

## Introduction

A decade ago the *History of Political Economy* published a Minisymposium entitled “Locating Marx after the Fall,” organized around the question: “with Marxian economics in disarray as a touchstone for actual economies (in Eastern Europe, the former Soviet Union, etc.), is it now time for historians of economics to reclaim their interest in Karl Marx?” (Weintraub 1995: 109). The concern, as set out in a letter to contributors defining the terms of reference, was to address “the need, if any, for historians of economics to readdress Marx, to reclaim Marx as it were now that the hold of Marxist economics or views of Marx is more confused, more of a problem.” I would say, rather, *less* of a problem. Marx’s economics had never been a true touchstone for Soviet-style systems – Marx was too appreciative of the pricing mechanism and the need for extreme caution before dispensing with it for that to have been the case. (We devote Chapter 13 to this issue.) And the Russian reversion to market capitalism, far from constituting an empirical refutation of Marxist predictions, is precisely the outcome that might have been expected. For the original establishment of the Soviet command system could only have been a premature exercise bound to fail, Marx being “much too strongly involved with a sense of the inherent logic of things social to believe that revolution can replace any part of the work of evolution. The revolution comes in nevertheless. But it only comes in order to write the conclusion under a complete set of premises” (Schumpeter 1952: 72). We shall have much to say regarding Marx’s *evolutionary* perspective. As to the point at hand, the disappearance of Marx’s picture from Red Square – and the imminent removal of Lenin’s corpse – is no reason for historians of Marxist economic thought to alter their research programs. It is in this spirit that I have composed my book.

In a provocative discussion paper prepared for the Minisymposium entitled: “A Minor Post-Ricardian? Marx as an Economist,” Anthony Brewer rehearses with gusto the logical failings of Marx’s economics, in order to explain “why *Capital* was treated with conspicuous neglect on its appearance by mainstream economics, a neglect that helped assure the future relegation of the work to the underworld” (Brewer 1995: 113–14). Brewer goes further and denies that Marxian theory *ought*

to have been taken seriously: “what was usable was simply a restatement of well-known ideas in new terms” (139). As for the possible defence that one should take account of Marx’s overall program — to prepare the way for a proletarian revolution — Brewer denies the meaningfulness of a political program based on logical incoherence, especially (a) Marx’s value theory and the concept of surplus value, and (b) the falling tendency of the rate of profit upon which the projected collapse of the system ultimately turned.

In my view Brewer takes too uncompromising a view of Marxian theory — after all in our day economists of the caliber of Morishima and Sraffa hold Marx in very high regard. (See also on this matter Steedman 1995: 204.) Even the severe critic Paul Samuelson makes generous allowance for the merits of Marx’s “departmental” analysis, as we shall see. As for criticism, I shall focus on what Marx might have been expected in his day and age to uncover and avoid, and show that he himself was fully aware of several of the weak points of his surplus-value doctrine both from a logical perspective and in terms of its empirical relevance. It will also be one of our primary objectives to indicate the arguments he devised to protect the doctrine.

Brewer does not dispute that “historians must deal with the wider impact of economic ideas (whatever their merits), as well as with the development of economic theory in its own right” (141), that Marx’s economic ideas deserve study “because they are an integral part of a worldview that has had an immense influence outside economics.” It is partly for this reason that I have extended my coverage in Part V to matters involving “application,” for they are quite as significant as the purely theoretical dimension for an appreciation of Marx and his influence.

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I originally selected as my title for Part I of this book: “*Capital*: The Mature Analysis,” but thought better of it considering the notorious fact that *Capital*, or rather the second and third volumes, edited by Engels and published in 1885 and 1894 respectively after Marx’s death (in 1883), involve much guesswork and selection from a mass of documentation sometimes scarcely legible. The accuracy of Engels’s edition in some respects has been questioned by Rubel who offers alternative readings in the Bibliothèque de la Pléiade series. I shall remark briefly on his charge that Engels conveyed a misleading impression by implying that the last two volumes constituted a pretty complete coverage of what Marx himself left to posterity whereas in fact Marx considered his task to be “inachevé” (incomplete) not only in form but in substance (Rubel 1968: 502; also xcv).<sup>1</sup>

To avoid delay, Engels proposed that the material which appears in *Capital 1* be published apart from the rest (see Engels to Marx, 10 February 1866, MECW 42: 226).<sup>2</sup> Marx explained in reply: “Although finished, the manuscript” — presumably

<sup>1</sup> See further Rubel 1968: cxxi–cxxvii on Engels’s role as editor. Also Oakley 1983, Chapter 6.

