On Nikolai Bukharin’s Interpretation of Marx’s Scheme of Expanded Reproduction

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Abstract: There have so far been very few criticisms of Lenin’s and Bukharin’s interpretation of Marx’s scheme of expanded reproduction. This article, therefore, attempts a critical discussion of their views. As a result of the author’s analysis, he finds that Lenin’s interpretation is quite close to Say-Ricardo theory and has no connection with Marx’s problem to be solved through the use of his scheme of expanded reproduction. Bukharin’s interpretation is based on a breach of the principles of Marx’s theory of surplus-value and accumulation of capital. First, Marx’s major principles associated with the discussion are clarified, and then Bukharin’s interpretation is checked against these principles which Bukharin should accept if he regards his interpretation is in accordance with Marx’s theory. The author agrees with Rosa Luxemburg that there are no buyers for the surplus product to be accumulated in “pure” capitalist society in the light of Marx’s theory of surplus-value and accumulation of capital.

Key words: Lenin; Bukharin; Marx; Rosa Luxemburg; scheme of expanded reproduction; surplus-value; accumulation of capital

Introduction

It might be useful for us to begin by examining the controversy regarding the subject of this article, to clarify the problems we are going to handle.

As Rosa Luxemburg pointed out in The Accumulation of Capital, Section II: Historical Exposition of the Problem, there has been a long lasting controversy regarding accumulation of capital. It started as the controversy between Sismondi-Malthus v. Say-Ricardo-MacCulloch and ended when the “legalist” Russian

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Marxists such as Struve, Bulgakov and Tugan Baranovski achieved a victory over the “populists” such as Vorontsov and Nikolayon.

According to Luxemburg, the central problem has been consistent from beginning to end—that is, who are the buyers and consumers of the surplus product in expanded capitalist production? Sismondi maintains that accumulation of capital is impossible because he could not find the buyers of the surplus product for accumulation. While Ricardo and Say insist that as goods can be bought one for the other, there will be no difficulties for the possibility of accumulation. According to them, we need only go on producing more and more. It is obvious that Ricardo and Say can maintain this only by leaving the circulation of money out of consideration and applying a barter system to the capitalist production.

Luxemburg says it is a contribution of Tugan Baranovski to introduce Marx’s scheme of expanded reproduction into the controversy, and using his own scheme, Tugan Baranovski reached the following conclusion: “Production and the market are therefore the same, and since the expansion of production is unlimited in itself, the market, the capacity to absorb its products, has no limits either.” Luxemburg concludes Section II: Historical Exposition of the Problem with the following comments: “Tugan Baranovski’s approach, according to which capitalist production can create unlimited markets and is independent of consumption, leads him straight on to the thesis of Say-Ricardo, i.e. a natural balance between production and consumption.”

The circle is closed, after nearly a century, and the controversy returns to its first round, that is, Sismondi v. Say-Ricardo.

The Structure of Marx’s Scheme of Expanded Reproduction and V. I. Lenin’s Interpretation

Lenin is regarded by Luxemburg as a comrade of so-called “legalist” Russian Marxists, represented by Tugan Baranovski. When Luxemburg published *The Accumulation of Capital*, all members but Lenin had departed from Marxism. In this section, we will show that Lenin’s interpretation of Marx’s scheme of expanded production is quite close to Say-Ricardo theory.

The following scheme of expanded reproduction which we investigate hereafter is the “initial scheme of expanded reproduction” of the “First Example” shown in chapter 21 of *Capital* volume 2, as follows:

\[
\begin{align*}
I. & \quad 4,000c + 1,000v + 1,000s = 6,000 \\
II. & \quad 1,500c + 750v + 750s = 3,000 \quad \text{total} = 9,000
\end{align*}
\]
The above scheme can be rewritten as follows for analysis:

\[
\text{I. } 4,000c + 1,000v + 500sk + 400sc + 100sv = 6,000 \\
\text{II. } 1,500c + 750v + 600sk + 100sc + 50sv = 3,000
\]

As it would be complicated and confusing for readers if the author accepted various notation systems, the above style is maintained even if it is in the quoted sentence from Marx or Lenin.

