

## **Money and demand in the schemes of expanded reproduction:**

### **A critique of Luxemburg's critique**

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#### **Abstract**

Luxemburg's critique of Marx's schemes of expanded reproduction is based on three main observations: that there cannot be a source of demand from within the schemes for that part of the surplus-product to be transformed in additional productive capital; that Marx's difficulty in finding a proper solution for the origin of money when discussing hoarding of potential money capital betrays the existence of a more fundamental problem, that of the source of demand; and finally that chapter XXI was after all the least developed of all chapters in Part III of volume II, precisely the part of volume II in most need of re-writing, according to Marx.

In order to be able to evaluate Luxemburg's criticisms this paper attempts to reconstruct chapter XXI on "Accumulation and Reproduction on an Extended Scale" by using chapter XX as an approximate organizing model. Following the idea that money is not an element of real reproduction the interchange between the two departments is presented first without the intervention of any circulating medium. The problems related to hoarding of potential money capital, be it inside department I or inside department II, are introduced along with the proper numeric illustration showing the need for an extra amount of money to play alternately the role of active and inactive money. Last but not least, the paper presents a discussion on how money can be economized so as to allow for the circulation of an increasing mass of value much in Luxemburg's spirit that "in capitalist society there always is a quantity of money available which is necessary for circulation or else equivalent means of circulation are created" (Luxemburg, 1967, p. 139) The main conclusions are that demand arises from reciprocal acts of accumulation just as Marx

suggested, and that the question relating to the origin of money is in fact related to the problem of the proper amount of money, both for active circulation and for hoarding.