

Understanding Karl Marx

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In the beginning was Karl Marx, with his vision of how the Industrial Revolution would transform everything and be followed by a Great Communist Social Revolution—greater than the political French Revolution—that would wash us up on the shores of Utopia.

The mature Marx saw the economy as the key to history: every forecast and historical interpretation must be based on the economy's logic of development. This project as carried forward by others ran dry. Sometimes--as in, say, Eric Hobsbawm's books on the history of the nineteenth century--this works relatively well. But sometimes it led nowhere. The writing of western European history as the rise, fall, and succession of ancient, feudal, and bourgeois modes of production is a fascinating project. But the only person to try it seriously soon throws the Marxist apparatus over the side, where it splashes and sinks to the bottom of the sea. Perry Anderson's *Passages from Antiquity to Feudalism* and *Lineages of the Absolutist State* are great and fascinating books, but they are not Marxist. They are Weberian. The key processes in Anderson's books concern not “modes of production” but rather “modes of domination.” And when Marx and Engels's writings became sacred texts for the world religion called Communism, things passed beyond the absurd into tragedy and beyond tragedy into horror: the belief that the logic of development of the economy was the most important thing about

society became entangled in the belief that Joe Stalin or Mao Zedong or Pol Pot or Kim Il Sung or Fidel Castro was our benevolent master and ever-wise guide.

But let us go back to a time before Marxism lost its innocence. Let us go back and look at the thinker, Karl Marx, and what he actually wrote and thought.

Karl Marx had a three part intellectual trajectory. He started out as a German philosopher; became a French-style political activist, political analyst, and political historian; and ended up trying to become a British-style economist and economic historian. At the start of his career he believed that all we had to do to attain true human emancipation was to *think correctly* about freedom and necessity. Later on he recognized that thought was not enough: that we had to organize, politically. And then in the final stage he thought that the political organization had to be with and not against the grain of the truly decisive factor, the extraordinary economic changes that the coming of the industrial revolution was bringing to the world.

At each stage Marx had the enthusiasm of the true-believing convert: it was never the case that philosophy alone could bring utopia, it was never the case that after the revolution all problems will be resolved, and it was never the case that the underlying economic mode of production was the base and that its evolution drove the shape of the superstructure.

Karl Marx never completed the intellectual trajectory he set himself on. He tried as hard as he could to become a British-style classical economist--a "minor post-Ricardian theorist" as Paul Samuelson once joked--but he did not make it: the late, mature Marx is mostly an economist and economic historian, but he is also part political activist--and also part prophet.

Marx the prophet, here is a sample: Marx on India:

The ruling classes of Great Britain.... The aristocracy wanted to conquer [India], the moneyocracy to plunder it, and the millocracy to undersell it. But now the... millocracy have discovered that the transformation of India into a reproductive country has become of vital importance.... They intend now drawing a net of railroads over India... exclusive view of extracting at diminished expenses the cotton and other raw materials for their manufactures....

You cannot maintain a net of railways over an immense country without introducing all those industrial processes necessary to meet the immediate and current wants of railway locomotion, and out of which there must grow the application of machinery to those branches of industry not immediately connected with railways. The railway-system will therefore become, in India, truly the forerunner of modern industry.... All the English bourgeoisie may be forced to do will neither emancipate nor materially mend the social condition of the mass of the people, depending not only on the development of the productive powers, but on their appropriation by the people. But what they will not fail to do is to lay down the material premises.... Has the bourgeoisie ever done more? Has it ever effected a progress without dragging individuals and people through blood and dirt, through misery and degradation?...

The bourgeois period of history has to create the material basis of the new world... universal intercourse founded upon the mutual dependency of mankind... the development of the productive powers of man.... When a great social revolution shall have mastered the results of the bourgeois epoch... and subjected them to the common control of the most advanced peoples, then only will human progress cease to resemble that hideous, pagan idol, who would not drink the nectar but from the skulls of the slain...