(Note: “I” stands for department for production of means of production; “II” for department for production of means of consumption; “c” is constant capital consumed in the production process and “v” is variable capital; “s” is surplus product; “sk” is capitalist consumption; “sc” and “sv” are parts of the surplus product supposed to be turned into additional constant capital and additional variable capital respectively.)

Let us begin with Lenin’s explanation of the scheme, which still holds an authoritative position in Marxian academic circles. It should be noted that Lenin assumes here a capitalist society where only capitalists and workers exist. Bukharin basically follows Lenin’s following explanation.

I (1,000v + 500sk) are exchanged for II 1,500c (as in simple reproduction)
I 500s are accumulated, i.e., go to expand production, are converted into capital. If we take the previous division into constant and variable capital we get
I 500s = I 400sc + I 100sv
The additional constant capital (400sc) is contained in the product I (its natural form is means of production); but the additional variable capital (100sv) must be obtained from the capitalists of department II, who, consequently, also have to accumulate: they exchange part of their surplus-value (II 100sc) for means of production (I 100sv) and convert these means of production into additional constant capital. Consequently, their constant capital grows from 1,500c to 1,600c; to process it additional labor-power is needed—50sv, which is also taken out of the surplus-value of the capitalists of department II.1

There are two key points to remember here. First, Lenin talks about exchange of the commodities without taking the money circulation into consideration. Second, he explains that I 100sv is to be exchanged with II 100sc. The author considers that this second explanation by Lenin is indisputable error. Because in the case of Marx, I 100sv is not exchanged with II 100sc, but sold to Department II unilaterally, that is, without any subsequent purchase from Department II. Lenin continues:
These investigations (the reservation must be made) are given here in a most concise form; very much that Marx analyses in detail has been omitted—for example, circulation of money, replacement of fixed capital which is gradually worn out, and so forth—because all this has no direct bearing on the question under review.2

According to Lenin, the essence of Marx’s scheme can be analyzed without considering money circulation, and the following is the conclusion of Lenin’s interpretation of Marx’s scheme.

Marx, on the contrary, remains consistent when he shows:
1) That the product can be realized in a capitalist society (it goes without saying that this is true if proportionality between the various branches of industry is assumed); that it would be incorrect to introduce foreign trade or "third persons" to explain this realization;
2) That the theories of the petty-bourgeois economists (à la Proudhon) on the impossibility of realizing surplus-value are based on a complete misunderstanding of the very process of realization in general;
3) That even with fully proportional, ideally smooth realization we cannot imagine capitalism without a contradiction between production and consumption, without the tremendous growth of production being accompanied by an extremely slow growth (or even stagnation and worsening) of consumption by the people.3

As shown above, Lenin emphasized that it is the essence of interpretation of Marx’s scheme to show the process of smooth exchange of the surplus product. We will see shortly that Lenin misses the most important point. Lenin never imagines that if we study the scheme inclusive of money circulation, the scheme will be transformed in fact showing us the impossibility of transforming the surplus product into money to form potential new money capital. In conclusion, Lenin has proved, based on Marx’s scheme, that the product can be realized in a capitalist society by introducing Say-Ricardo theory to his interpretation of the scheme, that is, a barter system without any consideration of money circulation.

