

The Socialist Economics of Karl Marx and His Followers

Thorstein Veblen

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I. The Theories of Karl Marx

The system of doctrines worked out by Marx is characterized by a certain boldness of conception and a great logical consistency. Taken in detail, the constituent elements of the system are neither novel nor iconoclastic, nor does Marx at any point claim to have discovered previously hidden facts or to have invented recondite formulations of facts already known; but the system as a whole has an air of originality and initiative such as is rarely met with among the sciences that deal with any phase of human culture. How much of this distinctive character the Marxian system owes to the personal traits of its creator is not easy to say, but what marks it off from all other systems of economic theory is not a matter of personal idiosyncrasy. It differs characteristically from all systems of theory that had preceded it, both in its premises and in its aims. The (hostile) critics of Marx have not sufficiently appreciated the radical character of his departure in both of these respects, and have, therefore, commonly lost themselves in a tangled scrutiny of supposedly abstruse details; whereas those writers who have been in sympathy with his teachings have too commonly been disciples bent on exegesis and on confirming their fellow-disciples in the faith.

Except as a whole and except in the light of its postulates and aims, the Marxian system is not only not tenable, but it is not even intelligible. A discussion of a given isolated feature of the system (such as the theory of value) from the point of view of classical economics (such as that offered by Bohm-Bawerk) is as futile as a discussion of solids in terms of two dimensions.

Neither as regards his postulates and preconceptions nor as regards the aim of his inquiry is Marx's position an altogether single-minded one. In neither respect does his position come of a single line of antecedents. He is of no single school of philosophy, nor are his ideals those of any single group of speculators living before his time. For this reason he takes his place as an originator of a school of thought as well as the leader of a movement looking to a practical end.

As to the motives which drive him and the aspiration which guide him, in destructive criticism and an creative speculation alike, he is primarily a theoretician busied with the analysis of economic phenomena and their organization into a consistent and faithful system of scientific knowledge; but he is, at the same time, consistently and tenaciously alert to the bearing which each step in the progress of his theoretical work has upon the propaganda. His work has, therefore, an air of bias, such as belongs to an advocate's argument; but it is not, therefore, to be assumed, nor indeed to be credited, that his propagandist aims have in any substantial way deflected his inquiry or his speculations from the faithful pursuit of scientific truth. His socialistic bias may color his polemics, but his logical grasp is too neat and firm to admit of an bias, other than that of his metaphysical preconceptions, affecting his theoretical work.

There is no system of economic theory more logical than that of Marx. No member of the system, no single article of doctrine, is fairly to be understood, criticised, or defended except as an articulate member of the whole and in the light of the preconceptions and postulates which afford the point of departure and the controlling norm of the whole. As regards these preconceptions and postulates, Marx draws on two distinct lines of antecedents, the Materialistic Hegelianism and the English system of Natural Rights. By his earlier training he is an adept in the Hegelian method of speculation and inoculated with the metaphysics of development underlying the Hegelian system. By his later training he is an expert in the system of Natural Rights and Natural Liberty, ingrained in his ideals of life and held inviolate throughout. He does not take a critical attitude toward the underlying principles of Natural Rights. Even his Hegelian preconceptions of development never carry him the length of questioning the fundamental principles of that system. He is only more ruthlessly consistent in working out their content than his natural-rights antagonists in the liberal-classical school. His polemics run against the specific tenets of the liberal school, but they run wholly on the ground afforded by the premises of that school. The ideals of his propaganda are natural-rights ideals, but his theory of the working out of these ideals in the course of history rests on the Hegelian metaphysics of development, and his method of speculation and construction of theory is given by the Hegelian dialectic.

