competition

which, to some extent, acted as a substitute for planning in a capitalist economy, automatically adjusting production to the potential market. In this way, monopoly capitalism created economic chaos, which manifests itself in the increasing intensity and length of crises. (Toporowski, 2003: p. 52)

Furthermore, it has to be emphasised that the work was part of a broader political document entitled *Economics, Politics, Tactics, Organization of Socialism* and proposed by the Left-wing minority during the XXIII Conference of the Polish Socialist Party (PPS), held in February 1934. In the prosecution of this discourse Lange explicitly attacked<sup>3</sup> the most prominent reformist socialists of those days, such as Kautsky and Hilferding, because of their conviction that monopoly capitalism was an organised and 'embryonic socialist planned economy'. In contrast, he explicitly acknowledged Rosa Luxemburg as the only genuine follower of Marx's original doctrine among the socialists (Toporowski, 2003: p.55).

Evidently, her effect on Lange's critique of the reformist socialists was both unequivocal and strong; an unpublished manuscript from the National Archives in Chicago<sup>4</sup> also reveals that Lange completely agreed with Rosa Luxemburg's analysis of the First World War. In particular, he explicitly stated that *The Junius Pamphlet* was the clearest exposition of the connection between war and imperialism playing a crucial role in the emergence of the conflict. However, the reformists who voted in favour of the war credits completely missed this crucial relationship:

The World War (1914–1918) destroyed the Second International and flung its parts against each other. [...] world politics at this time was dominated by Capitalist imperialism and, consequently, each war was to become a link in the major chain of imperialist struggles, whatever its original social and political character might have been. [...] This recognition was expressed most clearly by Rosa Luxemburg in her pamphlet condemning the war policy of the majority of the German Socialists [continue in footnote] *The Crisis of German Social Democracy* [...]. (Lange, 1936–1944: pp. 36–36a)

### 7.5.2 Against bureaucratic socialism

Lange's agreement with many of the political issues raised by Rosa Luxemburg inevitably determined that his socialist theory was also influenced by his fellow countrywoman, at least with regards to three crucial aspects.

First, he emphasised on many occasions (1936b, 1987 [1942]) the importance of a resolute transition to socialism, in order to prevent a reaction by the capitalists on both political and economic grounds (for instance, by means of damage or sabotage to the expropriated productive plants) similar to those that had taken place in the USSR.

His beliefs were fairly effectively summed up in a definition of socialism as 'a policy of revolutionary courage' and 'not an economic policy for the timid' (Lange, 1936b: pp. 135–136). Far from being a voluntarist deviation from Marxism (as resoluteness follows from a scientific analysis of the economic conjuncture), in the writer's eyes these statements clearly echo the emphasis on action that we can trace in Rosa Luxemburg's programme of the *Spartakusbund*, published on 14 December in *Rote Fahne* and entitled 'What Does the Spartacus League Want?'

In a crucial passage about the transition to socialism, Rosa Luxemburg remarked upon the risk of a capitalist reaction and she emphasised the consequent necessity of a steadfast determination:

The imperialist capitalist class [...] will mobilize heaven and hell against the proletariat. It will mobilize the peasants against the cities, the backward strata of the working class against the socialist vanguard; it will use officers to instigate atrocities; it will try to paralyze every socialist measure with a thousand methods of passive resistance; it will force a score of Vendées on the revolution; it will invite the foreign enemy [...] All this resistance must be broken step by step, with an iron fist and ruthless energy. The violence of the bourgeois counter-revolution must be confronted with the revolutionary violence of the proletariat. (Luxemburg, 1971[1918]: section III)

From this perspective, it seems superfluous to highlight the analogy with Lange's emphasis on 'revolutionary courage' in order to attain a successful transition to socialism.

Second, a recurrent issue of Lange's socialist theory was represented by his firm distinction between *collectivisation* and *socialisation* of the production.

It was particularly in 'The Economic Operation of a Socialist Society' (Lange, 1987[1942]) that he introduced a detailed explanation that a collectivist economy is simply a system in which production is carried out by public institutions, whereas a socialist economy means that any economic activity is accomplished so as to maximise the welfare of the population. Therefore, in order to attain genuine socialisation, it becomes crucial not only that the ownership of the productive units

be public, but also that any productive unit must be autonomous to operate 'according to certain recognized economic principles' (Lange, 1987[1942]: p. 5), in order to maximise the welfare of all citizens. Above all, Lange remarked that the main risk is related to political interference by the government or the Party (or both) in the direction of the productive units, as they can easily induce a deviation from their guiding principles for no good reason. In opposition, he emphasised that production should be under 'direct democratic control' by, for instance, adopting the proposals of the German Socialisation Commission of 1919, which had (unsuccessfully) suggested a system of socialised enterprises controlled by a council composed of consumers, employees and representatives of the planning agencies.

This reference provides an important clue that reveals much about Lange's source of inspiration, since the Socialisation Commission represented an attempt to shift the German Revolution in a radical direction, supported by both the left-wing socialists and the *Spartakusbund* and generally obstructed by the social democrats (Lutz, 1967: pp. 168, 247). Luxemburg too had explicitly proposed both the socialisation of the production and the creation of enterprise councils in the aforementioned *Spartakusbund* programme (Luxemburg, 1971[1918]: section III, par. III).

Third and foremost, Lange further developed this latter issue in a series of works explicitly criticising the Soviet Union. On economic grounds, he remarked upon the bureaucratic functioning of the Soviet economy in 1934, assuming that 'every economic system exists for people, rather than people existing for it' (Toporowski, 2003: p. 65). He suggested that the Soviet economy should have adopted a series of different basic principles, in order to improve the condition of the people. Along this line, in 'Marxian Economics in Soviet Union' (1945) he harshly criticised the Russian economists on the basis that their 'economic theory does not yet provide an adequate guide for the management of the soviet economy' (Lange, 1945: p. 133).