Marx’s Problem to be Solved in Chapter 21

As stated above, Lenin understands that Marx has invented the scheme to prove that the product can be realized in a capitalist society with smooth exchanges of the goods. But this is completely different from Marx’s problem to be solved with the use of his scheme. The problem to be solved is explained by Marx as follows:
Money is withdrawn from circulation and stored up as a hoard by the sale of commodities without subsequent purchase. If this operation is conceived as taking place on all sides, it seems impossible to explain where the buyers are to come from, since in this process—and it must be conceived as a general one, in as much as every individual capital may be simultaneously engaged in the act of accumulation—everyone wants to sell in order to hoard, and no one wants to buy.4

Before we clear up this apparent difficulty, we have to distinguish between accumulation in department I (production of means of production) and accumulation in department II (production of means of consumption). We start with department I.5

So far, what we understand are the following three points. First, the object of study in chapter 21 is formation of a hoard, not exchange of commodities. Second, a hoard is made by the sale of commodities without subsequent purchase. Third, in this case, it seems impossible to find the buyers because everyone wants to sell to hoard and no one wants to buy. To find the buyers is the problem.

To understand Marx’s problem in more detail, let us check Marx’s explanations on a step-by-step basis.

(1) First, Marx raises the question in chapter 17 “The Circulation of Surplus-value.” Marx states: “An opponent of Tooke…asked him how the capitalist always manages to withdraw more money from circulation than he cast into it.… Thus the question is not: where does surplus-value come from? But rather: where does the money come from which it is turned into?… And neither Tooke nor anyone else has yet answered it.”6 Therefore the problem is: where does the money come from to transform surplus-value into additional money capital? It should be noted that Marx assumes here a capitalist society where only capitalists and workers exist.

(2) Marx explains the problem again in an easy-to-understand manner: “But before the commodity capital is transformed back into productive capital and the surplus-value contained in it is spent, it must be turned into money. Where does the money for this come from?… Assume that the circulating capital of £500 advanced in the form of money capital, whatever may be its turnover period, is the total circulating capital of society, i.e. of the capitalist class. The surplus-value is £100. How then can the entire capitalist class continue extracting £600 from the circulation sphere, if it only ever puts £500 into it?”7 The problem here is quite simple and clear. That is: “Total surplus-value (£100) must be turned into money. Where does the money for this come from?”

(3) As explained, Marx’s scheme is as follows:

I. 4,000c + 1,000v + 500sk + 400sc + 100sv = 6,000
II. 1,500c + 750v + 600sk + 100sc + 50sv = 3,000
In this case, the question to be solved is: where does the money for I 500sk, I 400sc, I 100sv, II 600sk, II 100sc and II 50sv come from?

(4) As a matter of fact, Marx has already solved this problem partly as to the sk portion (I 500sk and II 600sk) when he has studied simple reproduction. Marx’s answer is: “In point of fact, paradoxical as it may seem at the first glance, the capitalist class itself casts into circulation the money that serves towards the realization of the surplus-value contained in its commodities. But note well: it does not cast this in as money advanced, and therefore not as capital. It spends it as means of purchase for its individual consumption. Thus the money is not advanced by the capitalist class, even though this class is the starting-point of its circulation.”8

(5) Accordingly, the outstanding question for Marx is to discover the origin of the money which converts I 400sc, I 100sv, II 100sc and II 50sv into virtual new money capital.

Readers might wonder whether or not Marx’s question and Sismondi’s are exactly the same. The author of this article’s opinion is, as the money to convert surplus-value into money capital comes from the pocket of the buyer, Marx’s question and Sismondi’s question are basically same, if not exactly same.

**Marx’s Answer to the Question**

Lenin as well as Bukharin firmly believes that Marx has solved the problems which are present in the scheme. Believe it or not, however, Marx has failed to answer his question.

We have found out what is Marx’s question to be answered in chapter 21, that is, the origin of the money which converts I 400sc, I 100sv, II 100sc and II 50sv into virtual new money capital. So where in chapter 21 does Marx give us his answer? Surprisingly enough, we cannot find Marx’s definite answer anywhere. Marx never mentions the origin of the money of the buyer’s side that has been paid to the seller.

Further to that, Marx emphasizes that the transformation of surplus product of one side into virtual new money capital expresses the non-transformability of commodity capital of the other side equal to this in value back into productive capital. That means expanded reproduction is impossible in the society of only capitalists and workers.