What first and most vividly centred interest on Marx and his speculations was his relation to the revolutionary socialistic movement; and it is those features of his doctrines which bear immediately on the propaganda that still continue to hold the attention of the greater number of his critics. Chief among these doctrines, in the apprehension of his critics, is the theory of value, with its corollaries: (a) the doctrines of the exploitation of labor by capital; and (b) the laborer's claim to the whole product of his labor. Avowedly, Marx traces his doctrine of labor value to Ricardo, and through him to the classical economists.² The laborer's claim to the whole product of labor, which is pretty constantly implied, though not frequently avowed by Marx, he has in all probability taken from English writers of the early nineteenth century, ³ more particularly from William Thompson. These doctrines are, on their face, nothing but a development of the conceptions of natural rights which then pervaded English speculation and afforded the metaphysical ground of the liberal movement. The more formidable critics of the Marxian socialism have made much of these doctrinal elements that further the propaganda, and have, by laying the stress on these, diverted attention from other elements that are of more vital consequence to the system as a body of theory. Their exclusive interest in this side of "scientific socialism" has even led them to deny the Marxian system all substantial originality, and make it a (doubtfully legitimate) offshoot of English Liberalism and natural rights.⁴ But this is one-sided criticism. It may hold as against certain tenets of the so-called "scientific socialism," but it is not altogether to the point as regards the Marxian system of theory. Even the Marxian theory of value, surplus value, and exploitation, is not simply the doctrine of William Thompson, transcribed and sophisticated in a forbidding terminology, however great the superficial resemblance and however large Marx's unacknowledged debt to Thompson may be on these heads. For many details and for much of his animus Marx may be indebted to the Utilitarians; but, after all, his system of theory, taken as a whole, lies within the frontiers of neo-Hegelianism, and even the details are worked out in accord with the preconceptions of that school of thought and have taken on the completion that would properly belong to them on that ground. It is, therefore, not by an itemized scrutiny of the details of doctrine and by tracing their pedigree in detail that a fair conception of Marx and his contribution to economics may be reached, but rather by following him from his own point of departure out into the ramifications of his theory, and so overlooking the whole in the perspective which the lapse of time now affords us, but which he could not himself attain, since he was too near to his own work to see why he went about it as he did.

The comprehensive system of Marxism is comprised within the scheme of the Materialistic Conception of History.⁵ This materialistic conception is essentially Hegelian,⁶ although it belongs with the Hegelian Left, and its immediate affiliation is with Feuerbach, not with the direct line of Hegelian orthodoxy. The chief point of interest here, in identifying the materialistic conception with Hegelianism, is that this identification throws it immediately and uncompromisingly into contrast with Darwinism and the post-Darwinian conceptions of evolution. Even if a plausible English pedigree should be worked out for this Materialistic

Conception, or "Scientific Socialism," as has been attempted, it remains none the less true that the conception with which Marx went to his work was a transmuted framework of Hegelian dialectic.⁷

Roughly, Hegelian materialism differs from Hegelian orthodoxy by inverting the main logical sequence, not by discarding the logic or resorting to new tests of truth or finality. One might say, though perhaps with excessive crudity, that, where Hegel pronounces his dictum, *Das Denken ist das Sein*, the materialists, particularly Marx and Engels, would say *Das Sein macht das Denken*. But in both cases some sort of a creative primacy is assigned to one or the other member of the complex, and in neither case is the relation between the two members a causal relation. In the materialistic conception man's spiritual life what man thinks is a reflex of what he is in the material respect, very much in the same fashion as the orthodox Hegelian would make the material world a reflex of the spirit. In both the dominant norm of speculation and formulation of theory is the conception of movement, development, evolution, progress; and in both the movement is contrived necessarily to take place by the method of conflict or struggle. The movement is of the nature of progress, gradual advance towards a goal, toward the realization in explicit form of all that is implicit in the substantial activity involved in the movement. The movement is, further, self-conditioned and self-acting: it is an unfolding by inner necessity. The struggle which constitutes the method of movement or evolution is, in the Hegelian system proper, the struggle of the spirit for self-realization by the process of the well-known three-phase dialectic. In the materialistic conception of history this dialectical movement becomes the class struggle of the Marxian system.