However, the aforementioned (unpublished) manuscript in the National Archives in Chicago reveals that Lange's critique of the USSR was much broader, shedding new light on the influence played by Rosa Luxemburg in this respect.

In fact, Lange stressed that in the Soviet Union bureaucratism had many negative consequences, not solely on economic activity, but extending also to public life and individual freedoms.

In Marxist terms, Lange assumed that such negative consequences depended on an alleged dichotomy between the dictatorship of the



proletariat and political democracy; however, as clearly evidenced by Rosa Luxemburg, there must be no contradictions between these two ideas:

Rosa Luxemburg wrote of the 'dictatorship' of the proletariat: 'This dictatorship consists in the manner in which democracy is employed, not in its abolition.' Thus the idea of the 'dictatorship' of the proletariat [...] does not stand in any contradiction to political democracy. On the contrary, it is an affirmation of the utmost readiness to defend democratic political institutions by all means. In no case does it involve a restriction of democratic liberties, except the liberty to overthrow democracy by force. (Lange, 1936–1944: p. 18)

In the opposite case, the whole system would degenerate into a bureaucratic dictatorship. From this perspective, it goes without question that according to Lange the Soviet Union clearly represents an outstanding and negative example of such a socialist society, which suppressed political liberties in the name of the 'dictatorship' of the proletariat:

In no case does the 'dictatorship' of the proletariat, as understood by Marx and Engels, imply the subjection of all political life to the monopoly of one party, the political power of which is irrevocable and not subject to democratic control. The legal existence of all political parties which accept the democratic rules of the game and their full participation in political life is inseparable from the concept of 'dictatorship' of the proletariat, as conceived by the Socialists. Otherwise it would degenerate into a bureaucratic dictatorship of a single political party over all, including the proletariat, and finally lead to the totalitarian rule of a small clique or even of a single person, *which has actually happened in the Soviet Union*. (Lange, 1936–1944: pp. 18–19, emphasis added)

Finally, Lange explicitly quotes his source of inspiration, adding a large extract from Luxemburg's *The Russian Revolution* which eloquently sums up his discourse, emphasising the importance of individual freedom, especially in a socialist society:

In her pamphlet on the Russian Revolution, written in 1917, Rosa Luxemburg denounced the Bolshevik distortion of the 'dictatorship of the proletariat' in the following words: 'Freedom only for the supporters of the government, only for members of one party – however

numerous they may be – is no freedom. Freedom is always freedom for those who think differently' [...] 'It is nothing else than the dictatorship of the proletariat' [...] 'Yes, dictatorship. But this dictatorship consists in the manner in which democracy is employed, not in its abolition' [...]. (Lange, 1936–1944: pp. 19–20)

We can thus conclude that the analysis of Lange's unpublished manuscripts clearly reveals the influence played by Rosa Luxemburg, both on political and on socialist grounds. On the other hand, it certainly reinforces the idea of a broader relation between Lange's project and several issues previously raised by Rosa Luxemburg.

## 7.6 Concluding remarks

The analysis developed in this chapter can be interpreted as both a restatement of Oskar Lange's early beliefs and a reconstruction of his sources of inspiration.

With respect to the first point, we have shown that in the period 1931–1945 Lange set up a scientific and critical project. In short, he initially focused on traditional theory, providing a criticism from the inside aimed at generalising its assumptions. Following these lines, he subsequently argued for the sub-optimality of capitalist economies and he endorsed Socialist revolution.

We have also, however, suggested that such an unusual connection between 'Science' and 'Revolution' reflects the influence of Rosa Luxemburg's works on Lange. First, we highlighted his reformulation of some economic issues previously raised by Rosa Luxemburg (accumulation of capital; underconsumption). Secondly, in an unpublished manuscript in the National Archives in Chicago we found evidence of Lange's appraisal of much political analysis provided by Rosa Luxemburg, as well as of her influence on Lange's socialist theory.

We can thus conclude that, together with the Austro-Marxists, Rosa Luxemburg emerges as a crucial source of inspiration for Lange's body of economic and socialist literature, in the period in question.

In turn, this result contributes to a clarification of the 'heterodox' (that is, neither Kautskian nor Leninist) features of Lange's Marxism. From this latter angle, this chapter's contents implicitly put into perspective the main conclusions of the existing literature, which have largely emphasised the non-Marxist roots of Lange's socialist theory (for example Chilosi, 1999).

## Notes

1. More precisely, Lange published over 42 works (Kowalik, 1964b: pp. 651–653).
2. Rosa Luxemburg originally set out this idea in her book *Reform or Revolution*: 'the economic notion of "capitalist" no longer signifies an isolated individual. The industrial capitalist of today is a collective person composed of hundreds and even of thousands of individuals. The category "capitalist" has itself become a social category. It has become "socialized" – within the frame-work of capitalist society' (Luxemburg, 1986[1900]: ch. 6).
3. This critique was partly anticipated in 'O Pracy Engelsa *Rozwój Socjalizmu od Utopii do Nauki*' ('On Engel's work *Utopian Socialism, Scientific Socialism*') (1933).
4. Through private correspondence with the author, Prof. Tadeusz Kowalik affirmed that he had no access to the manuscript during his last visit in Chicago, dated 1996. The quotations from the following manuscript can therefore be considered the first ever published from the archive; through them, the author wishes both to pay homage to Prof. Kowalik and to (modestly) prosecute his extremely valuable work. The author also wishes to thank Daniel Mayer (Associate Director) and the Special Collections Research Center, University of Chicago Library, for their valuable support to the present research.