Now let us check Marx’s answer in more detail.

(1) Concerning I 400sc, Marx tentatively—tentatively because Marx later denies this answer—explains A, A’, A’’ group of department I sell the surplus product to B, B’, B’’ group of the same department who have already transformed their surplus product into money. Thus A’s can transform their surplus product into money.
(a) But the above answer is not correct. As Marx himself points out: “We know that B, B’, B”, etc, have formed their hoards just like A, A’, A”, etc. by the sale of their respective surplus products, and have now reached the point at which their money capital, which is simply virtual money capital accumulated as a hoard, is supposed to function effectively as additional money capital. But now we are going round in circles. There is still the question as to the origin of the money that B’s (department I) have earlier withdrawn from circulation and accumulated.”

(b) Marx assumes B’s have money to purchase I 400sc from A’s of department I. That means B’s have sold I 400sc to A’s beforehand. In this case, A’s cannot convert 400sc into virtual new money capital, as the money returned to A’s is the money out of his pocket and supposed to function as means of circulation not to be hoarded as virtual new money capital.

(c) Even if A’s are successful in hoarding the new money capital, they are not hoarding as department I as a whole. If A’s transform the surplus product into money to the amount of 400, that means B’s transform the same amount of money into productive capital. Therefore the accumulation on the part of the A’s is offset by spending hoarded money on the part of the B’s.

(2) Concerning II 50sv, Marx’s tentative answer is as follows: “The matter is explained, mutatis mutandis, just as in department I. Some of these capitalists are still at the stage of hoard formation, selling without buying, while others, at the point of actual expansion of reproduction, buy without selling. The additional variable money capital is certainly laid out at first on additional labor-power, but this is used to buy means of subsistence from the hoard-forming proprietors of the extra means of consumption that go into the workers’ consumption. In proportion to their hoard formation, this money does not return from these proprietors to its starting-point; they store it up.”

Here Marx tries to find the answer in the same way as in the case of I 400sc. The different point in this case is, unlike in the case of I 400sc, there are the workers between A’s and B’s of the capitalist class in department II. Marx’s tentative answer is this: the additional workers sell their labor power to B’s (department II) and buy means of consumption from A’s (department II). As a result, A’s (department II) sell II 50sv to B’s (department II) and transform II 50sv into money to form virtual new money capital. Here again Marx does not mention the origin of the money on B’s side.

For brevity, let us skip the same difficulties as we have seen concerning I 400sc. Instead, let us show a special difficulty in this case. That is, if B’s (department II) buy the additional labor-power in the next production circuit, II 50sv cannot be sold in this production circuit and must be carried over to the next production circuit as unsold inventory.
(3) Concerning I 100sv and II 100sc, Marx’s tentative answer is as follows: “In the exchange between department I and II, there is an element for provisional hoard formation, for the purpose of future expanded reproduction, as follows: in department I, only if a part of Is [that is, I 100sv] is unilaterally sold to department II without a purchase [that is, a purchase of II 100sc] from the other side, and serve here as additional constant capital for department II; in department II, if department I buys unilaterally for additional variable capital; furthermore, if a part of the surplus-value spent by department I as revenue is not covered by department II, so that a part of IIs is bought with it and thereby transformed into money. If I (v+s/x) is greater than IIc, then IIc, for its simple reproduction, does not have to replace, in commodities from department I, what I consumed from IIs.”

Here Marx gives us two kinds of tentative answers.

(a) One is that I 100sv and II 100sc should be sold one-sidedly to department II and department I respectively. But at the same time, Marx denies his answer completely. He states: “A(I), by selling its surplus product to B(II), has supplied the latter with a corresponding portion of constant capital in the natural form, but at the same time made an equal portion of B(II)’s commodity value unsalable. If we bear in mind the total social reproduction—which includes both capitalist I and II—then the transformation of A(I)’s surplus product into virtual money capital expresses the non-transformability of commodity capital equal to this in value back into productive (constant) capital.”