The class struggle is conceived to be "material," but the term "material" is in this connection used in a metaphorical sense. It does not mean mechanical or physical, or even physiological, but economic. It is material in the sense that it is a struggle between classes for the material means of life. "The materialistic conception of history proceeds on the principle that production and, next to production, the exchange of its products is the groundwork of every social order."⁸ The social order takes its form through the class struggle, and the character of the class struggle at any given phase of the unfolding development of society is determined by "the prevailing mode of economic production and exchange." The dialectic of the movement of social progress, therefore, moves on the spiritual plane of human desire and passion, not on the (literally) material plane of mechanical and physiological stress, on which the developmental process of brute creation unfolds itself. It is a sublimated materialism; sublimated by the dominating presence of the conscious human spirit; but it is conditioned by the material facts of the production of the means of life.⁹ The ultimately active forces involved in the process of unfolding social life are (apparently) the material agencies engaged in the mechanics of production; but the dialectic of the process – the class struggle – runs its course only among and in terms of the secondary (epigenetic) forces of human consciousness engaged in the valuation of the material products of industry. A consistently materialistic conception, consistently adhering to a materialistic interpretation of the process of development as well as of the facts involved in the process, could scarcely avoid making its putative dialectic struggle a mere unconscious and irrelevant conflict of the brute material forces. This would have amounted to an interpretation in terms of opaque cause and effect, without recourse to the concept of a conscious class struggle, and it might have led to a concept of evolution similar to the unteleological Darwinian concept of natural selection. It could scarcely have led to the Marxian notion of a conscious class struggle as the one necessary method of social progress, though it might conceivably, by the aid of empirical generalization, have led to a scheme of social process in which a class struggle would be included as an incidental though perhaps highly efficient factor.¹⁰ It would have led, as Darwinism has, to a concept of a process of cumulative change in social structure and function; but this process, being essentially a cumulative sequence of causation, opaque and unteleological, could not, without an infusion of pious fancy by the speculator be asserted to involve progress as distinct from retrogression or to tend to a "realization" or "self-realization" of the human spirit or of anything else. Neither could it conceivably be asserted to lead up to a final term, a goal to which all lines of the process should converge and beyond which the process would not go, such as the assumed goal of the Marxian process of class struggle which is conceived to cease in the classless economic structure of the socialistic final term. In Darwinianism there is no such final or perfect term, and no definitive equilibrium.

The disparity between Marxism and Darwinism, as well as the disparity within the Marxian system between the range of material facts that are conceived to be the fundamental forces of the process, on the one hand, and the range of spiritual facts within which the dialectic movement proceeds this disparity is shown in the character assigned the class struggle by Marx and Engels. The struggle is asserted to be a conscious one, and proceeds on a recognition by the competing classes of their mutually incompatible interests with regard to the material means of life. The class struggle proceeds on motives of interest, and a recognition of class interest can, of course, be reached only by reflection on the facts of the case. There is, therefore, not even a direct causal connection between the material forces in the case and the choice of a given interested line of conduct. The attitude of the interested party does not result from the material forces so immediately as to place it within the relation of direct cause and effect, nor even with such a degree of intimacy as to admit of its being classed as a tropismatic, or even instinctive, response to the impact of the material force in question. The sequence of reflection, and the consequent choice of sides to a quarrel, run entirely alongside of the range of material facts concerned.

A further characteristic of the doctrine of class struggle requires mention. While the concept is not Darwinian, it is also not legitimately Hegelian, whether of the Right or the Left. It is of a utilitarian origin and of English pedigree, and it belongs to Marx by virtue of his having borrowed its elements from the system of self-interest. It is in fact a piece of hedonism, and is related to Bentham rather than to Hegel. It proceeds on the grounds of the hedonistic calculus, which is equally foreign to the Hegelian notion of an unfolding process and to the post-Darwinian notions of cumulative causation. As regards the tenability of the doctrine, apart from the question of its derivation and its compatibility with the neo-Hegelian postulates, it is to be added that it is quite out of harmony with the later results of psychological inquiry, just as is true of the use made of the hedonistic calculus by the classical (Austrian) economics.

