Radical Economics

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Debates between economists are not just technical arguments amongst practitioners but often reflect philosophical and ideological positions which are not always made explicit.

Discontent grew with the prevailing economic orthodoxy as the long period of economic expansion in the advanced capitalist economies came to an end in the 1970s; disenchantment was expressed in open discussion about the 'crisis' in economics and in the rise of various kinds of radical economic theory, often using the general title of 'political economy'.

Many economists have looked for a more fruitful point of departure in the ideas of Marx and the classical economists and also in such contemporary economists as Kalecki and Sraffa. Although it is possible to identify a broad radical stream, it does not mean that there are no significant controversies within this radical approach and, indeed, it would be unhealthy if this were not the case.

Can radical economic theory interpret the world better than the current orthodoxy which it challenges? And can it show also how to change it? This is a challenge which this series proposes to take up, adding to work already being done.

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A History of Marxian Economics

Volume I, 1883–1929

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M. C. HOWARD
J. E. KING

Introduction

In this first volume we take the history of Marxian economics from the death of Karl Marx in 1883 to 1929, the year which saw both the onset of the Great Depression in the capitalist world and the beginnings of Stalin's 'revolution from above' which subsequently transformed the Soviet Union into a modern superpower. The second volume of this work will bring the story of Marxian political economy up to the present day.

Judged by its own criteria it might be thought that an intellectual history of Marxism is unimportant. As it is widely understood today, Marxism assigns ideas to the superstructure while historically meaningful action is confined to the actual economy. Thus, a history of economic ideas would concern itself with the epiphenomena of human development. This is not a wholly artificial caricature of the Marxian position, and has been a significant theme in its own history. Nevertheless, even this variant of historical materialism makes an exception of Marxism itself, which assumed the role of informing practice so that the birth pangs of actual historical transformations could be alleviated. This was certainly the view of most Marxist economists between 1883 and 1929.

The development of Marxian political economy in these years was inextricably linked with practical political problems. Marxists treated theory as a guide to action, not as a matter of detached academic speculation. Few of the major authors assessed here were employed in university or research institutions. Almost all earned their living as political functionaries: journalists, party organisers, underground activists, teachers in the labour movement. Their economics arose in response to concrete problems and was orientated toward the goal of achieving socialist political power. The fact that they had access to a sophisticated body of theory, however, is one reason why Marxism increasingly triumphed over other forms of political radicalism.

During the last third of the nineteenth century various groups claiming allegiance to Marxism were to be found in almost every corner of Europe, and the star of Marxism was clearly ascending. But before 1929 the

important and original contributions to Marxian economics were made almost exclusively in two languages: German and Russian. It was not until the 1930s that British, American and Japanese economists began to make their mark and little of significance in economic theory appeared in French or Italian before the 1960s. This accounts for the structure of the present volume. Part I (Chapters 1–6) deals with the German literature before 1914, and Part II (Chapters 7–13) with Russian contributions up to 1917. Although the problems confronting German and Russian Marxists were very different, people and ideas did move freely from East to West and back again, and we refer at various points to the resulting theoretical interchanges.

The character of their controversies altered dramatically after the First World War. Until then there was a single political centre, the Second International, which – for all its internal divisions and impotency – served as a focus for Marxian socialism as a whole. In 1914–20 even this precarious unity was shattered. The following decade saw an open and bitter rivalry between the Second and Third (Communist) Internationals, together with the intervention in theoretical disputes of independent Marxists belonging to a range of fringe groupings. At the same time the economic problems confronting Russian Marxists had been transformed by the conquest of state power. We therefore treat this period separately, in Part III (Chapters 14–16).

Differences between German and Russian Marxism had in fact always been substantial, for reasons bound up with the histories of their respective countries. In the decades before 1914, Germany was rapidly becoming Europe's leading industrial power. The SPD saw its task as educating and organising the expanding German proletariat for its role in the socialist revolution, which the party theorists believed to be rapidly approaching, and this set the agenda for theoretical discussion. German Marxism concentrated upon the profound structural changes bound up with monopoly, finance capital, militarism and imperialist expansion, which they saw as inherent in capitalist maturation and of crucial importance for the nature and heritage of the social revolution. At the same time it was necessary to defend Marxism against bourgeois critics of the theory of value and exploitation, and those who sought to interpret the new developments as contradicting Marxism.

