

6

Finance and the Realization Problem in Rosa Luxemburg: a ‘Circuitist’ Reappraisal

Riccardo Bellofiore and Marco Passarella

Introduction

The aim of this paper is to show that Rosa Luxemburg’s analysis of capitalist accumulation is framed within a ‘circuitist’ macroeconomic reading of capitalism as a monetary production economy. The strengths and the limits of her approach are to be found elsewhere than suggested by the usual criticisms, especially those advanced by Marxists authors. Rosa Luxemburg cannot be reduced to the uncertain theoretical status of an ‘under-consumptionist’. On the contrary, she presents a clear (although incomplete) picture of the macro-monetary and sequential working of the capitalist process.

This chapter is organized as follows. The next section examines Luxemburg’s comments on how the enlarged reproduction scheme is introduced in Volume II of Marx’s *Capital*. The third, fourth and fifth sections summarize, first, the orthodox attack by Bukharin, and then the more sympathetic interpretations provided by Michał Kalecki and Joan Robinson. The sixth and seventh sections emphasize the affinities and differences of Luxemburg’s circuitist perspective with the contemporary theory of monetary circuit. The eighth section concentrates on the problem of the monetization of profits and interests. Some conclusive remarks are provided in the last section.

Luxemburg’s criticism

From October 1907 and until October 1914 Luxemburg taught political economy and economic history for the Social Democratic Party School (Krätke, 2009). Luxemburg intended to publish her lectures as a book,