AN INTRODUCTION TO MARXIST ECONOMICS

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George Catephores

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Preface

Lecturers in Marxist economics may have sometimes experienced the feeling that their subject-matter falls into two distinct parts: an early and easy, followed by a late and difficult one.

The early part covers things like the labour theory of value, surplus-value and the fundamentals of an analysis of exploitation. For a lecturer prepared to relegate discussion of more controversial issues (the transformation problem, homogeneous versus heterogeneous labour) to a separate section of the course, the task here is both manageable and quite enjoyable. The relevant theory has been left by its original author in a highly finished state. It is coherent, well-argued, often quite plainly written, almost tailor-made for textbook presentation.

In addition – given the stubborn resistance of mainstream economics to allowing a niche for the idea which, after Marx, appears to many as plain commonsense: that in a capitalist market economy exploitation of labour is fully consistent with general competitive equilibrium – Marxist economics with its emphasis on exploitation retains, despite its age, an air of freshness and originality that takes the audience by surprise.

The effect is heightened by the strong appeal of this part of Marxism to the ordinary person's sense of elementary justice. What could be fairer than to base an economic theory of value and distribution on the premise that, under ideal conditions, only productive labour should confer a title of ownership (hence the basis of purchasing power) to the product. Clarity, originality plus a sense of moral commitment, all combine to make this first part of a course on Marxist economics a lecturer's and an audience's paradise.

In the second part, things take a very different turn. Here it is the intricacies of the mechanism of the capitalist mode of production in its macroeconomic consequences that have to be confronted. How to relate the labour theory of value to them is neither obvious nor easy. Thorny issues, like unemployment, monopolies, crises, technical change, capital accumulation, credit, money, enrichment or impoverishment of whole social classes, growth versus stagnation and economic decline, these are the matters which must be placed on

the agenda. On topics like these the original sources of Marxist economics are not nearly as helpful as on the topic of exploitation. Not that the sources suffer from any deficiency of ideas. On the contrary, ideas abound; sometimes one wonders if there might not be a surfeit of them. But clarity, logical order, continuity in development, the traditional qualities of a good textbook (and, perhaps, of a bad book) are often painfully missing. What was a lecturer's paradise has turned into his (let alone the audience's) nightmare. What is one to do?

The traditional response to this question has been an attempt to set aside a lot of side issues and go for the 'grand structure' of Marx's analysis. The chase for that structure among Marx's prolific writings can be frustrating but also fascinating. One often feels lost in the midst of unresolvable complications when, all of a sudden, the way is illuminated by one of Marx's flashes of genius that pierce through the darkness. One feels worn down by the unspeakable tedium of far-too-long, far-too-repetitive passages, until one's spirits are mercifully lifted by some unexpected outburst of Marx's sardonic humour. In fact, the chase can become so engrossing that some never have the heart to bring it to a conclusion and emerge from the woods, holding for display whatever game they were able to capture.

In a broader sense Marx himself was, to a certain extent, such an enchanted huntsman. The chase, in the unpublished manuscripts he kept piling up on top of one another interminably, was much vaster in comparison to the results he allowed himself, or was allowed by circumstances, to publish, during his lifetime. For example, in the *Preface* to the first German edition of *Capital*, Vol. I, he wrote that 'the ultimate aim of this work is to lay bare the economic law of motion of modern society'. But, despite the enormous analytical material he contributed towards this aim, he never explicitly pointed the finger to one of his various formulations, selecting it as the definitive version of some such law.

It was inevitable that others would attempt to do it for him. Propagation of ideas, whether in academic life or in politics, requires something more definable, more capable of being intellectually appropriated, domesticated even, than the tempestuous, often baffling, open-endedness of Marx's explosive thinking. The outburst of a scientific revolution has to be followed by normal science.¹ It is the province of the latter to systematise, to state in a methodical, cut-and-dried manner, laws and models often left in their urgency incomplete, only indistinctly discernible, by those who were pressed to achieve some great original breakthrough.