<sup>2</sup> MECW refers to the English-language *Marx-Engels Collected Works* published jointly in fifty volumes, 1975–2004, by Lawrence and Wishart, London; International Publishers, New York; and Progress Publishers and the Institute of Marxism-Leninism (subsequently the Russian Independent Institute of Social and National Problems), Moscow.

referring to the *entire* extant documentation — “gigantic in its present form, could not be made ready for publication by anybody but me, not even by you” (13 February; Padover 1979: 205).<sup>3</sup> But he accepts Engels’s advice: “I agree with you and shall get the first volume to Meissner as soon as possible” (228).

Lord Robbins used to caution his students that “[w]e don’t know an awful lot about Marx’s mental processes in the evolution of his stupendous work,” so that, for example, a “mark of interrogation remains why Marx set out in *Capital 1* in value terms and only in the (posthumously published) third volume transferred to orthodox cost analysis” (Robbins 1998: 238). This is to be excessively pessimistic; we now do know quite a bit about the evolution of *Capital* and much of the problem falls away.<sup>4</sup> Thus Marx himself explained to a correspondent: “In fact, *privatim*, I began by writing *Capital* in a sequence (starting with the 3rd, historical section)” — this latter is a reference to the *Theories of Surplus Value* (which we shall refer to as the *Economic Manuscripts*) about which more presently — quite the reverse of that in which it was presented to the public, saving only that the first [published] volume — the last I tackled — was got ready for the press straight away, whereas the two others remained in the very rough form which all research originally assumes” (3 November 1877; MECW 45: 287). Marx here intimates that his plan at the time *Capital 1* appeared in 1867, was to publish the remaining *theoretical* materials in a single volume to be followed by a third volume containing history of thought.<sup>5</sup> The important point for us is that the *theoretical materials* were under preparation even before *Capital 1* appeared.

In Engels’s terms, “[b]etween 1863 and 1867, Marx . . . completed the first draft of the two last volumes of *Capital* and prepared the first volume for the printer . . .” (MECW 37: 7);<sup>6</sup> as for the materials comprising *Capital 3*, they were written, at least “the greater part . . . in 1864 and 1865. Only after this manuscript had been

<sup>3</sup> Similarly, in the Rubel translation (Rubel 1968: cxiv). The MECW translation, however, reads differently: “Although ready, the manuscript which in its present form is gigantic is not fit for publishing for anyone but myself, not even for you” (13 February; MECW 42: 227).

<sup>4</sup> For a convenient account of the evolution of Marx’s planned project, see editorial note, MECW 37: 901–2.

<sup>5</sup> This is confirmed in the Preface to the original German edition of 1867: “The second volume of this work will treat of the process of the circulation of capital (Book II), and of the varied forms assumed by capital in the course of its development (Book III), the third and last volume (Book IV), the history of the theory” (MECW 35: 11). In fact, till the very end, Marx presumed that the materials edited by Engels, and ultimately published as *Capital 2* and *Capital 3*, would appear as a single volume (Rubel 1968: cxvii). (The original decision to organize the materials in four Books, the first three theoretical — as we now have it — and the fourth doctrinal, was taken in 1863 (see editorial note, MECW 45: 463 n62).)

In the light of recent argument regarding an allegedly *missing* book on wage labor (see Lebowitz 2003) it may be relevant that no mention is made in the 1867 Preface of an intended analysis of wage labor apart from what appears in *Capital*. (See on this matter Lapides 1998; Sinha 2001.)