Large-scale prophecy of a glorious utopian future is bound to be false when applied to this world. The New Jerusalem does not descend from the clouds "prepared as a Bride adorned for her Husband." And a Great Voice does not declare: "I shall wipe away all tears from their eyes; and there shall be no more death, neither sorrow, nor crying, neither shall there be any more pain: for the former things are passed away..." But Marx clearly thought at some level that it would: he never got to the island of Patmos on which John the Divine lived, but there is a sense that he got too much into the magic mushrooms.

Marx the political activist. As I see it, he had three big ideas:

1. that while previous systems of hierarchy and domination maintained control by hypnotizing the poor into believing that the rich in some sense "deserved" their high seats in the temple of civilization, capitalism would—replace masked exploitation by naked exploitation. Then the scales would fall from people's eyes, for without its masking ideological legitimations unequal class society could not survive. This idea seems to me to be completely wrong. Cf. Antonio Gramsci, *passim*, on legitimation and hegemony. See also Fox News.
2. that even though the ruling class could appease the working class by using the state to redistribute and share the fruits of economic growth it would never do so. They would be trapped by their own ideological legitimations—they really do believe that it is in some sense "unjust" for a factor of production to earn more than its marginal product. Hence social democracy would inevitably collapse before an ideologically-based right-wing assault, income inequality would rise, and the system would collapse or be overthrown. The *Wall Street Journal* editorial page works day and night 365 days a year to make Marx's prediction come true. But I think this, too, is wrong.

3. that factory work was the wave of the future, and factory work--lots of people living in cities living alongside each other working alongside each other--would lead people to develop a sense of their common interest. Hence people would organize, revolt, and establish a free and just society in a way that they could not back in the old days when the peasants of this village were suspicious of the peasants of that one, and peasants formed not a class for themselves but, rather, a sack of potatoes which can attain no organization but simply remains a sack of potatoes. Here I think Marx mistook a passing phase for an enduring trend. Active working-class consciousness as a primary source of loyalty and political allegiance was never that strong. Nation and ethnos trump class, never more so that when the socialists of Germany told their emperor in 1914 that they were Germans first and Marxists second.

Add to these the fact that Marx's idea of the "dictatorship of the proletariat" was clearly not the brightest light on humanity's tree of ideas, and I see very little in Marx the political activist that is worthwhile today.

Marx the economist--well, Marx the economist had six big things to say, some of which are very valuable even today across more than a century and a half, and some of which are not. I would call them the three goods and the three bads:

1. Marx the economist was among the very first to recognize that the fever-fits of financial crisis and depression that afflict modern market economies were not a passing phase or something that could be easily cured, but rather a deep disability of the system--as we are being reminded once again right now, this time with Ben Bernanke, Tim Geithner, and Larry Summers in the Hot Seats. Marx pointed the spotlight in the right direction here. However, I don't think that his theory of business cycles and financial crises holds up. Marx thought that business cycles and financial crises were evidence of the long-term unsustainability of the system. We modern neoliberal economists view it not as a fatal lymphoma but rather like malaria: Keynesianism--or monetarism, if you prefer--

gives us the tools to transform the business cycle from a life-threatening economic yellow fever of the society into the occasional night sweats and fevers: that with economic policy quinine we can manage if not banish the disease.

2. Marx the economist was among the very first to get the industrial revolution right: to understand what it meant for human possibilities and the human destiny in a sense that people like Adam Smith did not. In his *Politics* Aristotle observed that it was not possible to run a household in a way that permitted its head enough leisure and freedom to, say, become a lover of wisdom unless the household owned slaves, and that this would be true unless and until we had instruments like "the statues of Daedalus, or the tripods of Hephaestus, which, says the poet, 'of their own accord entered the assembly of the Gods;' if, in like manner, the shuttle would weave and the plectrum touch the lyre without a hand to guide them, chief workmen would not want servants, nor masters slaves..." Karl Marx was among the very first to see that the industrial revolution was giving us the statues of Daedalus, the tripods of Hephaestus, looms that weave and lyres that play by themselves--and thus opens the possibility of a society in which we people can be lovers of wisdom without being supported by the labor of a mass of illiterate, brutalized, half-starved, and overworkedslaves.
3. Marx the economist got a lot about the economic history of the development of modern capitalism in England right--not everything, but he is still very much worth grappling with as an economic historian of 1500-1850. Most important, I think, are his observations that the benefits of industrialization do take a long time--generations--to kick in, while the costs of redistributions and power grabs in the interest of market efficiency and the politically-powerful rising mercantile classes kick in immediately. You have to take seriously the idea that the industrial revolution did not make most or even many people better off right away. Reflect also that, as Tyler Cowen observes, capitalist systems can produce less

