



## MARX AND THE MORALITY OF CAPITALISM

*This year is the bicentennial of the birth of [Karl Marx](#) (1818-1883) and in this month's Liberty Matters online discussion we will explore the strengths and weaknesses of Marx's political, economic, and social thought. The lead essay is by Virgil Storr, senior research fellow at the [Mercatus Center](#) and a professor of economics at George Mason University, where he explores Marx's "moral critique of capitalism" which he argues underlies his economic and social critiques of capitalism. He is joined in this discussion by Pete Boettke, Professor of Economics and Philosophy at George Mason University; Steve Horwitz, Distinguished Professor of Free Enterprise in the department of economics at Ball State University in Muncie, Indiana; David Prychitko, professor of economics at Northern Michigan University; and David Hart.*

### MARX AND THE MORALITY OF CAPITALISM

by Virgil Henry Storr

[Adam Smith](#) is inarguably the greatest political economist who ever lived. He did more to help us understand how capitalism works than any scholar of the economy who wrote before him, and his insights continue to undergird much of modern economic thought. The economic system that Smith described, however, was already coming into existence when Smith was writing. He was more a student of social phenomena than someone whose writings directly shaped political or economic events.

[Karl Marx](#), however, is arguably the most influential political economist who ever lived. His writings about the problems of capitalism inspired many of the political and economic experiments that occurred in the 20th century in various parts of the globe. Indeed, the "successful" revolutions that took place in Russia, China, Yugoslavia, Vietnam, Korea, Cuba, and Indonesia are accurately described as Marxist revolutions.

The advent of capitalism, Marx admitted, was a revolutionary moment. It introduced new technologies, new modes of production, new channels of distribution,

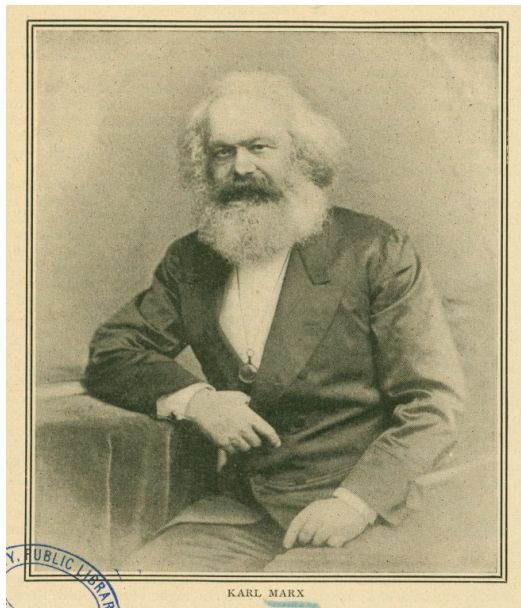
and new sources of wealth. It also wiped away old forms of hierarchy and erased old sources of oppression. With the advent of capitalism, we became both freer and wealthier than we had ever been before. But not everything that accompanied the rise of capitalism and the society it created was benign or positive. The capitalist system, with its basis in monetary exchange and private ownership of the means of production, was largely a positive force. But, Marx explained, the capitalist system was itself a source of economic, social, and moral problems.

Marx offered an economic, social, and moral critique of capitalism. His economic critique stressed the inevitability of crisis within the capitalist economic system. According to Marx and Engels ([1848] 1988, 215),

Modern bourgeois society with its relations of production, of exchange, and of property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells. For many a decade past, the history of industry and commerce is but the history of the revolt of modern productive forces against modern conditions of production, against the property relations that are the

conditions for the existence of the bourgeoisie and of its rule. It is enough to mention the commercial crises that by their periodic return put on its trial, each time more threateningly, the existence of the entire bourgeois society.

For Marx, these periodic commercial crises are unavoidable in the capitalist system. And each successive downturn is likely to be more extreme and more destructive than the previous one. Until the underlying economic structure of capitalism was replaced, i.e., until private ownership of the means of production was eliminated, these crises would continue to plague society.



***Karl Marx***

Marx's social critique of capitalism emphasized the necessary antagonism between classes in commercial society. Marx did not believe that class struggle was unique to capitalism. "The history of all hitherto existing society," Marx and Engels (*ibid.*, 209) explained, "is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another." But capitalism was different in one important respect. Capitalism, Marx believed, simplified class antagonisms. "Society as a whole," Marx and Engels (*ibid.*, 210) argued, "is more and more splitting up into two great hostile camps, into two great classes directly facing each other – Bourgeoisie and

Proletariat." In a capitalist system, Marx believed, we are either bourgeoisie or proletariat, capitalists or workers. Additionally, he believed, capitalism necessarily pits the owners of capital against the workers. These two great classes cannot coexist peacefully.

