

Marxist Political Economy in a Contemporary Vein



The continuing world recession that has now dragged on since late 2007, with no sign of abating, has renewed interest in Marx's critique of capitalism. So much so that even respectably "mainstream" TIME.com now writes:

"Karl Marx was supposed to be dead and buried. With the collapse of the Soviet Union and China's Great Leap Forward into capitalism, communism faded into the quaint backdrop of James Bond movies or the deviant mantra of Kim Jong Un..."

"Or so we thought. With the global economy in a protracted crisis, and workers around the world burdened by joblessness, debt and stagnant incomes, Marx's biting critique of capitalism—that the system is inherently unjust and self-destructive—cannot be so easily dismissed..."

*"A growing dossier of evidence suggests that he may have been right. It is sadly all too easy to find statistics that show the rich are getting richer while the middle class and poor are not..."**

Similarly, Nouriel Roubini, professor of economics at New York University's Stern School of Business, writes presciently in his and *New York Times* economics writer Stephen Mihm's *Crisis Economics: A Crash Course in the Future of Finance* (Penguin Press, 2010), p. 37:

"Toward the end of 2008 the pandemic worsened, and the

history of long-forgotten crises became increasingly relevant for explaining what was happening. So did the writings of economists who had languished in obscurity for many years. John Maynard Keynes came back into vogue, as did Joseph Schumpeter, Hyman Minsky, Irving Fisher, and even Karl Marx. Their sudden reappearance was significant, if portentous: all had made their mark studying how capitalism would collapse in crisis. They may have drawn wildly different conclusions as to why and how, much less what to do about it, but the fact that their names were uttered with a quiet respect was a sign that a sea change was at hand. Economists who had preached the virtues of deregulation, the efficiencies of markets, and the benefits of financial innovation suddenly seemed outdated compared with these more unconventional thinkers.”

Other “mainstream” economists have echoed the same sentiments, notably Nobel Prize-winners Paul Krugman and Joseph Stiglitz, former Clinton Secretary of Labor Robert Reich, and think-tank writers Dean Baker and Jared Bernstein. Clearly those voices of long-dead economists – from the only recently non-respectable Keynes to the always pariah-in-the-house Marx – are not only not silenced, they are laughing most uproariously from their premature graves! This makes the arrival of these two new radical studies of Marx’s political economy—Michael Heinrich’s *An Introduction to the Three Volumes of Karl Marx’s Capital* and Wayne Price’s *The Value of Radical Theory: An Anarchist Introduction to Marx’s Critique of Political Economy*—even more timely and relevant. For presented here most appropriately are two new clear, original, and readily-understood explications of Marx’s economic theories and predictions that both illuminate the strengths, as well as inadvertently express the weaknesses, of Marx’s economic thought, prognosis and analysis.

Let’s be clear about it, as great a thinker as Karl Marx was, he was not an infallible prophet in the Old Testament/Talmudic tradition, and it is a great disservice to this profound yet

fallible human, Karl Marx , to regard him as such and hang onto his every word as though it had been extra-worldly revealed. Unfortunately, this has been far too common on the left.

Of especial originality here is Wayne Price's short volume, aptly subtitled *An Anarchist Introduction to Marx's Critique of Political Economy*, in which Price acknowledges that only Marxist economic theory is a "developed, alternate theory" in counterpoise to free-market and Keynesian economics, both of which "exist to justify capitalism and advise the government on how to manage the capitalist economy...[N]o one developed an overall analysis of how capitalism worked as an economic system as thoroughly as Marx." Price writes that although he does "not accept the total worldview developed by Karl Marx and Friedrich Engels," he thinks "much of their analysis is accurate." (p. 1) Thus does *The Value of Radical Theory* become another useful volume for carrying on the anarchist-socialist dialogue. We will return more fully to Price's volume later.

German economist Michael Heinrich's *An Introduction to the Three Volumes of Karl Marx's Capital* is what its title says it is: a nicely-structured, concise, relatively short introduction and summary of the whole three volumes of Marx's seminal *Capital* in its entirety that leaves out nothing essential. Further, while the author himself cautions that his slim volume is not a substitute for reading the whole of *Capital* itself, it will make the undertaking easier and clearer; so in this regard, Heinrich's work is itself a valuable contribution to the literature on Marxist economics, and something to be very grateful for also now being available in English.

Even though Heinrich does not simply restate Marx, but makes some original contributions of his own, the principal trouble I have here with Heinrich's exposition is that it too often merely re-explains Marx's concepts and categories of analysis uncritically, when in fact a critique of Marxist economics is

itself needed, a necessary follow-up to what Marx intended to do with “bourgeois political economy.”