Within the domain covered by the materialistic conception, that is to say within the domain of unfolding human culture, which is the field of Marxian speculation at large, Marx has more particularly devoted his efforts to an analysis and theoretical formulation of the present situation, the current phase of the process, the capitalistic system. And, since the prevailing mode of the production of goods determines the institutional, intellectual, and spiritual life of the epoch, by determining the form and method of the current class struggle, the discussion necessarily begins with the theory of "capitalistic production," or production as carried on under the capitalistic system.¹¹ Under the capitalistic system, that is to say under the system of modern business traffic, production is a production of commodities, merchantable goods, with a view to the price to be obtained for them in the market. The great fact on which all industry under this system hinges is the price of marketable goods. Therefore it is at this point that Marx strikes into the system of capitalistic production, and therefore the theory of value becomes the dominant feature of his economics and the point of departure for the whole analysis, in all its voluminous ramifications.¹²

It is scarcely worth while to question what serves as the beginning of wisdom in the current criticisms of Marx; namely, that he offers no adequate proof of his labor-value theory.¹³ It is even safe to go further, and say that he offers no proof of it. The feint which occupies the opening paragraphs of the *Kapital* and the corresponding passages of *Zur Kritik*, etc., is not to be taken seriously as an attempt to prove his position on this head by the ordinary recourse to argument. It is rather a self-satisfied superior's playful mystification of those readers (critics) whose limited powers do not enable them to see that his proposition is self-evident. Taken on the Hegelian (neo-Hegelian) ground, and seen in the light of the general materialistic conception, the proposition that value = labor-cost is self-evident, not to say tautological. Seen in any other light, it has no particular force.

In the Hegelian scheme of things the only substantial reality is the unfolding life of the spirit. In the neo-Hegelian scheme, as embodied in the materialistic conception, this reality is translated into terms of the unfolding (material) life of man in society.¹⁴ In so far as the goods are products of industry, they are the output of this unfolding life of man, a material residue embodying a given fraction of this forceful life

process. In this life process lies all substantial reality, and all finally valid relations of quantivalence between the products of this life process must run in its terms. The life process, which, when it takes the specific form of an expenditure of labor power, goes to produce goods, is a process of material forces, the spiritual or mental features of the life process and of labor being only its insubstantial reflex. It is consequently only in the material changes wrought by this expenditure of labor power that the metaphysical substance of life – labor power – can be embodied; but in these changes of material fact it cannot but be embodied, since these are the end to which it is directed.

This balance between goods in respect of their magnitude as output of human labor holds good indefeasibly, in point of the metaphysical reality of the life process, whatever superficial (phenomenal) variations from this norm may occur in men's dealings with the goods under the stress of the strategy of self-interest. Such is the value of the goods in reality; they are equivalents of one another in the proportion in which they partake of this substantial quality, although their true ratio of equivalence may never come to an adequate expression in the transactions involved in the distribution of the goods. This real or true value of the goods is a fact of production, and holds true under all systems and methods of production, whereas the exchange value (the "phenomenal form" of the real value) is a fact of distribution, and expresses the real value more or less adequately according as the scheme of distribution force at the given time conforms more or less closely to the equities given by production. If the output of industry were distributed to the productive agents strictly in proportion to their shares in production, the exchange value of the goods would be presumed to conform to their real value. But, under the current, capitalistic system, distribution is not in any sensible degree based on the equities of production, and the exchange value of goods under this system can therefore express their real value only with a very rough, and in the main fortuitous, approximation. Under a socialistic régime, where the laborer would get the full product of his labor, or where the whole system of ownership, and consequently the system of distribution, would lapse, values would reach a true expression, if any.