To understand the basis for Marx's economic and social critiques of capitalism, you also have to understand Marx's moral critique of capitalism. Although he might not have recognized it as a moral critique, his moral attack concerned the inevitability of exploitation and alienation under capitalism.

Below is an (uncritical) account of Marx's exploitation and alienation critiques of capitalism. I purposely focus on Marx's own writings and not the vast secondary literature that Marx inspired. Then I offer a few questions about the continued relevance of Marx's moral critique of capitalism. Although the economic system that Marx proposed, i.e., collective ownership of the means of production, has proven to be an unworkable alternative to capitalism, and Marx's economic and social critiques of capitalism have proven to be inaccurate, his moral critique has not yet been proven wrong by history or adequately addressed by his critics.

### **Exploitation**

At its core, Marx argued, the capitalist system was deeply unjust; i.e., workers in a capitalist system did not get their due. According to Marx, the owners of private property received more than their fair share of what was produced in a capitalist society and the laborers received considerably less than they deserved.

The exploitation of the worker, Marx asserted, is simply an economic fact. Marx offered a technical definition of exploitation. According to Marx ([1867] 2004), exploitation occurs when the owners of capital capture the "surplus values" created by their workers (i.e., the value of the products that workers produce above what the workers need to subsist). Workers simply do not enjoy the fruits of their labor under capitalism. Instead, the very objects into which workers have poured their labor are sold to others, and the employers rather than employees capture the profits associated with these sales.

In a capitalist system, Marx asserted, because the owners of capital will bid down wages to the lowest levels possible, we should expect exploitation to be pervasive. "The ordinary wage," Marx ([1844] 1988, 20) explained, "is the lowest compatible with common humanity (that is a cattle-like existence)... The worker has become a commodity, and it is a bit of luck for him if he can find a buyer. And, the demand on which the life of the worker depends, depends on the whim of the rich and the capitalists." In order to survive, workers must simply accept lower wages than they deserve.

Exploitation for Marx is an unavoidable feature of capitalism. Marx and Engels ([1848] 1988, 223), for instance, asserted that "modern bourgeois private property is the final and most complete expression of the system of producing and appropriating products, that is based on class antagonisms, on the exploitation of the many by the few." Similarly, Marx ([1867] 2004, 799) argued that

within the capitalist system all methods for raising the social productivity of labour are put into effect at the cost of the individual worker; that all means for the development of production undergo a dialectical inversion so that they become means of domination and exploitation of the producers; they distort the worker into a fragment of a man, they degrade him to the level of an appendage of a machine, they destroy the actual content of his labour by turning it into a torment; ... [T]hey deform the conditions under which he works, subject him during the labour process to a despotism the more hateful for its meanness.

At the center of the capitalist system, Marx believed, was the exploitation of the many by the few. Moreover, capitalism was not only profoundly unjust but was also demeaning and destructive.

It might not be obvious from this account, but there is an issue with Marx's exploitation thesis. Marx's "proof" of exploitation under capitalism rested (in part) on the now-refuted labor theory of value. As Marx took pains to demonstrate, the only way that the capitalist can earn a

profit is if it pays the worker less than the value that he creates. But, we should admit, Marx's criticism of capitalism might still stand even if we jettison the labor theory of value. To modernize the claim, all we would have to do is define exploitation as occurring whenever an employee's wage is lower than her marginal revenue product. Moreover, if neoclassical economic theory is correct, most workers in any profit-maximizing firm will be paid less than their marginal revenue product; i.e., most workers will be exploited.

### **Alienation**

For Marx, the moral invidiousness of the capitalist system was not limited to how the capitalists exploited the workers. Workers in a capitalist system, Marx explained, necessarily become estranged, or alienated, from the product of their labor, the act of labor, their true natures, and their fellow men. This estrangement is both demeaning and dehumanizing. Rather than workers being able to improve their lives through their labor, they are made worse off through their labor. In fact, Marx ([1844] 1988, 71) explained, "The worker becomes an ever cheaper commodity the more commodities he creates." Although the connection between an individual and the things he produces should be an intimate one, in a capitalist system, Marx (*ibid.*) argued, "the worker is related to the product of his labour as to an alien object." More worrying, this alien object assumes power over the worker. According to Marx (*ibid.*, 72),

the more the worker spends himself, the more powerful becomes the alien world of objects which he creates over and against himself, the poorer he himself – his inner world – becomes, the less belongs to him as his own... The worker puts his life into the object; but now his life no longer belongs to him but to the object... The alienation of the worker in his product means not only that his labor becomes an object, an external existence, but that it exists outside him independently, as something alien to him, and that it becomes a power on its own confronting him.