For me, Marx himself was a social scientist as well as a critic of the social science of his time (which was in the time of Marx’s writing primarily political economy, the archaic term for economics, and philosophical reflections on such); and despite his myriad and often overlooked insights, Marx also had significant shortcomings, as did all the classical economists (the most seminal of whom in Marx’s day had been Adam Smith, David Ricardo, and John Stuart Mill, along with decidedly lesser lights who were important then, such as the “deservedly obscure” Nassau Senior). Marx himself was grappling with new material and new ways of analysis within an intellectual framework that was itself inadequate and confused—after all, economics as we understand it today didn’t really begin until the 18th Century with the publication of *Wealth of Nations*, and was still in its infancy when Marx wrote *Capital* in the mid-19th Century—prior to the marginalist revolution of the 1870s, which marks the beginning of modern economics as such. So, basic limitations of elucidation and analysis in Marx’s works themselves are perfectly understandable, though the common practice, continued by Heinrich, is to carry over root-and-branch what Marx wrote as infallible categories. But this is a disservice to Marx himself.

This encapsulates my objection to Heinrich’s discussion of value, commodity and the labor theory of value in the first three chapters, which carries over uncritically Marx’s arguments from the beginning of the first volume of *Capital*, which must appear to a contemporary reader, especially one versed in modern economics, as a philosophical mish-mash laden with Hegelianisms. Marx’s problems lie in his supposedly “lifting the veil” off of the commodity as such, making it “transparent,” i.e., exposing the social relations of production that lie within. But this seems from the beginning

to confuse sociology with economics as such—which is to say, the two social sciences are distinct, and sociology is the province of human social relationships, while economics is more confined to the inputs and outputs of production and distribution of commodities, which are themselves “transparently” only objects and services produced not for direct use, but indirectly for use through purchase in the marketplace. This also has bearing on Marx’s discussion of “fetishism,” which, in part, can also be looked upon as a confusion of social relationships with economic inputs as such; much as the incorporation of capital, land and labor in the production of steel, and the social relations embodied in the production of steel, do not enter into how the engineer uses the steel to construct a bridge. This explication of the social relations of production, which Marx discusses economically throughout *Capital*, and philosophically in the *Economic and Philosophical Manuscripts of 1844*, is what made Marx so important as a pioneer of sociology as such, and recognized so by his contemporaries and critics; for more on this seminal role see the discussion in Karl Marx: *Selected Writings in Sociology and Social Philosophy*, edited and translated by T.B. Bottomore (McGraw-Hill, 1964), pp. 1-48. Karl Polanyi’s important study of the early history of capitalism, *The Great Transformation* (Beacon Press, 1957), sees the rise of the “market economy” as lying particularly in the creation of “artificial” markets in land and labor, heretofore considered inalienable, i.e., not subject to buying and selling. Polanyi’s seminal radical text is further background reading and exposition of what is initially found in Marx.

Marx’s work is a totality that encompasses and subsumes within it a number of separate disciplines—economics, sociology, philosophy, cultural criticism, history—across many writings of vastly different natures; so it is difficult to separate out one Marx from the other, e.g., look at Marx as an economist without also looking at him as simultaneously a

sociologist, historian, philosopher, and critic. But Marx, writing only as a classical economist in *Capital*, doesn't deal—as a modern, i.e., clearer, economist would—with prices as such, which are measurable and established; but instead deals with values, which are not (a holdover from classical economics, which was, importantly, economics still in its infancy). His explication of the Labor Theory of Value also suffers from logical flaws in its expounding (an extensive critique and elegant disproof of the Labor Theory of Value that requires only high school algebra to grasp is found in Scott Gordon, *History and Philosophy of Social Science* (Routledge, 1991), pp. 171-4.)

Further, as Heinrich points out later (p. 148), Marx's solution to the Transformation Problem, i.e., the transformation of values into prices of production, is unsuccessful. Heinrich also shows that the "Law" of the "Tendency of the Rate of Profit to Fall" is not necessarily so, but is dependent on actual costs of constant and variable capital (pp. 151-4). This argument is further developed and advanced in a new article by Heinrich on Marx's post-*Capital* economic studies, "Crisis Theory, the Law of the Tendency of the Profit Rate to Fall, and Marx's Studies in the 1870s," *Monthly Review*, April 2013.

Heinrich falls into an unnecessary slighting of marginalism and an unfounded allegation of it being a "non-monetary" theory; but these issues are thoroughly discussed in an important reprint of three crucial discussions of Marxism and marginalism: *Karl Marx and the Close of His System, Böhm-Bawerk's Criticism of Marx*, edited by Paul Sweezy (Orion Editions, 1984), which brings together 19th century economist Eugen von Böhm-Bawerk's appreciative yet critical examination of Marx's value theory, *Karl Marx and the Close of His System*; Austrian Marxist Rudolph Hilferding's unsuccessful defense of Marx's value theory, "Böhm-Bawerk's Criticism of Marx"; and von Bortkiewicz's critique of Marx's transformation of values

into prices. This collection of classic papers on Marxist value theory and its marginalist critique is an essential supplement to any reading of Marx in a contemporary economic vein.

