

Misreadings of Marx

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Marx as Politician, by **David Felix**, Southern Illinois University Press;

Marxism: Philosophy and Economics, by **Thomas Sowell**, William Morrow and Company

Each of these books presents a bold and unconventional interpretation of Marx. Unfortunately, both interpretations are impossible to reconcile with the evidence of Marx's life and writings.

Felix's thesis is that 'Marx was primarily a politician and not a thinker ... As great as Marx was as a thinker, ... he was a greater politician' (p. ix). And this is some claim for Marx the politician, since Felix also holds that 'Marx is one of the greatest thinkers in world history.' According to Felix, 'Marx belongs with such politicians as Pericles, Alexander, Caesar, Augustus, Constantine, Cromwell, Napoleon, Lincoln, Disraeli, Gladstone, Bismarck, Lenin, Gandhi, Roosevelt, and Charles de Gaulle.' Really? All of these held political office, or in the case, of Gandhi, led a successful political movement numbering in the millions. Felix appeals to Marx's subsequent influence: 'we have only to look around us to see his colossal presence.... Where are his contemporaries among the leaders - men like Gladstone and Bismarck - now?' (pp. ix-x) But surely this posthumous influence rather suggests that Marx's success was not that of a politician. Muhammed and Luther were far more active and successful in politics - I mean state-level politics, not street-corner politics - than Marx, and also more politically skilful. Their colossal presences are with us still, and will no doubt outlast Marx's. But they were not great politicians.

If we interpret Felix to mean that Marx was a committed revolutionary", preoccupied with politics, whose ideas became politically influential after his death, then it is merely stating what everyone knows already. Careless and unsubstantiated assertions abound in Felix's book. He sees Marx as a power maniac whose every word, deed, and

thought were governed by malignant lust for power. The subject of *Capital* is power.

Marx exercised power incessantly ... Marx wrote *Capital* to attain power (pp. 152-3). (The subject of *Capital* is the insult to human dignity which arises from the unplanned nature of production for the market. Any power exercised by Marx was kingship of a puddle. If Marx wrote *Capital* to attain power for himself, he was one hell of a bungler.)

Marx was by no means saintly and arguably not even a gentleman. He was arrogant and not averse to intrigue. He was cantankerous and foul-mouthed. These facts hardly show that Marx was a megalomaniac who wanted to rule the world, much less that all his ideas were devised entirely for this purpose.,

Felix is a bit hard on Marx. The rhetorical flourish, 'A spectre is haunting Europe--the spectre of communism ...', Felix characterizes as 'a boastful lie' (p. 75). (In case Felix or his readers don't know, there was a great stir in Europe over communism, with police persecution of communist groups, and widespread interest in Stein's book *The Socialism and Communism of Present Day France*.) As everyone knows, Marx took many ideas from earlier socialists and earlier economists. Felix describes this by saying that he 'pillaged' their writings (p.114). The friendship between Marx and Engels had 'powerful homoerotic undercurrents' (p.111, no supporting evidence). Marx was at the border of psychosis (p.117, p.158, no evidence). Marx's campaign to expose Yogi as a spy 'helped save him (Marx) from madness' (p. 122). After mentioning that Marx did not personally meet many workers, Felix explains that 'recognition of their humanity would have distracted him from his world-historical task' (p. 123). It's a big jump from not constantly rubbing shoulders with workers to not recognizing their humanity.

Felix does not have much of a grasp of Marx's economic theories, and his criticisms are generally based on superficial misreadings. Felix thinks he has caught Marx out in a contradiction because Marx repeatedly states that land is a source of

wealth (p. 138), while denying that land is a source of value. But there is no contradiction here.

Marx, of course, has his own special definition of the word 'value', by which it is possible for useful goods to be without value. (In a typical sour comment, Marx observes that virgin land, like a woman's virtue, has a price but no value.) A similar misreading of Marx occurs when Felix says that Volume 11 of Capital must be about nothing at all, because it concerns circulation, which 'contributed nothing to the economy' (p. 127). That circulation (selling, banking, advertising, and so forth) in Marx's view ate up value without creating any new value did not, of course, imply that circulation made no difference - especially to the possibility of macro-economic instability, which is the main concern of Volume II. Like the classical economists, or most of them, Marx was concerned to distinguish 'productive' and 'unproductive' labour. This was an error, since there is no basis for such a distinction - all labour must be counted as productive which satisfies any want - but Marx was no more muddled here than the classicals, and much less muddled than Adam Smith.