Shouldn't we all be grateful to the 'normal scientists', for their pedestrian spadework? They are the ones who make our job possible. They bring the task of lecturing, teaching, preaching, scribbling, listening to, learning and even taking political action down to dimensions commensurate with the average limitations of most people. The present author, at least, is certainly grateful, regarding the problem of the gap between the two successive areas

of Marxist economics, to one such 'normal scientist' who made the author's lecturing work at all possible. Long years ago a paper by Ronald Meek² alerted him to the existence of a concise statement of what might be regarded as coming close to Marx's promised 'law of motion' of capitalism. Meek had not written the statement himself. He found it ready-made in the book by the American Marxist Joseph Gillman,³ *The Falling Rate of Profit*, and used it without alteration and (of course) with full acknowledgement.

Gillman himself cannot really be said to have extracted from Marx's writings one unique statement summarising the whole central tendency of the capitalist system. Rather, he proposed a complex of four 'laws of motion' of capitalism: (i) the law of the falling rate of profit, (ii) the law of the increasing severity of the cyclical crisis, (iii) the law of concentration and centralisation of capital and (iv) the law of the increasing misery of the working class. Four though they are, these 'laws' are sufficiently integrated to be treated as a coherent model, representing the more narrowly economic side of the capitalist mode of production.

From the point of view of the gap mentioned earlier, between the labour theory of value and the macroeconomic analysis of the capitalist economy, Gillman's summary of the four 'laws' does manage to create a bridge. The law of the falling rate of profit, the centrepiece of the model implicit in Gillman's statement, can be seen as a direct derivation from the labour theory of value and surplus-value. Crises also must be analysed within the framework of a theory of the accumulation process, itself described in value terms. Given such linkages, the transition from value theory to Marxist macroeconomics becomes possible, while the succinct statement of the four 'laws' offers a comprehensive framework for the orderly presentation of the rather less well organised parts of Marx's argument. Finally, the emphasis on the evolutionary trends of capitalist development, expressed particularly in the law of increasing concentration and centralisation of capital, links up the more narrowly economic model with the wider vistas of change in and succession of modes of production, opened up by the general theory of historical materialism.

This last point does raise some additional difficulties. If the capitalist system evolves during the period of its existence, is it possible to understand its workings with the help of just one single model or is a sequence of models necessary? Marx, in some way, had anticipated that difficulty when he wrote, again in the *Preface* to the first edition of *Capital*, Vol. I: 'The country that is more developed industrially only shows, to the less developed, the image of its own future'. It should, therefore, be possible for the theorist to take the standpoint of that 'future', to position himself at the level of the most developed capitalist economy in existence, and give a comprehensive view both of the highest stage of capitalist development and of the road towards it with the help of one single theoretical instrument, the analytical model applicable primarily to advanced capitalism.

Historical materialism, the labour theory of value, Marxist macroeconomics

and economic development can in this way form one cluster round the nucleus of the four 'laws of motion' assembled by Gillman. The benefits of this approach are not exhausted by the advantages of presentation. The fullness, the strong internal cohesiveness of Marxist theory it brings out are, in themselves, an important step towards establishing the truth of the theory. Many followers of Marx have been won over to his teaching by the perception of its integrative power praised by probably the greatest among them, Lenin, in the following glowing terms:⁴

The Marxist doctrine is omnipotent because it is true. It is comprehensive and harmonious, and provides men with an integral world outlook irreconcilable with any form of superstition, reaction or defence of bourgeois oppression.

The present author believes that until relatively recently a model broadly similar to the one described at the beginning of the previous paragraph commanded, in some version or other, the loyalties of most practitioners of Marxism, whether in academic teaching or in political life. He would name it 'the early Marxist model', which, together with very many other Marxist 'normal scientists', he also adopted for his teaching and tried to defend by his research.