Because in a capitalist system, the worker does not own the product of his labor, it gives birth to a dark irony: what should be mere tools become the masters and who should masters become mere tools. The worker produces an object that should be his to command but instead becomes a slave to the object that he produced.

According to Marx, because the product of a worker's labor is an alien thing in a market economy, the act of producing ceases to be a process where workers feel like themselves. "In his work," Marx (*ibid.*, 74) writes,

...he does not affirm himself but denies himself, does not feel content but unhappy, does not develop freely his physical and mental energy but mortifies his body and ruins his mind. The worker therefore only feels himself outside his work, and in his work feels outside himself. He feels at home when he is not working, and when he is working he does not feel at home.

Work should be a source of dignity. But in a capitalist system, work is not ennobling. Instead, "it is activity as suffering, strength as weakness, begetting as emasculating, the worker's own physical and mental energy, his personal life – for what is life but activity? – as an activity which is turned against him, independent of him and not belonging to him" (*ibid.*, 80). Because the product that the worker produces is an alien thing, the process of production is an alienating process.

There is a third sense in which labor in a capitalist economy is alienating. Work "estranges from man his own body, as it does [his] external nature and his spiritual essence, his human being" (*ibid.*, 78). Human beings are transformed into something not altogether human. Unlike animals, who only produce what they need for themselves and their offspring, humans also produce when their physical needs have been satisfied as a way to express their sense of beauty and their sense of self. Because workers are robbed of their labor product, they are robbed of their humanity; they are robbed of their "advantage over animals." Alienated labor is necessarily debased labor.

Finally, labor in a capitalist system also alienates workers from their fellow men. According to Marx (*ibid.*),

An immediate consequence of the fact that man is estranged from the product of his labor, from his life activity, from his [nature], is the estrangement of man from man. When man confronts himself, he confronts the other man. What applies to a man's relation to his work, to the product of his labor and to himself, also holds of a man's relation to the other man, and to the other man's labor and object of labor.

Rather than being connected to his fellow man, man is separated from his fellow man during the process of production. Moreover, the man divorced from his labor products, himself and his humanity, cannot be connected to others. The estrangement of the worker that occurs in a capitalist system is a total estrangement.

To summarize, for Marx individuals in a capitalist system become alienated from their labor product, the production process, their human nature, and one another. Capitalism thus transforms humans into a kind of creature. Recall, that Marx ([1844] 2005, 220) argued that "the division of labor ... [transforms] him into a spiritual and physical monster."



If morality is in any way an expression of our humanity, then this spiritual and physical monster does not have the capacity to be a truly moral actor. A man who is estranged

from himself and his fellow men cannot possibly be virtuous. The money system, which is responsible in Marx's theory for the worker's alienation, exhibits an "overturning power both against the individual and against the bonds of society, etc., which claim to be essences in themselves. It transforms fidelity into infidelity, love into hate, hate into love, virtue into vice, vice into virtue, servant into master, master into servant, idiocy into intelligence and intelligence into idiocy" ([1844] 1988, 138). Again, the confusion, the loss of self that Marx describes, is profound, total. Estranged from his true nature, man is bewildered, and "the world," Marx (*ibid.*) wrote, is "upside down." We should expect workers in a capitalist system to be debased because laboring in a capitalist system debases. We should expect him to be undignified because laboring in a capitalist system robs him of his dignity. We should expect him to be egoistic and asocial because laboring in a capitalist system alienates him from his human nature and his fellow men.

### Some Questions

Again, this summary of Marx's moral critic of capitalism is largely an uncritical one. Of course, I do not mean this as an implicit endorsement of Marx's positions. In fact, I hold almost exactly the opposite position from his on every issue discussed above. For instance, as I argued elsewhere, I believe that markets are moral teachers. See also my essays "Why the Market?" (2009), "The Moral Meanings of Markets" (Langrill and Storr 2012), "The Impartial Spectator and the Moral Teachings of Market" (2018) and "Markets as Moral Training Grounds" (Choi and Storr 2017). Additionally, my colleague Ginny Choi and I are currently finalizing a manuscript tentatively titled "A Moral Case For Markets," which is under contract with Palgrave MacMillan and should be published next year.