Under the capitalistic system the determination of exchange value is a matter of competitive profit-making, and exchange values therefore depart erratically and incontinently from the proportions that would legitimately be given them by the real values whose only expression they are. Marx's critics commonly identify the concept of "value" with that of "exchange value,"¹⁵ and show that the theory of "value" does not square with the run of the facts of price under the existing system of distribution, piously hoping thereby to have refuted the Marxian doctrine; whereas, of course, they have for the most part not touched it. The misapprehension of the critics may be due to a (possibly intentional) oracular obscurity on the part of Marx. Whether by his fault or their own, their refutations have hitherto been quite inconclusive. Marx's severest stricture on the iniquities of the capitalistic system is that contained by implication in his development of the manner in which actual exchange value of goods systematically diverges from their real (labor-cost) value. Herein, indeed, lies not only the Inherent iniquity of the existing system, but also its fateful infirmity, according to Marx.

The theory of value, then, is contained in the main postulates of the Marxian system rather than derived from them. Marx identifies this doctrine, in its elements, with the labor-value theory of Ricardo,¹⁶ but the relationship between the two is that of a superficial coincidence in their main propositions rather than a substantial identity of theoretic contents. In Ricardo's theory the source and measure of value is sought in the effort and sacrifice undergone by the producer, consistently, on the whole, with the Benthamite-utilitarian position to which Ricardo somewhat loosely and uncritically adhered. The decisive fact about labor, that quality by virtue of which it is assumed to be the final term in the theory of production, is its irksomeness. Such is of course not the case in the labor-value theory of Marx, to whom the question of the irksomeness of labor is quite irrelevant, so far as regards the relation between labor and production. The substantial diversity or incompatibility of the two theories shows itself directly when each is employed by its creator in the further analysis of economic phenomena. Since with Ricardo the crucial point is the degree of irksomeness of labor, which serves as a measure both of the labor expended and the value produced, and since in Ricardo's utilitarian philosophy there is no more vital fact underlying this irksomeness, therefore no surplus-value

theory follows from the main position. The productiveness of labor is not cumulative. in its own working; and the Ricardian economics goes on to seek the cumulative productiveness of industry in the functioning of the products of labor when employed in further production and in the irksomeness of the capitalist's abstinence. From which duly follows the general position of classical economics on the theory of production.

With Marx, on the other hand, the labor power expended in production being itself a product and having a substantial value corresponding to its own labor cost, the value of the labor power expended and the value of the product created by its expenditure need not be the same. They are not the same, by supposition, as they would be in any hedonistic interpretation of the facts. Hence a discrepancy arises between the value of the labor power expended in production and the value of the product created, and this discrepancy is covered by the concept of surplus value. Under the capitalistic system, wages being the value (price) of the labor power consumed in industry, it follows that the surplus product of their labor cannot go to the laborers, but becomes the profits of capital and the source of its accumulation and increase. From the fact that wages are measured by the value of labor power rather than by the (greater) value of the product of labor, it follows also that the laborers are unable to buy the whole product of their labor, and so that the capitalists are unable to sell the whole product of industry continuously at its full value, whence arise difficulties of the gravest nature in the capitalistic system, in the way of overproduction and the like.

But the gravest outcome of this systematic discrepancy between the value of labor power and the value of its product is the accumulation of capital out of unpaid labor and the effect of this accumulation on the laboring population. The law of accumulation, with its corollary, the doctrine of the industrial reserve army, is the final term and the objective point of Marx's theory of capitalist production, just as the theory of labor value is his point of departure.¹⁷ While the theory of value and surplus value are Marx's explanation of the possibility of existence of the capitalistic system, the law of the accumulation of capital is his exposition of the causes which must lead to the collapse of that system and of the manner in which the collapse will come. And since Marx is, always and everywhere, a socialist agitator as well as a theoretical economist, it may be said without hesitation that the law of accumulation is the climax of his great work, from whatever point of view it is looked at, whether as an economic theorem or as a tenet of socialistic doctrine.