<sup>6</sup> An editorial note refers in fact to “a third preparatory version of *Capital* — the Economic Manuscript of 1863–65 consisting of three theoretical books . . .” (MECW 42: 620). Only parts of this document are extant. These include the manuscript “Chapter Six. Results of the Direct Production Process,” with materials pertinent to *Capital 1* (MECW 34: 355–466); and

completed in its essential parts did Marx undertake the elaboration of Book I, the first volume published in 1867” (MECW 36: 7). We must take seriously the description of the state of the theoretical materials by Marx as in “very rough form” or by Engels as a “first draft” (this latter in fact belies Rubel’s charge against him). But this caution is valid rather more for *Capital 2* than *Capital 3*. That Engels was justified in his assertions regarding the latter is supported by what amounts to an early version of *Capital* composed 1857–58 — the so-called *Outlines of the Critique of Political Economy* (the *Grundrisse*) — which contains a most impressive body of doctrine including much of that appearing in *Capital 3*. This document which mysteriously disappeared to resurface only in 1923 — it comprises 1000 pages in seven notebooks written for Marx’s personal clarification — provides independent evidence of the major progress already made by the late 1850s. Engels was certainly aware of Marx’s preoccupations at this time (he was kept informed by correspondence), but did not see the document itself.<sup>7</sup>

Beyond this, there is also at hand a document comprising 23 notebooks written from August 1861 to June 1863, the main body comprising what is known as *Theories of Surplus Value*, which contains a substantive body of positive economics and carries the story beyond the *Grundrisse*.<sup>8</sup> This too supports Engels’s claims regarding the extensive progress made by Marx, even before his *Capital 1* went to press, with respect to doctrine only published posthumously. (See on this matter, Sowell 2006: 172.)

These assurances apply, as mentioned, rather more to *Capital 3* — and even then with qualification — than to *Capital 2*, which is fortunate having in mind the grand debates and challenges engendered by the “Transformation” of values into prices appearing in the third volume.<sup>9</sup> The dating of the *Capital 2* materials — particularly the “departmental” analysis discussed in our Chapter 2 — is rather more complex. Engels, as we have seen, referred to a “first draft” prepared between 1863 and 1867; but he also allowed that Marx worked on *Capital 2*, if rather desultorily, in 1870 and thereafter, and in fact as late as 1877–78 (MECW 36: 7–9). Eduard Bernstein (1961

also materials pertinent to *Capital 2* and *Capital 3*. (On the discovery of this “third draft” — assigned to 1864–65 — see Dussel 2001: xxxiii.)

<sup>7</sup> The document was revealed to the public in 1923 by David Riazanov, director of the Marx-Engels-Lenin Institute, Moscow. An edition was published in the original German in 1953 and it was first translated into English by Nicolaus 1973. See in particular Rosdolsky’s full-length study (Rosdolsky 1980).

<sup>8</sup> *Theories of Surplus Value*, which Engels had always hoped to edit (letter to Stephen Bauer dated 10 April 1895; MECW 50: 493), was published by Karl Kautsky over the period 1905–10.

It is my impression that Dussel’s important study of the 1861–63 manuscripts does not pay sufficient attention to the achievements of the late 1850s.

<sup>9</sup> In a letter of 27 June 1867, Marx explained that because the process of “transforming *surplus-value* into *profit*, and of *profit* into *average profit* presupposes that the *process of the circulation of capital* has been previously explained . . .,” it was necessary, for clear exposition, to postpone the discussion to a later volume (MECW 42: 390). For an elaboration, see also letter of 30 April 1868 (MECW 43: 20–26).

[1899]: 75), close friend of both Marx and Engels, made much of the later dating of *Capital 2* (see below Chapter 2). And Rubel, who concedes that *Capital 3* largely pre-dates 1868, insists of *Capital 2* that “tout reste pratiquement à faire” after the appearance of *Capital 1* (Rubel 1968: 501; also cxvii–cxviii), most of the *Capital 2* materials dating to 1875–78 (cxiii).<sup>10</sup> There seems then to be broad agreement that the middle volume is the latest of the three, standing somewhat apart from the rest as a set of exploratory exercises and very much open ended.<sup>11</sup>

It should also be kept in mind that modifications and additions were introduced by Marx himself into the French edition of *Capital 1* published over the period 1872–75. These additions, which appear in the Pléiade edition (Marx 1963), have not been properly incorporated – if at all – into the English translations (see Anderson 1983; Orzech and Groll 1989: 65–6). Engels himself in his editorial work did not do justice to Marx’s supplements to the key section in Chapter 25 on “The General Law of Capitalistic Accumulation,” a fact that Anderson rightly describes as “amazing” (Anderson 227).

