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Marxian Economic Theory

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**Signs of the Times – a Look into Marx’s World**

Marx came into his intellectual maturity during a time of great upheaval and drastic change in mid-nineteenth century Europe. The very concept of universal economic principles was still novel, following Adam Smith’s publication of *The Wealth of Nations* in 1776, and debates still raged as to the proper ordering of markets and trade. Internationally, new socially-contracted forms of governments began to take shape as rebellions and revolutions dotted the landscape of the continent. Nationally, the workforce was pouring out of the countryside and into the cities, forever changing national cultures and forming new identities as life fundamentally changed for millions of people. To more fully understand the critiques and theories proposed by Marx, one must first consider the prevailing philosophical schools of thought, as debated in the salons and journals, as well as the ground-floor reality of the times, as experienced in everyday life. As Marx made his most important contributions from England, the powerhouse of innovation and industrialization, we shall use England as our focal point for this case.

“All economies begin with food production” (Appleby, 56). From the 17th century to the mid 19th century, northwestern Europe saw the proportion of its workforce engaged in agriculture drop from 80% to 3% in the mid-nineteenth century, just as Marx sat down to begin his intensive study of capitalism in the British Museum. Agricultural techniques pioneered by the Dutch had made their way to resource-rich England, where methods such as crop-rotation and up-and-down husbandry combined with a horse-to-person ratio of 1:5 led to “bigger harvests from fewer acres, less labor, and fewer seeds” (Appleby, 74). Before, the threat of famine had previously caused societies to accept the Faustian bargain of authoritarian rule in return for food security. Now, the increased agricultural output after 1650 AD allowed for a greater degree of food reliability, drastically reducing the need for a centrally regulated system of grain through Corn Laws, thereby drastically reducing the need for an authoritarian regime. New concepts of governance began to gain traction, namely the social contract tradition espoused by Locke and Hobbes. This new mixture of rule by force and consent, while distinctly marked by the respective flavors of the preceding ruling style, began to revolutionize the relationship of man and the state and opened the doors for political liberalization and a new economic discourse.

This increased level of agricultural output suddenly allowed people to move from fields to cities, marking a massive increase in the workforce available for industry and manufacturing – a previously undeveloped side of the national economy. People began to flood into cities, creating, for the first time, the urban poor. Marx felt that this “brutal speed” of industrialization (Appleby, 16) had been caused by coercive actions taken by those who were to profit off of the surplus labor of the workers; the peasants had lost their freedom in the fields to the enslavement of the capitalists and their factories. We will see this revisited once Marx begins to develop his theories of capitalism.

From the development of civil society, we began to see the beginnings of new economic discourses. Mercantilists made the surplus of net-exports king, importing bullion and encouraging tariffs, while Physiocrats believed that all new value was created in the agricultural class, as opposed to the sterile trade classes of landlords and merchants/industrialists. Adam Smith penned *An Inquiry into the Nature and Causes of the Wealth of Nations* as a tirade against these two schools of thought, positing that an increased social division of labor would lead to an increase in markets, leading to an increase in productivity, culminating in an increase of the “wealth of nations.” He was joined by Ricardo, who argued that the value of a commodity depends on the amount of labor needed to produce it – a similar theory that raised the social division of labor to the international level, introducing the concept of comparative advantage. Finally, Jean-Baptiste Say basically said that supply creates its own demand and that there can be no crises in capitalism. These three economists dominated the theoretical discussions of Marx’s time and their conception of capitalism as the inevitable progression of human development is one of the main points of contention that Marx seeks to address. Other bodies of thought which would have impacted Marx’s writings included the Socialist traditions of France under Proudhon, Saint-Simon, and Fourier, as well as Owen in Scotland. Finally, one of the most formative bodies of thought was the collection of individuals that made up the formidable group of German philosophers. These communities and figures provided the foundation for Marx’s systems of “ruthless critique” of political economy.

Marx began as a Young Hegelian, a branch of Hegelian thought developed largely by Feuerbach. Hegelian philosophy was a break from Kant and Descartes and stated that “history is an unfolding of the stages of the mind coming to know itself as phenomena to the point of its full development in its numena” (Notes, 9/8). Hegel felt that this absolute spirit had taken its form in the Prussian empire, but Marx disagreed and sided first with Feuerbach, believing that religion was the basis of the empire’s power. He later broke from Feuerbach as well, once he began to develop his theory of capital as the seat of all power and oppression.

The main distinction that Marx makes when breaking off of the beaten tracks of both the contemporary political economists and the German philosophers is a renewed focus on the individual in society; Marx takes a historical materialist approach. Socially determined material production is everything; “it is not the consciousness of men that determines their existence, but their social existence that determines their consciousness.” Culture does not determine the economy; it is the economy that determines the culture. Once the economy is determined, it serves to define people, giving them identities and shaping their lives. “As individuals express their life, so they are. What they are, therefore, coincides with their production, both with what they produce and with how they produce. The nature of individuals thus depends on the material conditions determining their production.” The implications of this observation are potentially profound for the history and future of the human race; if what people do determines who they are, and if what is available for them to do depends on the organization of society, then this presents a stark critique of the idea that progressive economic development is an inevitable, natural process. Marx then goes deeper, using the first three chapters of *Capital* to lay out the groundwork of his critique of capitalism.

To figure out exactly how the society is impacted by the structure of an economy, Marx creates a definition of price by first discussing commodities and a labor theory of value. When explaining the difference between a commodity’s use-value and exchange-value, Marx explains how money is able to represent a universal measure of value because it is the only commodity whose use value is equal to its exchange value. This definition of price (EV/UV \* Mgold/EV = Mgold/UV) yields the “normal price” of a commodity. Now that Marx has a theory of value and a definition of price, he can use the terms of the economists to show the disparity between the ideal (ex: Say’s Law) and the reality (urban unemployment). Marx argued that money could act as both a stabilizing and destabilizing means of exchange, because while money as a temporary value holder can facilitate trade, the private, rational decision to sell without purchasing has potentially damaging social ramifications. Due to this possibility, Marx believes that Say’s Law is violated in the world of money. Marx goes on to argue that this reduction to money leads to a “fetishism of commodities” which obscures the link between production, social processes, and relationships between people which are so closely intertwined.

Marx then continues with his analysis, drawing a distinction between money and capital. Money, when solely used so that different commodities can be exchanged at different times, is acting as a value-holder. Capital, on the other hand, is money that is used to make more money; the starting and final products are money, not a commodity. Therefore the only time that one can use money to make more money is if value is added by the commodity. Marx feels that laborers sell their labor as a commodity and this is where capitalists exploit them for a monetary profit. Living in London at the time, Marx could see this dark side of industrialization firsthand, watching men, women, and children work long hours for very little pay in pitiful conditions.

The foundation in German philosophy gave Marx the dialectic narrative with which he could describe class struggles. The prevailing economic thought gave him terms with which to define his theories and establish his opposition. The explosion of industry and the resulting change in culture demonstrated the vital link between societal production and individual identity. The time in England that Marx spent recording his *Grindrisse* and wrapping his head around all of these interconnecting factors allowed him to start developing frameworks with which to expose capitalism as an exploitative system that would eventually self-destruct. While in contemporary times, people often derisively dismiss Marx as a raving radical, it is not difficult to see where he was coming from when the economic, political, cultural, and theoretical conditions of his times are explored.