Wayne Price also carries over uncritically Marx's categories, though is more circumspect than Heinrich in seeing them as "tendencies" rather than immutable laws as such (see pp. 43-55).

But Marx's explication and analysis of capitalism and its inherent instability does not rely on these dubious philosophical considerations. The strength of Marx's critique of capitalism's instability lies elsewhere, and it is his insights here that overshadow the erroneous concerns that have been such a matter of contention among Marxists. Indeed, to a modern reader versed in economics, much of Marx's critique reads quite straightforward as a continuation of Economics 101, 201 and 301, albeit with its expression couched in idiosyncratic and *sui generis* language. (See especially in terms of this Heinrich's chapter 8, "Interest, Credit, and 'Fictitious Capital.'") It is here that we find the heart of Marx's criticism, that scathing critique that we noted at the beginning of this review that's an extension of the basic teaching of economics itself without the self-adjusting gloss of "market equilibrium," and which is conceded even now by the "mainstream." All this is ably expounded for the general reader extensively in Heinrich's *Introduction* and, more compactly, in Price's *Value of Radical Theory*, for which their development of analyses strictly within the limited framework provided by Marx's writings themselves turns out to be a double-edged sword.

We've dealt at length above with both Heinrich's and Price's hewing closely to the orthodox Marxist framework; let us now turn to what they both contribute to the analysis that's original. Here Heinrich and Price part company distinctly, with Heinrich being more of an "inevitablist" while Price is

more the advocate of political action within the anarchist framework to achieve that final overthrow of the capitalist system. Heinrich contributes valuably to the political discussion by noting that there's nothing inevitable either to workers' class consciousness or to the proletariat assuming its role as the gravedigger of capitalism, particularly within an advanced capitalist economy. He leaves the reader to draw the conclusion that capitalism, as irrational and destructive a system as it is, could still continue lurching on indefinitely from one crisis to the next without serious challenge to its existence.

Price, more the political activist, sees a need for direct appeals for socialism to make it happen, and eschews simply waiting for those "inevitable forces" engendered under capitalism to lead ineluctably toward its abolition and replacement by a socialist system. He is for the direct raising of socialist demands among the populace and organizing them in struggle. Further, for Price, the ethical dimensions involved in fighting for and achieving socialism and non-exploitation cannot be left out, cannot be assumed away as not needed, or as merely "moralistic" baggage, due to the "inevitability" of socialism triumphing no matter what the workers think at any one moment (or even over an extended length of time). There is an interesting parallel here, I think, between his "voluntarism" and that of the Leninist "vanguard party," though, of course, Price vigorously opposes the centralization, party discipline, and top-down rule of such a party. But yes, his call for emphasizing the moral dimension of socialism, in advocating for socialism as ethical, just and desirable in and of itself, and not simply inevitable, does have political merit, as well as potential for gathering listeners to the socialist message who might otherwise not be inclined to listen. And moral fervor is a good thing also—it's a significant part of what led many of us socialists to become — and remain — socialists in the first place!

Socialism, for Price the anarchist, means a federation of self-determining decentralized communes that may follow very different means to achieve the non-exploitative society; in this he criticizes the authoritarianism and centralization he sees inherent in Marxist political systems—certainly Stalin’s, of course, but Price sees Stalinism as already latent in the authoritarian reign of Lenin and Trotsky; and in particular, he follows Italian anarchist Errico Malatesta’s notion of federated, pluralistic local and regional communes that would try a number of means to reach the desired end of free, non-exploitative, decentralized communities, the exposition of which he includes as an appendix. This delineates one significant difference between Price and Heinrich that relates directly to economics: Price is far more macroeconomic than Heinrich, analyzing capitalism particularly as a global system; while Heinrich is more microeconomic, focusing much more on the individual capitalist firm as representing the “average firm” that is confronted, willy-nilly, with forces beyond its control to which it can only react. Heinrich’s lone foray here into a more global and macroeconomic analysis—a critique of Lenin’s *Imperialism* as “problematic” (p. 215)—is itself problematic.