autonomy than small scale production. Standards of living do rise from industrialization--which can undercut the cultures and networks of suppliers that make the choice of a *petit bourgeois* lifestyle sustainable.

Now on to the three bads:

1. Marx believed that capital is not a complement to but a substitute for labor. Thus technological progress and capital accumulation that raise average labor productivity also lower the working-class wage. Hence the market system simply could not deliver a good or half-good society but only a combination of obscene luxury and mass poverty. This is an empirical question. Marx's belief seems to me to be simply wrong.
2. Marx the economist did not like the society of the cash nexus. He believed that a system that reduced people to some form of prostitution--working for wages and wages alone--was bad. He saw a society growing in which worked for money, and their real life began only when the five o'clock whistle blows--and saw such an economy as an insult, delivering low utility, and also sociologically and psychologically unsustainable in the long run. Instead, he thought, people should view their jobs as expressions of their species-being: ways to gain honor or professions that they were born or designed to do or as ways to serve their fellow-human. Here, I think, Marx mistook the effects of capitalism for the effects of poverty. The demand for a world in which people do things for each other purely out of beneficence rather than out of interest and incentives leads you down a very dangerous road, for societies that try to abolish the cash nexus in favor of public-spirited benevolence do not wind up in their happy place. We neoliberal economists shrug our shoulders and say that we are in favor of a market economy but not of a market society, and that there is no reason why people cannot find jobs they like or insist on differentials that compensate them for jobs they don't.

3. Marx believed that the capitalist market economy was incapable of delivering an acceptable distribution of income for anything but the briefest of historical intervals. As best as I can see, he was pushed to that position by watching the French Second Republic of 1848-1851, where the ruling class comes to prefer a charismatic mountebank for a dictator--"Napoleon III"--over a democracy because dictatorship promises to safeguard their property in a way that democracy will not. Hence Marx saw political democracy as only surviving for as long as the rulers could pull the wool over the workers' eyes, and then collapsing. I think that Western Europe over the past fifty years serves as a significant counterexample. It may be difficult to maintain a democratic capitalist market system with an acceptable distribution of income. But "incapable" is surely too strong. Beveridgism or Myrdalism--social democracy, progressive income taxes, a very large and well-established safety net, public education to a high standard, channels for upward mobility, and all the panoply of the twentieth-century social-democratic mixed-economy democratic state can banish all Marx's fears that capitalist prosperity must be accompanied by great inequality and great misery.

The good things that Marx was able to think must, I believe, be credited to his own account--to his thoughtfulness, his industry, his intelligence, and his desperate desire to try to get things right. The bad things have, I believe, two of his intellectual origins: Marx's beginnings in German philosophy, and the fact that he hooked up in the 1840s with Friedrich Engels whose family owned textile factories in Manchester.

German philosophy, or perhaps rather Hegel. I remember reading *Capital* for the first time. The first three sections of chapter 1 seemed (a) boring, and (b) tautological. For example:

When, at the beginning of this chapter, we said in common parlance that a commodity is both a use value and an exchange value, we were, accurately speaking, wrong. A commodity is a use value or object of utility and a value. It

manifests itself as this twofold thing that it is as soon as its value assumes an independent form – viz., the form of exchange value. It never assumes this form when isolated but only when placed in a value or exchange relation with another commodity of a different kind. When once we know this such a mode of expression does no harm...