As stated above, according to Marx’s theory, II 100sc must be carried over to the next production period as unsold inventory. However, unsold inventory means overproduction and impossibility of reproduction. Marx struggles here desperately to find a way out of his difficulties.

(b) Marx’s second tentative answer, shown in the second year of the “first example” and in the “second example,” is this: increasing the unproductive consumption of the capitalists of department I (because it is supposed that consumption of the working class is fixed) provides department II with the money for buying I xxsv (that is, 170sv in the case of first year of the ‘Second Example’).

Though we have no intention here of examining Marx’s Second Example in detail, we can show that Marx himself admits that his second answer is not correct, as follows: “But then this money accumulation on the part of department II would be at the same time the expression of an unsalable I 70s [in the case of first year of the ‘Second Example’] in means of production. There would thus be relative over-production, corresponding to this simultaneous non-expansion of reproduction on the part of the part of department II.”

In conclusion, Marx has not answered the central question of chapter 21. He has not shown the origin of the money which the purchasers of the surplus product should have. He has not settled the difficult problem contained in his scheme that...
formation of virtual new money capital in department I makes it impossible for department II to form virtual new money capital and vice versa.

N. Bukharin’s Interpretation of Marx’s Scheme

With the publication of Luxemburg’s *The Accumulation of Capital*, Lenin declared that Luxemburg makes serious mistakes in her book. Lenin could not simply accept Luxemburg’s idea that surplus-value cannot be realized in pure capitalist society. Therefore, what Bukharin must accomplish in his *Imperialism and the Accumulation of Capital* are firstly to prove, based on Marx’s scheme, that all the product can be realized in a pure capitalist society, and secondly, to destroy Luxemburg’s theory which says accumulation of capital is impossible in pure capitalist society. Bukharin has accomplished his duty by breaching Marx’s fundamental principles.

Thus Bukharin has altered Marx’s surplus-value theory fundamentally in his *Imperialism and the Accumulation of Capital* as follows.

Firstly, Bukharin maintains that according to Marx’s surplus-value theory, the working class does purchase the surplus product of department II (except the sk portion of the surplus product of department II which is supposed to be purchased by the capitalist class of department II). More specifically, in the scheme, II 100sc is bought by the working class of department I and II 50sv is bought by the working class of department II.

Secondly, Bukharin maintains that according to Marx’s surplus-value theory, the capitalist class does purchase the surplus product of department I. More specifically, in the scheme, I 400sc is bought by the capitalist class of department I and I 100sv is bought by the capitalist class of department II.

Thirdly, Bukharin maintains that according to Marx’s surplus-value theory, the workers receive money before they start to work.

Fourthly, Bukharin maintains that realization of the surplus product or converting the surplus product into money is achieved if the entire capitalist class has got the money advanced back again.

The above statements by Bukharin are totally against Marx’s surplus-value theory. Let us examine Bukharin’s above statements in more detail compared with Marx’s surplus-value theory.

(1) Can the working class be the purchaser of the surplus product?

Bukharin is full of confidence, saying the working class can purchase surplus product. Bukharin states: “The result is now obvious. The capitalists themselves buy the additional means of production, the additional workers, who receive
money from the capitalists who buy the labor-power of these additional workers, buy additional means of consumption.\(^\text{14}\)

Nevertheless, one of the most fundamental principles of Marxian surplus-value theory is that the working class cannot buy any portion of surplus product.

For us this is a matter of the ABC of Marx’s surplus-value theory. We are confident that scholars who admit that the working class can purchase the surplus product are never able to define surplus-value and rate of surplus-value for themselves. The following extract taken from Marx is enough to show that according to Marx, the working class cannot buy the surplus product under any circumstances.