Three final observations. Paul Krugman, the foremost exponent of Keynesian fiscal policy for dealing with the unemployment crisis endemic in the present recession, advances ably and amply the persuasive power of sweet reasonableness in advocating for increased government spending to put the unemployed back to work in his latest book, the best-selling *End This Depression Now!* (W.W. Norton, 2013). He demonstrates most convincingly here that austerity will only make the recession worse, but finds himself, in the end, confounded by the “irrationality” of both capitalists and politicians in the face of this sweet reason. While skirting the issue that’s raised by Marx, that of a system that perpetually generates crises, Krugman convincingly argues that Keynesian economics gives policymakers the tools to tame such crises, much as a

lion tamer is able to tame this man-eating cat to docilely sit on a stool.

And indeed, from the standpoint of economic rationality, a full employment economy would benefit capitalists as well as workers, by turning the unemployed into consumers able to buy the capitalists' goods. But as Krugman notes (pp. 94-5, 206), economist Michal Kalecki, a Polish-born Marxist who independently developed and amplified much that would later be called Keynesian economics, thought the capitalists themselves were driven to oppose a full-employment economy, despite its evident advantages, because it would give workers "undue" power vis-à-vis capital. This point, that for the capitalist class employment must hinge first of all on "sound finance" and "restoring business confidence," is further amplified in an article in the April 2013 *Monthly Review* by John Bellamy Foster, "Marx, Kalecki, and Socialist Strategy." Hence, according to Foster, Kalecki, and Krugman—as well as Marx—business can indeed hold government hostage.

But our left today is also allowing this business hostage-taking by not mobilizing the working class, the unions, and the unemployed to fight openly for full employment; and thus plays directly into the hands of the Obama "moderates," the Tea Party and Republican right, and the business interests who do not want full employment even though they themselves would benefit by the increased consumer spending power of the previously unemployed, but would rather have recession, austerity and restoration of "business confidence" instead. Yet the attitude of too much of the left seems to be that it can do nothing except call for socialism, because the capitalist fix is already in, and the capitalists themselves are immobile, immune to pressure for change and reform, indeed, to anything that falls short of overthrowing capitalism itself—which is certainly not borne out by history. (There's the other left, of course, as exemplified by DSA, the Communist Party and CCDS—which holds that any decisive break

with the Obama Administration and the Democratic Party from the left, as opposed to merely expressing unease and dissent from within the fold and calling for more “progressive” measures, would be “unrealistic.”)

I consider such abdication on the unemployment issue by the left, in both its “revolutionary” and “reformist” wings, to be unconscionable. This despite the “revolutionaries’” ability to assert, as basis for this abdication, formal conformity with the notion advanced by Marx and sustained by Krugman that the capitalist class can’t only just generate economic crises by “business as usual...” It can also, as Krugman and other have pointedly noted, compound them by its own class irrationality and obeisance to what Keynes archly called “defunct economists.” But the logic of capital need not also be the de facto logic of the left. Further, borrowing from Price above, we may also pointedly note the moral dimension involved, as well as pragmatic considerations. Directly put, abdication by the left on the unemployment issue is to consign millions to crumbs allegedly because only a half-loaf at most (such as the New Deal or a Scandinavian welfare state) is available through concerted struggle and mobilization for vital reforms, but never the full loaf achievable only through socialism. But especially in the United States, as well as in Europe and elsewhere, socialism is not realistically on the agenda—thus making the socialist full loaf only a pie in the sky for millions, with all the appeal of that “bowl of warm spit” that FDR’s first Vice President, John Nance Garner, attributed to his office. Surely this is one significant way in which our contemporary socialists (already stymied by the historical anomaly of the working masses not turning decisively to the left during this recession) readily turn people off to socialism, not move them toward socialism!

Another question raised is why economists such as Krugman, Stiglitz, Reich, Dean Baker, and Jared Bernstein remain pro-capitalist Keynesians and don’t become socialists. One reason

is that which the left itself has avoided discussing ever since the fall of "actually existing socialism" in the late 1980s and early 1990s: namely, that socialism as tried to date has been largely unsuccessful, has either been incomplete, only partial, welfare states that have stayed within the bounds set by the capitalists; or else Stalinist dictatorial states that have themselves been notable economic failures (as well as political fiascoes). Perhaps there is some partial hope for the present in the Bolivarian experiments in Latin America; but as with the unemployment issue, the problem lay not so much with Marxist analysis as it does with the shortsightedness and inability of socialists and socialist movements themselves.

That said, it is good to see the revival of interest in Marx and Marxism, something certainly the publication of these two books under review can only significantly advance. Marx was a giant, a giant as relevant for our times as well as in the past, but he does not stand alone—he must be supplemented and complemented, our understanding of him refreshed anew by volumes such as Heinrich's and Price's, as well as by a non-Talmudic reading of him in the first place. While it is always good to begin with Marx in our investigations into social relationships and their workings, it is simply not enough to end there.