And then I hit section 4: "The Fetishism of Commodities and the Secret Thereof":

A commodity is... a mysterious thing... in it the social character of men's labour appears to them as an objective character stamped upon the product... the relation of the producers to the sum total of their own labour is presented... as a social relation... not between themselves but between the products.... In the same way the light from an object is perceived by us not as the subjective excitation of our optic nerve but as the objective form of something outside the eye.... But in the act of seeing there is at all events an actual passage of light from one thing to another, from the external object to the eye. There is a physical relation between physical things. But it is different with commodities. There the existence of the things quâ commodities and the value relation between the products of labour which stamps them as commodities have absolutely no connection with their physical properties... [I]t is a definite social relation between men that assumes in their eyes the fantastic form of a relation between things... we must have recourse to the mist-enveloped regions of the religious world... the productions of the human brain appear as independent beings endowed with life and entering into relations both with one another and the human race. So it is in the world of commodities with the products of men's hands. This I call the Fetishism which attaches itself to the products of labour so soon as they are produced as commodities.... This Fetishism of commodities has its

origin, as the foregoing analysis has already shown, in the peculiar social character of the labour that produces them...

Marx describes this as *coquett[ing] with the modes of expression peculiar to [Hegel]*.

Put me on record as saying that this “coquetting” is profoundly unhelpful.

What is going on here? What I think is going on *inside Marx's head* is something strange. To say that "the value relation[s] between the products of labour... have absolutely no connection with their physical properties" is simply wrong: if the coffee beans are rotten--or if their caffeine level is low--they have no value at all, for nobody will buy them. Marx says that the *value* of a good is something inscribed within it and attached to it--the socially-necessary labor time for its production—that then bosses people around. And it is the *values*--not the prices at which things are actually bought and sold--that are the elements of the real important reality. And those *values*: "appear as independent beings endowed with life and entering into relation both with one another and the human race."

Now I have never found anybody who thinks this way.

Nobody I talk to believes that "values" are objective quantities inherent in goods by virtue of the time it took to produce them.

Everybody I talk to believes that things are both (a) useful to me and (b) useful to other people, and moreover (c) we live in a society where we exchange stuff--where we, in Adam Smith's words, truck, barter, and exchange. If the combination of my wealth and its usefulness to me makes me *value* it the most, then I use it--it is to me what Marx calls a *use value*. If there is somebody else out there whose combination of their wealth and its usefulness to them makes them *value* it more than I do, then I trade it away to them directly or indirectly for stuff that I value more--they consume it, and it is to me what Marx calls an *exchange value*. But what Marx calls *exchange values* are really use values *to others*: a combination of (a) bargaining power--wealth--and (b) utility to actual concrete

breathing humans. Things have value not because of the abstraction that socially-necessary labor time is needed to produce them but because of the concretion that somebody somewhere wants to use it and has something else that others find useful to trade in turn. What Marx calls the mysterious and bizarre dual character of commodities is nothing mysterious or bizarre: it is simply the fact that I am not the only person in the world, and that things very useful to me may be less useful to others, and vice versa.

Moreover, capitalist production has nothing to do with what Marx describes as this mysterious dual character of commodities. The distinction between use-value and exchange-value is not something invented by or peculiar to the capitalist mode of production: it is found in all human societies, no matter how large or small, no matter what the glue that holds them together. The cattle slaughtered and cooked by the thralls of Hrothgar, King of the Geats, have use-value to Hrothgar: He and his family can eat (some of) them. The cattle have exchange-value to Hrothgar as well: He feeds them to his warriors at their nightly banquets in his great hall of Heorot. In exchange for livery and maintenance, the warriors fight Hrothgar's wars. Success in war gains Hrothgar more thralls, more cattle, and a bigger and better reputation as a great drighten worth following--until Grendel comes along and makes eating Hrothgar's cattle in exchange for following him into battle too hazardous to life and limb.

In my view, Marx has trapped himself. He has been primed to expect a deeper layer of real reality underneath mere appearances. And he has chosen the wrong model of the underlying real reality--the labor theory of value, which is simply not a very good model of the averages around which prices fluctuate. Socially-necessary labor power usually serves as an upper bound to *value*--if something sells for more, then a lot of people are going to start making more of them, and the prices at which it trades are going to fall. But lots of things sell for much less than the prices corresponding to their socially-necessary labor power lots of the time. And so Marx vanishes into the swamp which is the attempt to reconcile the labor theory of value with economic reality, and never comes out.