The total purchases of the working class are equal to the sum of their wages, i.e. the sum of the variable capital advanced by the entire capitalist class as a whole. This money flows back to the latter through the sale of their product to the working class. Their variable capital thereby receives its money form. If the sum of variable capital is \(x\) times £100, this is not the total of variable capital advanced in the year, but only that applied; whether this variable capital value is advanced with more money or less during the year, according to the speed of turnover, does not affect the question at present under discussion. With this capital of \(x\) times £100, the capitalist class buys a certain quantity of labor-power, or pays wages to a certain number of workers—first transaction. The workers use this sum to buy a certain value of commodities from the capitalists, and in this way the sum of \(x\) times £100 returns to the hands of capitalists—second transaction. This process is constantly repeated. The sum of \(x\) times £100 can therefore never enable the working class to buy the part of product which contains the constant capital, let alone the surplus-value which belongs to the capitalists. The workers can buy with \(x\) times £100 only a portion of the value of social product equal to the portion of value which represents the value of the variable capital advanced.\(^\text{15}\)

Marx states above that the workers cannot buy the surplus product at all without any exception. What the workers can buy with their wages is equal to the sum of variable capital advanced by the capitalists. That is to say in our case, I \(1,000v + II\ 750v = 1,750\) is the absolute maximum amount which the working class can purchase.

Bukharin is different. He declares that a part of the surplus product is purchased by the working class. In other words, II 100sc on the scheme is to be purchased and consumed by the additional workers of department I, and II 50sv are to be purchased and consumed by the additional workers of department II. Needless to say both II 100sc and II 50sv is surplus product which cannot be bought by the working class.
More than that, Bukharin tries to alter the definition of variable capital. Bukharin states:

The amount of the value of the entire labor power, or the sum of the wages paid to all workers, including the additional workers of the new productive cycle, must be equal to the value of the workers’ means of consumption. Let us give this amount the symbol $V$; we then receive:
\[ V = (Iv + Isv) + (IIv + IIsv) \]

In the case of Marx, total variable capital is $(Iv + IIv)$ only. On the contrary, in the case of Bukharin, total variable capital is $(Iv + IIv)$ plus $(Isv + IIsv)$. $(Isv + IIsv)$ is added by Bukharin as additional variable capital.

It should be noted here that Bukharin assumes the capitalist pays the money to the additional workers, in this current productive cycle, in spite of the fact that the additional workers start to work in the following productive cycle. However, this matter is discussed again later.

(2) Can the capitalist class be the purchaser of the surplus product?

Bukharin states adamantly, as we have observed earlier, that the capitalists themselves buy the additional means of production, i.e. the surplus product. However, according to Marx’s theories, it is impossible for capitalists to purchase the surplus product at all. (Note that the $sk$ portion of the surplus product—which is for individual and unproductive consumption by the capitalist—is disregarded here.)

The reason why the capitalist class cannot buy the surplus product is quite simple and clear. It is the logical conclusion from the following excerpt from Marx.

The money that is stored up here is the money form of commodities that have been sold, and moreover, of that portion of their value that represents surplus-value for their owner. (The credit system is assumed here to be non-existent.) The capitalist who stores up money has to that extent sold without buying.... But difficulties start to arise when we assume not partial accumulation of money capital but general accumulation within the capitalist class.... Apart from the case in which this all-round monetary accumulation simply expresses the division, in whatever proportions, between the various individual capitalists of the additional precious metal which has been brought in—how else is the entire capitalist class to accumulate money? They would all have to sell a part of their product without buying again. It is nothing mysterious that they all possess a certain money fund which they cast into the circulation sphere as means of circulation for their consumption, and of which each receives a certain part back again from the circulation sphere. But this monetary fund is then precisely a circulation fund,
acquired by the conversion into money of surplus-value, and does not consist at all of latent money capital.17

(a) According to Marx, the entire capitalist class cast £500 in cash to the circulation sphere and extracts £600 in cash from the circulation sphere. The difference of £100 is the surplus value converted into money. The question is who provides £100 in cash to the entire capitalist class and how the buyer of the surplus product has obtained £100 to purchase the surplus product.