The law of capitalistic accumulation may be paraphrased as follows:¹⁸ Wages being the (approximately exact) value of the labor power bought in the wage contract; the price of the product being the (similarly approximate) value of the goods produced; and since the value of the product exceeds that of the labor power by a given amount (surplus value), which by force of the wage contract passes into the possession of the capitalist and is by him in part laid by as savings and added to the capital already in hand, it follows (a) that, other things equal, the larger the surplus value, the more rapid the increase of capital; and also (b), that the greater the increase of capital relatively to the labor force employed, the more productive the labor employed and the larger the surplus product available for accumulation. The process of accumulation, therefore, is evidently a cumulative one; and, also evidently, the increase added to capital is an unearned increment drawn from the unpaid surplus product of labor.

But with an appreciable increase of the aggregate capital a change takes place in its technological composition, whereby the "constant" capital (equipment and raw materials) increases disproportionately as compared with the "variable" capital (wages fund). "Labor-saving devices" are used to a greater extent than before, and labor is saved. A larger proportion of the expenses of production goes for the purchase of equipment and raw materials, and a smaller proportion though perhaps an absolutely increased amount goes for the purchase of labor power. Less labor is needed relatively to the aggregate capital employed as well as relatively to the quantity of goods produced. Hence some portion of the increasing labor supply will not be wanted, and an "industrial reserve army," a "surplus labor population," an army of unemployed, comes into existence. This reserve grows relatively larger as the accumulation of capital proceeds and as technological improvements consequently gain ground; so that there result two divergent cumulative changes in the situation, antagonistic, but due to the same set of forces and, therefore, inseparable: capital increases,

and the number of unemployed laborers (relatively) increases also.

This divergence between the amount of capital and output, on the one hand, and the amount received by laborers as wages, on the other hand, has an incidental consequence of some importance. The purchasing power of the laborers, represented by their wages, being the largest part of the demand for consumable goods, and being at the same time, in the nature of the case, progressively less adequate for the purchase of the product, represented by the price of the goods produced, it follows that the market is progressively more subject to glut from overproduction, and hence to commercial crises and depression. It has been argued, as if it were a direct inference from Marx's position, that this maladjustment between production and markets, due to the laborer not getting the full product of his labor, leads directly to the breakdown of the capitalistic system, and so by its own force will bring on the socialistic consummation. Such is not Marx's position, however, although crises and depression play an important part in the course of development that is to lead up to socialism. In Marx's theory, socialism is to come by way of a conscious class movement on the part of the propertyless laborers, who will act advisedly on their own interest and force the revolutionary movement for their own gain. But crises and depression will have a large share in bringing the laborers to a frame of mind suitable for such a move.

Given a growing aggregate capital, as indicated above, and a concomitant reserve of unemployed laborers growing at a still higher rate, as is involved in Marx's position, this body of unemployed labor can be, and will be, used by the capitalists to depress wages, in order to increase profits. Logically, it follows that, the farther and faster capital accumulates, the larger will be the reserve of unemployed, both absolutely and relatively to the work to be done, and the more severe will be the pressure acting to reduce wages and lower the standard of living, and the deeper will be the degradation and misery of the working class and the more precipitately will their condition decline to a still lower depth. Every period of depression, with its increased body of unemployed labor seeking work, will act to hasten and accentuate the depression of wages, until there is no warrant even for holding that wages will, on an average, be kept up to the subsistence minimum.¹⁹ Marx, indeed, is explicit to the effect that such will be the case, that wages will decline below the subsistence minimum; and he cites English conditions of child labor, misery, and degeneration to substantiate his views.²⁰ When this has gone far enough, when capitalist production comes near enough to occupying the whole field of industry and has depressed the condition of its laborers sufficiently to make them an effective majority of the community with nothing to lose, then, having taken advice together, they will move, by legal or extra-legal means, by absorbing the state or by subverting it, to establish the social revolution, Socialism is to come through class antagonism due to the absence of all property interests from the laboring class, coupled with a generally prevalent misery so profound as to involve some degree of physical degeneration. This misery is to be brought about by the heightened productivity of labor due to an increased accumulation of capital and large improvements in the industrial arts; which in turn is caused by the fact that under a system of private enterprise with hired labor the laborer does not get the whole product of his labor; which, again, is only saying in other words that private ownership of capital goods enables the capitalist to appropriate and accumulate the surplus product of labor. As to what the régime is to be which the social revolution will bring in, Marx has nothing particular to say beyond the general thesis that there will be no private ownership, at least not of the means of production.