This matters because one conclusion Marx reaches is that markets and their prices are a source of oppression--that they aren't sources of opportunity (to trade your stuff or the stuff you make to people who *value* it more) but rather of domination by others and unfreedom: the system forces you to sell your labor-power for its *value* which is less than the *value* of the goods you make. And it is that conclusion that human freedom is totally incompatible with wage-labor or market exchange that leads the political movements that Marx founded down very strange and very destructive roads.

I've done Hegel. Now let me do Manchester.

The British interests of the German partnership of Ermen and Engels were not in London or in Birmingham but instead in Manchester. Engels's 1845 *Condition of the Working Class in England*, cribbed for section 1 of the *Manifesto*, was about the condition of the working class in Manchester. Yet as Asa Briggs (1963) stressed most strongly, Manchester was not typical of England. Briggs quotes Tocqueville's descriptions of Manchester as a city with "a few great capitalists, thousands of poor workmen and little middle class" compared to Birmingham with "few large industries, many small industrialists... workers work in their own houses or in little workshops in company with the master himself... the working people of Birmingham seem more healthy, better off, more orderly and more moral than those of Manchester..." Briggs speculated that Engels's book would have been very different indeed had Ermen and Engels's interests been elsewhere than Manchester: "his conception of 'class' and his theories of the role of class in history might have been very different.... Marx might have been not a communist but a currency reformer..."

Back in 1998, we got George Boyer of Cornell to take a look at the historical circumstances of the composition of the *Manifesto*:

[A]verage age of death of "mechanics, labourers, and their families" in Manchester was 17, as compared to 38 in rural Rutlandshire... despite the fact that laborers' wages were at

least twice as high in Manchester... 57 percent of children born in Manchester to working class parents died before their fifth birthday.... Engels arrived in Manchester in the late fall of 1842, Britain was just beginning to recover from the deep depression of 1841-42... "crowds of unemployed working men at every street corner, and many mills were still standing idle" (Engels, 1845 [1987], pp. 121 – 22).... The Economist reported that in the first six months of 1848 [as the *Manifesto* was being written], 18.6 percent of the workforce in Manchester's cotton mills was unemployed, and another 9.5 percent was on short time (Boyer, 1990, p. 235)....

John Stuart Mill (1848 [1909], p. 751)... concluded that "hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes." ... Marx and Engels... were not alone in asserting that the standard of living... was quite poor, and perhaps declining... during the "hungry '40s." ... [A]rmy recruits born around 1850 were shorter than those born around 1820...

It looks as though Marx and Engels wrote the *Manifesto*--and made their permanent intellectual commitments--in 1848, at the nadir of living standards as far as British Lancashire textile workers were considered. Their assertion that wages declined as capitalism progressed looks good up until 1848 if you take Manchester as your guide. Thereafter it proved wrong. By 1880 manual workers were earning 40% more than in 1850. Parliament began to regulate conditions of employment in the 1840s. Parliament began to regulate public health in the 1850s. Parliament doubled the urban electorate in 1867, just as volume 1 of *Capital* was published. Parliament gave unions official sanction to bargain collectively in the 1870s.

Marx appears to have responded to this not by rethinking his opposition to markets as social allocation mechanisms or by reworking his analyses of the dynamics of economic growth, capital accumulation, and the real wage level, but by blaming British workers for not acting according to his model in response to predictions by Marx of continued impoverishment and ever-larger business cycles that had not come to pass. Boyer quotes Marx writing in 1878 about how British workers "had got to the point when [the British working class] was nothing more than the tail of the Great Liberal Party, i.e., of the oppressors, the capitalists." And Boyer quotes Engels writing in 1894 of how "one is indeed driven to despair by these English workers... bourgeois ideas... viewpoints... narrow-mindedness..."

In the late 1870s--after the failure of the British working class to become more militant, the failure of the Paris Commune and the founding of the French Third Republic, and Bismarck's creation of a unified Prussified German Empire--Marx and Engels started to turn their attention toward Russia.

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