It is certain that the entire capitalist class must not cast money more than £500 to withdraw £600 from the circulation sphere. Therefore the capitalist class should not be the buyer of the surplus product.

(b) According to Marx, the working class hands the surplus product over to the capitalist class without receiving any compensation, and the capitalist class sells the surplus product one-sidedly, that is to say, the capitalist class must sell the surplus product without buying. This is the only way of transformation of the surplus product into virtual new money capital. Therefore the capitalist class is not assumed by Marx as the buyer of the surplus product. Marx states:

What the capitalists advance, therefore, is nothing more than their constant and variable capital. The worker does not merely maintain their constant capital for them by way of his labor, and replace their variable capital by way of a corresponding portion of value newly created in the form of commodities; he also supplies them, by his surplus labor, with a surplus-value existing in the form of a surplus product. By their subsequent sale of this surplus product, the capitalists form their hoard, additional potential money capital. In the case considered here, this surplus product consists from the start of means of production of means of production.18

(c) Marx does admit that the capitalist class has the money in the hand and spends it for purchasing the surplus product for his personal unproductive consumption as in simple reproduction. But as we have seen above, Marx never admits that the money in the hand of the capitalist class can be converted into virtual new money capital. This money should stay in the circulation sphere at any time. According to Marx, the problem is that the capitalist class must collect the money it never advanced not recover the money it advanced.

(d) Needless to say, what matters for Marx in chapter 21 is not the accumulation of money capital by individual capitalists but the accumulation of money capital of the capitalist class as a whole. In this case, every sale of the surplus product by one side of the individual capitalists is always necessarily offset by purchase of the other side of individual capitalists. The conclusion is that buying and selling among capitalists never produce any virtual new money capital at all.
Can the workers receive their wages before they start to work?

Let us now examine Bukharin’s interpretation of Marx’s scheme.

I. \(4,000c + 1,000v + 500sk + 400sc + 100sv = 6,000\)
II. \(1,500c + 750v + 600sk + 100sc + 50sv = 3,000\)

Concerning I 100sv and II 100sc, Bukharin explains as follows:

Thus we receive; Capitalists I, who advance the sum of money Isv [=I 100sv in our case] to the additional workers I (employ additional workers). Additional workers I use this sum, the whole sum, to buy means of subsistence from capitalists II. Since Isv = IIsc the entire part amounting to IIsc [=II 100sc in our case] disappears to capitalists II. But there appears an amount of money equaling this in value.¹⁹

Bukharin continues:

With this money [=the money in the amount of 100 which has flowed as I K–I P–II K], capitalists II buy means of production from capitalists I. Thus capitalists II possess an additional constant capital in the appropriate form of means of production, while with capitalists I, on the other hand, Isv [=I 100sv in our case] disappears in the means of production, but then the sum of money advanced by them at the beginning of the process of production returns.²⁰

Here Bukharin explains that the capitalists of department II buy I 100sv with the money they have received from the additional workers of department I.

That means Bukharin assumes the additional workers are employed in this current production circuit. But the scheme shows us that the additional workers have not produced any product in this current production circuit. Thus Bukharin assumes doubtlessly that the workers receive their wages before they start to work. It is undoubtedly against Marx’s surplus-value theory that Bukharin maintains the additional workers receive their wages before they start to work. Because Marx states:

The capitalist buys labor-power before it enters the production process, but pays for it only at a prearranged date, after it has already been spent in the production of use-values. Just like the remaining portion of the product’s value, so the part of this that is simply an equivalent for the money spent in payment for labor-power, the value portion of the product that represents the variable capital value, also belongs to the capitalist. In this particular portion of value, the worker has supplied the capitalist with the equivalent for his wage. However, it is the transformation of the commodity back
into money, its sale, that again restores to the capitalist his variable capital as money capital, which he can advance once more in order to purchase labor-power.21

We are confident that the above passages show payment to the workers before they start to work is the assumption that Marx never approves.