While it is safe for some topics – preeminently value theory – to consider *Capital 1* and *Capital 3* as, so to speak, a single unit relying heavily on the early documents of 1857–58 and 1861–63, it is also the case that Marx worked late on materials published by Engels towards the end of *Capital 3*, and which, like much of *Capital 2*, remain in a very unfinished state. This applies, for example, to Chapter 49: “Concerning the Analysis of the Process of Production” (MECW 37: 818–38), touching on the question whether (as Adam Smith believed) the entire national income can be resolved into wages, profit and rent. This chapter, which in fact draws heavily on the “simple reproduction” notions of *Capital 2* proved a veritable nightmare to Engels, as is well explained by Rubel (Rubel 1968: 1844).

A word of caution regarding the early documents is in order. It is not simply a matter of one-way “progress” on the path to *Capital 1* and *Capital 3*. In some respects we find formulations in the 1857–58 and 1861–63 versions technically superior to the “final” published versions and these I shall point out as we proceed, but may refer here to some particularly striking instances. The *Grundrisse* (as we show in Chapter 9) presents splendid formulations of the “realization” problem which Marx recognized threatened the basic theory of surplus value, but never resolved; there is an effective “reply” to Böhm Bawerk’s later objections to Marxian value theory in terms not encountered elsewhere; and the societal transformation achieved in efforts to expand the sphere of circulation is quite brilliantly expounded.

<sup>10</sup> Marx himself wrote to Kugelmann on 11 October 1867: “[t]he completion of my second volume depends chiefly on the success of the first” (MECW 42: 442); and on 6 March 1868: “volume II . . . will probably never appear if my [health] condition does not change” (544). However, the significance for us of these statements is unclear since by “Volume II” Marx intended all the remaining theoretical materials coming down to us via Engels as *Capital 2* and *Capital 3*.

<sup>11</sup> On the high relevance of the chronology of Marx’s writings, see Oakley 1979, 1983, 1984, 1985; Groll and Orzech 1987.

The priority accorded the industrial sector in profit-rate determination emerges more clearly in the 1861–63 documents than in *Capital* 3 (see Chapter 10). Little of this appears in the secondary literature. And throughout these materials, indeed in those dating to the late 1840s, the significance of the *demographic variable* in accounting for increasing immiseration emerges loud and clear although it is almost entirely neglected in the literature on *Capital* and the earlier documents.

We should always have in mind Engels's unawareness of the substantive content of the *Grundrisse* and the fact that he himself did not prepare the 1861–63 manuscripts for the press. It is all the more desirable to respect the unity or independent status of the early “drafts” rather than merely dip into them to seek parallelisms and contrasts with the published version of *Capital* on matters of specific detail.<sup>12</sup>

I may have given the impression above of the existence of *two* early “drafts” of *Capital*, the documents of 1857–58 and 1861–63. It is, in fact, an important part of my argument that an earlier version – though still very much a “half-way house” – is discernible in documents of 1847–49. These include the *Poverty of Philosophy* 1847, a polemic directed against Proudhon; a set of lectures delivered in 1847 and published as “Wage Labour and Capital” in 1849; and “Wages,” one of the 1847 lectures unpublished in Marx's lifetime. One of our concerns will be to evaluate Marx's contention that his *Poverty of Philosophy* “contains in embryo what after a labour of twenty years became the theory that was developed in *Capital*,” and particularly that he had already “discovered” the source of surplus value in “labor power” by the late 1840s.

The materials of the late 1840s can best be appreciated when contrasted with Marx's position in the “pre-Marxist” period. The *Economical and Philosophical Manuscripts* of 1844 and the famous *Notebooks* of 1843–45 provide this essential setting. These latter – apart from notes devoted to James Mill – have not till now been translated into English and have been unjustifiably neglected in English language accounts. This deficiency is corrected in Chapter 6.