Such are the outlines of the Marxian system of socialism, In all that has been said so far no recourse is had to the second and third volumes of *Kapital*. Nor is it necessary to resort to these two volumes for the general theory of socialism. They add nothing essential, although many of the details of the processes concerned in the working out of the capitalist scheme are treated with greater fulness, and the analysis is carried out with great consistency and with admirable results. For economic theory at large these further two volumes are important enough, but an inquiry into their contents in that connection is not called for here.

Nothing much need be said as to the tenability of this theory. In its essentials, or at least in its characteristic elements, it has for the most part been given up by latterday socialist writers. The number of those who hold

to it without essential deviation is growing gradually smaller. Such is necessarily the case, and for more than one reason. The facts are not bearing it out on certain critical points, such as the doctrine of increasing misery; and the Hegelian philosophical postulates, without which the Marxism of Marx is groundless, are for the most part forgotten by the dogmatists of to-day. Darwinism has largely supplanted Hegelianism in their habits of thought.

The particular point at which the theory is most fragile, considered simply as a theory of social growth, is its implied doctrine of population, implied in the doctrine of a growing reserve of unemployed workmen. The doctrine of the reserve of unemployed labor involves as a postulate that population will increase anyway, without reference to current or prospective means of life. The empirical facts give at least a very persuasive apparent support to the view expressed by Marx, that misery is, or has hitherto been, no hindrance to the propagation of the race; but they afford no conclusive evidence in support of a thesis to the effect that the number of laborers must increase independently of an increase of the means of life. No one since Darwin would have the hardihood to say that the increase of the human species is not conditioned by the means of living.

But all that does not really touch Marx's position. To Marx, the neo-Hegelian, history, including the economic development, is the life-history of the human species; and the main fact in this life-history, particularly in the economic aspect of it, is the growing volume of human life. This, in a manner of speaking, is the base-line of the whole analysis of the process of economic life, including the phase of capitalist production with the rest.

The growth of population is the first principle, the most substantial, most material factor in this process of economic life, so long as it is a process of growth, of unfolding, of exfoliation, and not a phase of decrepitude and decay. Had Marx found that his analysis led him to a view adverse to this position, he would logically have held that the capitalist system is the mortal agony of the race and the manner of its taking off. Such a conclusion is precluded by his Hegelian point of departure, according to which the goal of the life-history of the race in a large way controls the course of that life-history in all its phases, including the phase of capitalism. This goal or end, which controls the process of human development, is the complete realization of life in all its fulness, and the realization is to be reached by a process analogous to the three-phase dialectic, of thesis, antithesis, and synthesis, into which scheme the capitalist system, with its overflowing measure of misery and degradation, fits as the last and most dreadful phase of antithesis. Marx, as a Hegelian, that is to say, a romantic philosopher, is necessarily an optimist, and the evil (antithetical element) in life is to him a logically necessary evil, as the antithesis is a necessary phase of the dialectic; and it is a means to the consummation, as the antithesis is a means to the synthesis.

Notes

1. The substance of lectures before students in Harvard University in April, 1906.
2. Cf. Critique of Political Economy, chap. i, "Notes on the History of the Theory of Commodities," pp. 56-73 (English translation, New York, 1904).
3. See Menger, Right to the Whole Produce of Labor, section iii-v and viii-ix, and Foxwell's admirable Introduction to Menger.
4. See Menger and Foxwell, as above, and Schaeffle, Quintessence of Socialism, and The Impossibility or Social Democracy.
5. See Engels, The Development of Socialism from Utopia to Science, especially section ii. and the opening paragraphs of section iii.; also the preface of Zur Kritik der politischen Oekonomie.