(4) Can the surplus product be transformed into new money capital according to Bukharin’s interpretation?

Concerning transactions of I 100sv and II 100sc, Bukharin writes:

Let us give capitalists I the label of IK, and workers I the label of IP; the corresponding labels in Dept II are IIK and IIP. The chain of all acts of buying and selling, looked at from the viewpoint of the contracting parties concerned, but not from the viewpoint of the values, takes on the following schematic form: IK–IP–IIK–IK (the links of the chain are: IK–IP, IP–IIK, IIK–IK). In this way, all material elements find their places, while the money returns to its owners after it has played the role of a means of circulation and has mediated the correct division of the material elements of capital. We assumed that the money is advanced by capitalists I. But we can also assume that it comes from the pockets of capitalists II. In this case, we arrive at the following series. IIK buy means of production from IK, advancing the sum of IIsc = Isv for them. IK employ additional workers IP; the additional workers IP buy means of consumption from IIK; the money returns to its original place; the material elements of capital are taken in a corresponding relationship. The chain of acts of buying and selling will then be: IIK–IK–IP–IIK (the links of the chain are: IIK–IK, IK–IP, IP–IIK). Let us now return to our question. It is clear that the capitalists can—and also do—manifest an additional demand, partly directly (for means of production), partly taken figuratively, by way of the workers (demand for use articles) by advancing money to them.22

Bukharin’s explanation above shows how he has twisted Marx’s central question of chapter 21 into the opposite.

Marx’s question is not how the money advanced by the capitalist class circulates and returns to the starting point. The question is how the capitalist class obtains and stores as a hoard the money which it has not advanced before. According to Marx, the capitalist class as a whole casts £500 in cash to the circulation sphere and extracts £600 in cash there. The question is who provides the difference of £100 in cash to the capitalist class. According to Bukharin, the provider of £100 is the capitalist class itself. The capitalist class casts £600 in circulation and collects £600 later. Only Bukharin and his followers can think that the central problem of chapter 21 is whether the capitalist can recover the money he has advanced. It is
astonishing enough that Bukharin does not mention anything about formation of a hoard and virtual new money capital.

Conclusion

We have shown that Bukharin’s interpretation of the scheme is totally against Marx’s theory of surplus-value and accumulation of capital.

Our conclusion is this. Marx’s scheme of expanded reproduction does not prove that the surplus product can be realized in the capitalist society where only capitalists and workers exist. Instead, Marx’s scheme shows the impossibility of realizing the surplus product in the society of only capitalists and workers.

We agree with Rosa Luxemburg’s following conclusion:

Under this condition, there are only capitalists and cum hangers-on and workers in society; other classes, other producers and consumers are nowhere to be found. In this case, capitalist production is faced with the insoluble question which I tried to point out above.

You can twist and turn it as you wish, but so long as we retain the assumption that there are no other classes but capitalists and workers, then there is no way that the capitalists as a class can get rid of the surplus goods in order to change the surplus value into money, and thus accumulate capital.23

Luxemburg does not use Marx’s scheme to reinforce her above conclusion in “An Anti-Critique.” She explains the reason as follows:

Yet the problem of accumulation is itself purely economic and social; it does not have anything to do with mathematical formulae and one can demonstrate and comprehend it without them.24

Contrary to Luxemburg’s claim, we believe that Luxemburg’s conclusion can be firmly established by the use of Marx’s scheme of expanded reproduction.

Notes

2. Ibid.
5. Ibid., pp. 567–568.
7. Ibid., p. 405.
8. Ibid., p. 409.
9. Ibid., p. 575.
10. Ibid., pp. 598–599.
11. Ibid., p. 598.
12. Ibid., p. 578.
13. Ibid., p. 593.
15. Marx, Capital, volume 2, p. 422.
18. Ibid., p. 572.
20. Ibid.
24. Ibid.