A statement by Marx that the identity of purchase and sale does not guarantee balance in the economy is tom to shreds by Felix, to his own satisfaction. Felix insists that for every purchase there is a sale (p.118), but Marx never denied this. Felix does not seem to know about the controversy over Say's Law. Marx makes the perfectly correct observation that since a seller can hoard his money instead of proceeding to make purchases, the possibility exists for instability. The trivial identity of purchase and sale does not demonstrate the impossibility of slumps. Marx's statement that it is ridiculous to think of 'proving' the existence of value is taken by Felix to mean that Marx rejects the need to define the concept of value (p.136). Felix therefore ignores Marx's definition, and supplies his own, with odd results in the interpretation of Marx's argument.

I hardly need to emphasize that Felix is often correct in his negative judgements on Marx's theories. Marx made a lot of mistakes, but some of them are more interesting mistakes than you would guess from Felix's

account. He fails to convey much about the real issues involved. Thus, in his summary of where marginalism scores against Marxism (pp. 136-7), most of what Felix attributes to marginalism was held by Marx and by earlier economists. The success of marginalism in resolving the Diamonds and Water Paradox, and then reconciling marginal utility with the Law of Costs, was what really undermined the labor theory of value. Felix's acquaintance with the history of economic thought can be gauged from his opinion that Malthus's population principle is correct (p. 144), since there is still a 'margin of dying' in the world.

Sowell's book is both more sober and more knowledgeable than Felix's. but unfortunately the author commits himself to some untenable interpretations of Marx's doctrine, the most striking of which is Sowell's denial that Marx ever advanced a labour theory of value. Sowell argues that the debate over Marxian value which raged after Marx's death was a 'tragicomedy of errors', and that Böhm-Bawerk and other critics just missed the point. Böhm-Bawerk's critique 'repeatedly misunderstood what it was refuting, and unknowingly repeated criticisms that Marx made of Ricardo' (p.109). Sowell offers no evidence for these assertions. He does not, for instance, cite a case where one of Marx's criticisms of Ricardo was unwittingly repeated by Böhm-Bawerk anent Marx. I have read both *Theories of Surplus-value* and *Karl Marx and the Close of His System* very carefully, and I contend that there isn't a single case of a misunderstanding by Böhm-Bawerk of the sort Sowell alleges. Sowell's entire account of the debate over Marxian value is thoroughly false from start to finish.

Marx advances a coherent and intelligible price theory, based on his 'value' construct. This price theory is not mere foolishness; it is not based on crass confusion or mystical Hegelianism. It is a sensibly conceived and intelligently worked-out theory, and in the absence of a convincing analysis of demand, a fairly plausible one. The theory has been refuted, by such critics as Wicksteed and Böhm-Bawerk. Its foundations were blasted away by the marginal revolution. Böhm-Bawerk fully documents the views he attributes to Marx. The debate on Marxian value,

in which Böhm-Bawerk intervened, was launched and virtually presided over by Marx's confidant, Engels, and the participants, unlike Sowell, understood what Marx was driving at. When it began to appear that Marx's theory was untenable as a price theory, some Marxists developed the feeble line of defence that, while the theory could not accurately account for prices, it had other, profound but vague, merits. Whether or not it has these merits, it stands refuted as a price theory, and the whole structure of *Capital* comes crashing down.

Sowell's position that Marx had no labour theory of value (by which he evidently means that the point of Marxian 'value' was not to explain prices) is unable to account for the occasions when Marx contends that prices are determined by values or cannot be explained without values. Secondly, it is unable to account for why Marx keeps attacking as 'vulgar' those writers who appeal to supply and demand to explain prices. (In Marx's terminology, a vulgar economist is one who does not accept the labour theory of value.) Thirdly, Sowell's interpretation is unable to account for the attempts Marx made to reconcile the labour theory of value with the apparent departures from it. Fourthly, Sowell is unable to plausibly explain just what was the point of Marx's preoccupation with 'value', if not to account for price. Sowell asserts that the law of value is "essentially a principle of resource allocation rather than of price determination" (p.89) - a puzzling claim, since Marx knows, and Sowell knows that Marx knows, that under capitalism resources are allocated according to prices.