In a sense it was the presumption of modernity which proved the Achilles heel of German (and Austrian) theorists, for it meant that the objective difficulties actually facing German socialism were underestimated. Given the continued numerical weakness and fragmentation of the working class, coupled with the immense power of the German state, a revolution could have succeeded only with widespread support from the *petite-bourgeoisie*. This was never forthcoming, and any prospect of it was destroyed by the

theoretical orientation of German Marxists, who saw intermediate classes as doomed to extinction by capitalist development and were precluded from offering palliatives on the grounds that this would hinder economic progress. An alternative perspective was offered by the revisionists who urged an alliance with bourgeois liberalism of the type which produced significant (if limited) social reforms in Edwardian Britain, but glossed over the illiberalism of the German bourgeoisie.

Even more than in Germany, the *petite bourgeoisie* remained important in Russia. Indeed, as late as 1914 it was still an overwhelmingly peasant country characterised by an extreme economic, political and cultural backwardness which had been little altered by the rapid capitalist industrialisation of the preceding three decades. These conditions proved crucial for the concerns of theory, since Russian radicals had to defend the very relevance of Marxism itself. Before 1900 populists claimed that Russian capitalism had been artificially brought into being and was destined to burn itself out quickly, while the peasantry represented the real agent of revolutionary change. In countering these beliefs Russian Marxists were forced to extend Marx's analysis of the development of capitalism, rather than concern themselves with its demise as the German theorists did. By the turn of the century they had firmly established their case, but they had at the same time become acutely aware of Russian underdevelopment. In consequence the crucial question for them concerned the bourgeois-democratic revolution which would lay the foundation for further capitalist progress (which they believed essential for a subsequent socialist revolution). Marxist economic theory in Russia became especially interested in understanding the different forms of capitalist development, and realising – through an appropriate type of revolution – conditions for a broad and sustainable extension of bourgeois relations.

This proved to be an important political strength because it highlighted both the need for peasant support and the basis upon which it could be achieved. However, it simultaneously introduced a contradiction, as it was apparent to virtually all Russian Marxists that the bourgeoisie under tsarism was even less liberal and more subservient to the regime than its counterpart in Germany. Thus the proletariat was assigned the leading role in a revolution which was supposedly to confine itself to measures compatible with a bourgeois order.

The First World War finally separated these two streams of Marxism. But it did so in a peculiar way, since the two groups were actually drawn closer together in matters of economic theory. The Russian Bolsheviks now aligned themselves with the economic analysis of mainstream German Marxism, and radicalised it. On foundations laid by Kautsky, Hilferding and Luxemburg they claimed that capitalism as a world system was everywhere ripe for socialist revolution. They were not the only ones to

borrow ideas. In the West after 1917, leading figures of German Marxism used the theory of the Russian Mensheviks to argue that the October revolution had been premature and was doomed to failure.

These paradoxes affected actions as well as theory. While Marxists in Russia moved from bourgeois revolution to socialist revolution, in Germany and Austria they proved capable only of extending the democratic revolution. Thus the Russians, who had been primarily concerned with encouraging the development of capitalism, ended up by destroying it while the Germans, who had looked forward to the breakdown of capitalism, cooperated with the bourgeoisie to preserve it. Russian Marxists used German theory to justify what they did, just as many German Marxists appealed to Menshevism for theoretical weapons against the Bolsheviks.

There were deep problems in Marxian economics between 1883 and 1929, as well as important insights. Hence this is a critical history rather than a narrative or simple reconstruction of ideas. In many places our criticism is, it seems to us, unavoidably harsh. It should, however, be tempered by a recognition of the ambitious project Marxian economists took upon themselves, not only politically, but also intellectually. The intractable political environment in which they were forced to operate has already been emphasised. In a purely intellectual sense, too, the problems with which they grappled were acute ones; on the whole contemporary bourgeois economists either evaded the issues altogether or failed, equally comprehensively, to resolve them. Criticism must be tempered by understanding, and expectations reduced accordingly. Only disappointment awaits those who scour the works of Kautsky and Hilferding, Bukharin and Lenin, in search of a ready-made political economy for the 1990s.