The main problem of all 'normal scientists', convinced as they are by some impressive successes of their paradigm into believing in its basic validity, is how to deal with contrary evidence. Collecting more evidence, clarifying and interpreting the existing one or reconciling it with their paradigm by introducing into the latter minor modifications are all strategies that have to be applied on one occasion or another. What is not permitted by the rules of the game is that they abandon a tried basic interpretative scheme as soon as a slight frown appears on the face of empirical evidence. If they did this they would be guilty of 'naïve falsificationism', which not even Popper would condone.⁵ And often 'normal scientists' have to dismiss, as irrelevant, clashes of their theories with the data which are far more serious than a mere frown on the face of empirical evidence. Not even practitioners of Newton's paradigm escaped that fate,⁶ let alone followers of disciplines far less exact than classical physics.

Practitioners of the 'early Marxist model', though unsupported by the prestige or the successes of physics, did not fall much behind Newtonians in stubbornness, in the defence of their paradigm. Gradually, however, anomalies and counter-evidence piled up to the point where some of them realised the need for drastic revisions. These would usually take the following form: one of the four 'laws' of Gillman's summary would be abandoned first, in view of what was seen as overwhelming evidence against it. But in a system of thought as tightly knit as the early Marxist model it would prove impossible to let go of just one part. A general and far-reaching overhaul of the total structure was sooner or later called for.

The case of P. M. Sweezy is instructive in this respect. Himself an outstanding practitioner of the early model and author of a classic textbook on the subject (his *Theory of Capitalist Development*), he proposed a critique of the law of the falling rate of profit, while still defending the basic model in its totality. In his textbook he went only part of the way, by formulating certain qualifications to the 'law'. But he soon perceived that the other aspects of the model had to be modified accordingly, and eventually a radically new model to be proposed.

This he did, together with P. A. Baran in their *Monopoly Capital*, where the law of the tendency of the rate of profit to fall was replaced by the new law, proposed by the authors, of the tendency of the surplus to rise. Sweezy and Baran – fully cognisant of the strong cohesion between the various parts of Marxist analysis, and in particular between the labour theory of value and the law of the falling rate of profit – did not fail to point out that, in their new approach, the labour theory of value was no longer directly applicable. They justified this by arguing that under monopoly capitalism (the currently relevant phase of the capitalist mode of production which they were intent on analysing), market structure led to a kind of pricing inconsistent with the competitive assumptions of the labour theory of value. They then proceeded to define the absorption of surplus as the new, main economic problem of capitalism in its monopoly phase.

Baran and Sweezy's work provides one example of a genuinely far-reaching attempt at replacing the early Marxist model by one intended to account better for the changed circumstances of the capitalist economy. Their work, or other work along the same lines as theirs, does not render the early Marxist model totally obsolete. As Sweezy has recently said,⁷ analysis dependent on the labour theory of value is indispensable to an understanding of the basic structure which pervades all phases of the capitalist mode of production.

While subscribing to this view, as far as the labour theory of value is concerned, the present author would maintain that the early Marxist model, seen as a cluster of ideas around the four 'laws of motion' collected by Gillman, is no longer tenable. Too much empirical evidence against certain of its aspects, too much theoretical criticism against certain of its concepts has accumulated. These can no longer be brushed aside, no matter how strong be the instincts of 'normal Marxist scientists' in defence of their basic paradigm.

On the other hand, in the opinion of the present author, what has become imperative is not the total rejection and replacement but rather the construction of a modified version of the early model. Without anticipating any part of this book, the author may say that he has bent his effort towards presenting basic Marxist economics in the form of a transition from the early to what he would call the 'modified Marxist model'. The law of increasing misery has been lost in the transition and the law of the falling rate of profit has lost its central place, but the modified Marxist model, defended in the

book (particularly in the last chapters) is quite recognisably a member of the same family as the early one.