As Sowell denies that Marx's theory of value is a price theory, he has to obscure the straightforward sense of Marx's theory of exploitation - that the profit which goes to the capitalist has been robbed from the worker. Sowell tries to defend the Marxian conception by emphasizing that the capital owned by the capitalist was produced by labour in the past (p. 116). "While Marx did hold that this was generally the case, he more fundamentally insisted that all profit was produced by labour ('living labour', as opposed to 'dead labour', his term for capital), and that capital could under no circumstances produce surplus-value or profit. In

Marx's expression for the value of a product, $c + v + s$ (capital plus labour plus surplus-value), Marx maintains that s is always created entirely by v , and never in the slightest by c . Thus, even if a worker saves out of her wages, buys capital, and then goes into business as a capitalist employing workers, the whole sum of her profits is, according to Marx's theory, entirely due to her employees' exertions, not to her savings.

It is this which leads directly to Marx's difficulties with the 'transformation problem', and to Böhm-Bawerk brilliant refutation. Sowell plays down the importance of the transformation problem because he does not appreciate its significance in Marx's theory. For Marx, prices are determined by values. If values cannot be transformed into prices, Marx's theory is refuted. (The contrary does not hold: If values could be transformed into prices mathematically, this would not demonstrate that values determined prices.) The upshot of 100 years of mathematical treatment of the transformation problem seems to be that it is insoluble, as Böhm-Bawerk contended. (See for example Ian Steedman, *Marx after Sraffa*, London: NLB/Verso, 1977.) Though Steedman still apparently holds that workers are necessarily exploited by capitalists, he acknowledges that Marx's own way of demonstrating exploitation has been refuted.)

Both Felix and Sowell misunderstand Marx's labour theory of value, Sowell by denying that Marx held it, Felix by dismissing it as silly on superficial grounds. I conjecture that these differing verdicts have a similar motivation: Sowell believes that if Marx had held the labour theory of value, it would have been as silly as Felix claims, but Sowell knows that Marx is too clever for that.

Marx is impressed by the fact that in natural science, theoretical concepts like 'heat' and 'mass' - abstract and quantifiable, unknown to common sense, and apparently contradicting everyday observations - are employed with great success. Marx thinks that 'value' (abstract, socially-necessary labour-time) is such a theoretical concept explaining prices. He attacks Ricardo, *not* for using labour-defined 'values' to explain prices (as Sowell is possibly seeking to imply), but for departing from labour-values *ad hoc*, how-

ever they seem contradicted by superficial appearances. (From Marx's point of view, this is like a physicist immediately abandoning the concept 'mass' when confronted by a hydrogen balloon.)

The price theory erected by Marx on the basis of 'value' is an ambitious and ingenious construction, which has turned out to be unnecessary and unilluminating. Marx did almost no work on it for the last 10 years of his life, and had he lived another 10, might well have abandoned it.

Among other shortcomings common to both Felix and Sowell, and one of the more serious is their neglect of Marx's conception of communist society, the standard by which he judges capitalism, and the destination he forsees for twentieth-century mankind. Both authors give the impression that some kind of market would exist under Marxian communism (Felix, p.119; Sowell, p.127). In fact, Marx sees communism as a system without markets, prices, or money, in which bookkeeping would be performed in labour-hours and the 'anarchy' of competition would be replaced by society-wide planning. He has no doubt that such a system would be enormously more efficient than capitalism.

Only when such writers as Wieser, Barone, Pierson, and Mises turned their attention to communism could it be demonstrated that Marxian communism (and all other forms of socialism which do away with factor markets) is practically unfeasible, because - astounding as this would have seemed to Marx (or, for that matter, to J.S.Mill) - advanced industrial production absolutely requires the spontaneous and unplanned process of market adjustment. If you want to maintain advanced industry, you cannot do without that form of organization scorned by Marx as 'anarchy of production'.

Free Life