But as I said at the outset, his moral critique of capitalism has not yet been proven wrong by history or adequately addressed by his critics. Moreover, although Marx's influence has somewhat waned, much of his moral critique of capitalism remains quite popular. Thus, I think

Marx's moral critiques of capitalism deserve a fresh hearing, if only to inspire a more direct critique.

A number of questions about the continuing relevance of Marx's moral critique of capitalism thus come to mind.

1. How would we know whether or not workers are being exploited or are alienated under capitalism? It is unclear that simply pointing to pay inequities (say between median workers and CEOs) would settle the question about exploitation one way or the other. The question of exploitation is about whether workers are getting what they deserve, not how much they are getting. Similarly, it is unclear that simply pointing to surveys of worker satisfaction would settle the question about alienation. Workers might very well be suffering from a kind of false consciousness and be unaware of their predicament.
2. How much should it matter that the system Marx believed and hoped would replace capitalism is unattainable (in the ideal), profoundly oppressive, and likely rife with exploitation and alienation (in reality)? If capitalism is the best of all the "bad" economic systems, does that excuse its moral sins?
3. Do classical liberals tend to be relatively silent when it comes to critiquing the moral aspects of Marx's theories of exploitation and alienation because "deep down" they secretly believe them? For instance, you can find earlier versions of both Marx's theories of exploitation and alienation in Adam Smith's writings.

# ALIENATION, SOCIAL COOPERATION, AND MARX'S "STANDPOINT PROBLEM"

by Steven Horwitz

Virgil has given us much to think about in both his faithful recapitulation of Marx's criticisms of capitalism and the questions he raises at the end. I want to address some of the themes in Marx's theory of alienation and offer a way that those more sympathetic to capitalism might respond. I want to do so without arguing that attempts to implement Marxian socialism would (and did) produce all kinds of alienation themselves, even though I believe that to be true and might return to that point in a later contribution. Instead, I want to contest the overarching Marxian theme that the history of capitalism's development is best understood as a class struggle and that the result is a system that divides us from each other and ourselves. I then want to argue that Marx understands that markets can produce a form of sociality, but he thinks he can do it one better, and he thinks that because of the way he is standing in the socialist future and seeing capitalism's flaws by comparison.



*Ludwig von Mises*

I need not repeat Virgil's elucidation of Marx on class struggle as the central theme of human history. I want to offer an alternative story of human economic evolution that sees it as a process of increasing social cooperation and human interdependence, rather than one of conflict and alienation. That alternative account comes from Ludwig von Mises, particularly in his 1922 book, *Socialism*. That book and the 1920 article that forms the core of it are justly famous for Mises's critique of the possibility rational economic calculation under socialist planning. His argument -- that socialist planners could not know how best to produce desired goods and services without having access to money prices that emerged out of the exchange of privately owned means of production -- began the interwar debate over socialism. In the longer run of history, Mises (and F. A. Hayek) have been seen as winning that debate and demonstrating the impossibility of socialist planning. That point is an important one in talking about the problems with Marxism, and I will return to it later in this essay.

In addition to that argument, *Socialism* contains a whole section on the "[alleged inevitability of socialism](#)" that begins with several chapters on "social evolution." Mises starts his response to Marx by noting that proper social science is not teleological either for better or for worse. Like biological evolution, an understanding of social evolution aims to *describe* "[what society is, how it originates, \[and\] how it changes](#)" (1922, 256). For Mises, "[Society is cooperation; it is community in action](#)" (258). That cooperation is brought about by the division of labor, which he terms "[the principle of social development](#)" (259). He then shows how the division of labor and exchange enable us to produce and, thanks to exchange, consume more than we could if we did everything for ourselves individually. After explaining comparative advantage and the mutual benefit of exchange, he concludes (261):

[The greater productivity of work under the division of labor](#) is a unifying influence. It leads men to regard each other as comrades in a joint struggle for welfare, rather than as competitors in a struggle for existence. It makes friends out

of enemies, peace out of war, society out of individuals.

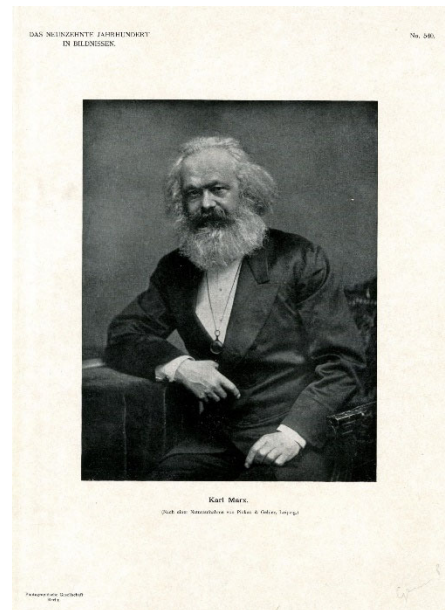
One might compare this last observation to Hayek's (1977, 108) point that the Greek root for exchange - *- katallatein* -- also meant "to admit into the community" and "to change from enemy to friend."