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6. See Engels, as above, and also his *Feuerbach: The Roots of Socialist Philosophy* (translation, Chicago, Kerr Co., 1903).
7. See, e.g., Seligman, *The Economic Interpretation of History*, Part I.
8. Engels, *Development of Socialism*, beginning of section iii.
9. Cf., on this point, Max Adler, "Kausalitat und Teleologie in Streite um die Wissenschaft" (included in *Marx Studien*, edited by Adler and Hilferding, vol. i), particularly section xi; cf. also Ludwig Stein, *Die soziale Frage im Lichte der Philosophie*, whom Adler criticizes and claims to have refuted.
10. Cf., Alder as above.
11. It may be noted, by way of caution to readers familiar with the terms only as employed by the classical (English and Austrian) economists, that in Marxian usage "capitalistic production" means production of goods for the market by hired labor under the direction of employers who own (or control) the means of production and are engaged in industry for the sake of profit. "Capital" is wealth (primarily funds) so employed. In these and other related points of terminological usage Marx is, of course, much more in touch with colloquial usage than those economists of the classical line who make capital signify "the products of past industry used as aids to further production." With Marx "Capitalism" implies certain relations of ownership, no less than the "productive use" which is alone insisted on by so many later economists in defining the term.
12. In the sense that the theory of value affords the point of departure and the fundamental concepts out of which the further theory of the workings of capitalism is constructed, in this sense, and in this sense only, is the theory of value the central doctrine and the critical tenet of Marxism. It does not follow that Marxist doctrine of an irresistible drift towards a socialistic consummation hangs on the defensibility of the labor-value theory, nor even that the general structure of the Marxist economics would collapse if translated into other terms than those of this doctrine of labor value. Cf. Bohm-Bawerk, *Karl Marx and the Close of his System*; and, on the other hand, Frans Oppenheimer, *Das Grundgesetz der Marx'schen Gesellschaftslehre*, and Rudolf Goldscheid, *Verelendungs- oder Meliorationstheorie*.
13. Cf., e.g., Bohm-Bawerk, as above; Georg Adler, *Grundlagen der Karl Marx'schen Kritik*.
14. In much the same way, and with an analogous effect on their theoretical work, in the preconceptions of the classical (including the Austrian) economists, the balance of pleasure and pain is taken to be the ultimate reality in terms of which all economic theory must be stated and to terms of which all phenomena should finally be reduced in any definitive analysis of economic life. It is not the present purpose to inquire whether the one of these uncritical assumptions is in any degree more meritorious or more serviceable than the other.
15. Bohm-Bawerk, *Capital and Interest*, Book VI, chap. iii; also *Karl Marx and the Close of his System*, particularly chap. iv; Adler, *Grundlagen*, chaps. ii and iii
16. Cf. *Kapital*, vol. i, chap. xv, p.486 (4th ed.). See also notes 9 and 16 to chap. i of the same volume, where Marx discusses the labor-value doctrines of Adam Smith and an earlier (anonymous) English writer and compares them with his own. Similar comparisons with the early Classical value theories recur from time to time in the later portions of *Kapital*.
17. Oppenheimer (*Das Grundgesetz der Marx'schen Gesellschaftslehre*) is right in making the theory of accumulation the central element in the doctrines of Marxist socialism, but it does not follow, as Oppenheimer contends, that this doctrine is the keystone of Marx's economic theories. It follows logically

from the theory of surplus value, as indicated above, and rests on that theory in such a way that it would fail (in the form in which it is held by Marx) with the failure of the doctrine of surplus value.

18. See Kapital, vol. i, chap. xxiii.

19. The "subsistence minimum" is here taken in the sense used by Marx and the classical economists, as meaning what is necessary to keep up the supply of labor at its current rate of efficiency.

20. See Kapital, vol. i, chap. xxiii, sections 4 and 5.