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My main concerns in Part I of this study are the standard topics of Marx's “positive” economics: value and distribution, growth theory with emphasis on the “Reproduction Schemes,” the falling real-wage trend, the falling profit rate and the cyclical dimension. In these five chapters I demonstrate (*inter alia*) the centrality for Marx of the allocative mechanism and the interdependence of pricing and distribution; the implications of the Absolute Rent doctrine for profit-rate determination, specifically accordance of priority to the *industrial* rate of return; the rejection of an “advances” model in favor of “synchronized” activity; the central role accorded population growth in accounting for the downward wage trend; the implications for the profit-rate trend of productivity increase affecting differentially the wage-goods and capital-goods sectors; and the damaging complexities that Marx himself appreciated were created for the surplus-value doctrine by the

<sup>12</sup> Dussel 2001 is, therefore, to be particularly welcomed.

“realization” problem. These features portray a rather different Marx than that typically presented to students.

I have little to say regarding Part I of *Capital 1* on the nature of “commodities,” the “substance” of value and the “form” of value, which – as Marx points out (MECW 35: 7) – summarizes the substance of his *A Contribution to the Criticism of Political Economy* published in 1859.<sup>13</sup> This brief work also investigates the nature and function of money in capitalist development, a topic which, though by no means neglected (see in particular Chapters 2 and 5) does not occupy center stage in the present study with its focus on the “real” dimension.<sup>14</sup> Finally, I do not take account of Marxian sociology, such as the “alienation” issue.<sup>15</sup>

I devote Parts II, III, and IV to a chronological study of the evolution of Marx’s position on the topics discussed in Part I, from “Pre-Marxian” days through the three “drafts” of *Capital*. Although the ordering of materials in this fashion makes for a little complexity, it is more efficient – and more interesting – than telling a simple one-directional story with no idea of the end point until it is reached. (Moreover, as explained above, it is important to respect the unity of the early drafts, especially those of 1858–59 and 1861–63, since the “end point” – at least *Capital 2* and *Capital 3* – will always be open to some degree of uncertainty.) A reader who prefers to work through Parts II–IV before Part I should keep in mind that the agenda of topics has been established in Part I.

Part V comprises three essays in “application.” At this point we note a potent remark by Marx regarding the broad significance of the first volume of *Capital*. Firstly, “actual economic relations are [there] treated in an entirely new way by a materialistic . . . method. Example: 1. the development of money. 2. the way in which co-operation, division of labour, the machine system and the corresponding social combinations and relations develop ‘spontaneously’”; secondly, “the author demonstrates that present society, economically considered, is pregnant with a new, higher form . . . showing in the social context the same gradual process of evolution that Darwin has demonstrated in natural history” (Marx to Engels, 7 December 1867; MECW 42: 494). My Chapter 13 on “Economic Organization and the Equality Dimension” fully confirms this general orientation and also Marx’s further remark that “owing to this critical approach of his, the author has perhaps *malgré lui*, sounded the death-knell to all socialism by the book, i.e., to utopianism, for evermore.” Marx’s “evolutionism” emerges equally strongly in Chapter 14, which raises the question: “Is there a Marxian ‘Entrepreneur?’” and shows how he revises his estimate of the industrial capitalist in the light of contemporary developments in industrial organization, and again in Chapter 15 where I demonstrate his reevaluation with the passage of time of the potential for welfare reform *within*

<sup>13</sup> On the relation of the 1859 publication to the *Grundrisse*, see the editorial note, MECW 34: 475; Arnon 1984: 555. Refinements introduced into the second German edition of *Capital* (1873) largely concern Part I (see MECW 35: 12).

<sup>14</sup> For coverage of Marx on money, see Arnon 1984, De Brunhoff 1976, Nelson 1999, Moseley 2005.

<sup>15</sup> See Elliott 1979 on the evolution of Marx’s thought regarding “alienation.”

capitalist development. These are matters that have not been sufficiently appreciated in the literature on Marx.

As for Engels, I am obliged to postpone for another occasion a full discussion of his crucial contribution to the Marxian scheme of things. But it is only proper that he be allowed the last word, and in the Conclusion I summarize my general perspective on the Marx-Engels relation concerning the main themes of the book. Similarly, I make no pretense in the Conclusion at covering the extensive literature on the Marx-Sraffa relation. My concern is to consider a specific aspect of Sraffa's intellectual "debt" to Marx in order to convey a positive notion of Marx's current importance; I treat Sraffa to round out my study rather than to add more detail. This final chapter also summarizes Marx's own recognition of the weaknesses of his surplus-value doctrine, as well as the relation between his economics and the classical or Ricardian version.