Where the modified Marxist model departs drastically from its predecessors is not so much in its economics but in its sociopolitical implications. By incorporating a law of increasing misery, the early Marxist model made the maturing of a working class revolution to all intents and purposes inevitable. Without such a law, the revolutionary prediction is much less obvious. Under the modified Marxist model it remains true that capitalism gradually builds up the objective conditions of a socialist transformation of society and that it is itself a very unpleasant, exploitative system. But it no longer deteriorates sufficiently to compel the emergence of the subjective conditions, the formation of revolutionary consciousness among the majority of the population. Such consciousness has to be developed via the alternative process of political self-education of the disadvantaged class, the content of consciousness becoming the positive approval and choice in favour of socialist institutions rather than the merely negative rejection of capitalist institutions. In democratic regimes, persuasion rather than violent confrontation of social classes may ultimately prove sufficient for the formation among the majority of those attitudes needed for socialist change. Whether such 'non-revolutionary' implications will prevail on a global, or even local, scale, the present author does not presume to know. They seem to fit the conditions of advanced capitalist societies of our epoch. It is from underdeveloped capitalist countries that all revolutionary tempests have started in our century. The revolutionary implications of the early Marxist model, inspired in Marx's days by the experiences of the then most advanced of capitalist societies, that of Britain, are probably much more relevant nowadays in some of the underdeveloped parts of the world, going through the labour of their industrial revolutions. What is, probably, even more relevant for them, from the point of view of their revolutionary potential, is a brief but extremely perceptive remark, addressed by Marx, in the *Preface* to the first edition of *Capital*, Vol I, to his native Germany – in 1867 still an underdeveloped, by the then British standards – country. Marx wrote:⁸

In all . . . spheres, we, like all the rest of Continental Western Europe, suffer not only from the development of capitalist production, but also from the incompleteness of that development. Alongside of modern evils, a whole series of inherited evils oppress us, arising from the passive survival of antiquated modes of production, with their inevitable train of social and political anachronisms.

This confluence of old and new evils may be the best explanation of the revolutionary turmoil observed in the third world today (or in earlier epochs in the history of what now are advanced capitalist countries). If so, revolutionary potential reaches its maximum in early rather than in late capitalism.

The majority of Marxist theorists hold the view that in the modern monopolistic phase of world capitalism underdeveloped countries cannot look forward to ever graduating to advanced capitalist status. If so, 'the country that is more developed industrially' no longer shows to the less developed 'the image of its own future'. The analysis relevant to advanced capitalism – the modified Marxist model – can no longer be treated as broadly valid for underdeveloped countries also. To these the early Marxist model may still apply. In view of the drastically different socio-political implications of the two models, this separation opens up a serious rift in Marxist theory.

It is not the only one. The relaxation of the links between economics and politics, consequent upon the transition from the early to the modified Marxist model, must be seen as equally serious. Separate theoretical treatment of developed and underdeveloped capitalism, separate economic and political trends in advanced capitalism, all this is rather distant from the 'comprehensive and harmonious' doctrine that had fascinated Lenin. Yet, in the greater, sometimes confusing, multiplicity of models or approaches, which nowadays claim to derive their inspiration from Marx (or actually derive it therefrom, without claiming it), the vigour and versatility of the original source is attested. Whether and to what extent modifications to Marx's analysis, introduced with the intention of bringing his insights up to date with regard to developments since his times, do serve his vast project is something current practitioners cannot say with any certainty. Only a new synthesis, as bold and as comprehensive as that of Marx could resolve this question, by measuring the worth of each partial contribution or criticism against the totality of a new composition. Until then Samuelson's admonition (who would have himself a lot to answer for on a day of judgment such as he imagined) issued on the occasion of the centenary commemoration of *Capital*, Vol I, by the American Economic Association, will haunt practitioners, friendly or unfriendly, of Marxist theory.⁹

Let me conclude by wishing that, like Tom Sawyer attending his own funeral, Karl Marx could be present at his own centennial. When 'the Moor' rose to speak how we would all pay for our presumptuousness.

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