Mises is explicit that he is offering an alternative to the Marxian view that history is story of class struggles. Instead, he sees history as ever-evolving and ever-deepening human cooperation as long as we allow the division of labor and exchange to operate. The highest products of civilization are "a product of leisure and the peace of mind that only the division of labor can make possible" (271). In his later discussion of this process in *Human Action* (1966), he refers to it as "[the Law of Association](#)."

In later parts of his discussion in *Socialism*, he rejects crude social Darwinism (281) by making the point that even the competition of nature is ultimately about cooperation and interdependence rather than "destructive combat." The economic competition that takes place in this process of social evolution is not about destruction but collaboration. Specialization and exchange create social cooperation and interdependence. Mises also goes directly after Marx by noting that capitalism does not juxtapose the interests of owners and workers; rather "private ownership in the means of production serves equally the interest of the owners and non-owners" (306). It does so because private ownership makes possible that process of social evolution driven by the division of labor and exchange.

This excursion into Mises's work on social evolution gives us some reason to be skeptical of Marx's claim that capitalism is a source of profound alienation for humans. If Mises's story is broadly right, exchange and capitalism do not divide us; rather they bind us together in cooperative, mutually beneficial relationships with others. It is capitalism that takes us, as he argues earlier in *Socialism* (58ff), from violence to peace, from status to contract, and from conquest to trade. We are knitted into a tapestry of interconnected humanity through the trade of the marketplace. And the results of that process have

been, empirically, peace, prosperity, and progress, including and especially for the least well-off. Rather than alienating us from each other or ourselves, it has enabled humans to flourish as never before. And although the early years of capitalism that Marx and Engels observed were clearly ones where the nature of work was hardly uplifting, by the 21st century an increasing number of jobs are ones that draw on human creativity, enabling workers both an unprecedented degree of discretion and meaningful forms of collaboration. Never before in human history have we been more connected to our work and to others than we are now.



***Karl Marx***

To give Marx his due, he would (and did) say that the problem here is that this human sociality is the unintended product of self-interest rather than intentionally social forces. As he argued in the *1844 Manuscripts* (1964,165):

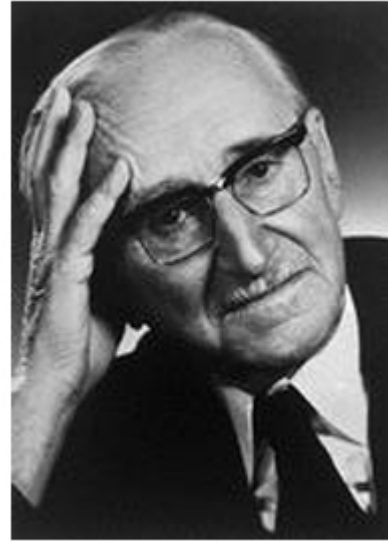
Division of labor and exchange are the two phenomena which lead the political economist to boast of the social character of his science, while in the same breath he gives expression to the contradiction in his science — the establishment of society through unsocial, particular interests.



What's interesting here is that Marx does not deny the process that Mises later articulated. Rather he thinks that socialism can do it better by *consciously* creating human bonds in a way that capitalism cannot while also exceeding capitalism's productivity. If humans can decide collectively and consciously how to allocate resources, including labor, we would not just eliminate the waste of capitalism and open up the horn of plenty; we would also end the exploitation and alienation capitalism involves. A completely conscious and transparent collective planning process would allow individuals to understand exactly why they are producing what they are producing and who is consuming it and why. Human economic and social relations would be the product of conscious social deliberation and not mere byproducts of self-interest and the signals of the marketplace. Humans would seize control of their own social processes and direct them for the greater good. By contrast, a world in which we labor for reasons we do not understand to make things for people we do not know, who will use them for purposes of which we are unaware is one in which, Marx thinks, we are deeply alienated from our true humanity.

This is where what one might call the "standpoint problem" comes in for Marx. The Marxian vision of a world in which humans can make their own history, and peacefully and productively control our own social forces in much the same way as we do with the natural world, has its attractions. And standing in that world looking back on the reality of capitalism can understandably make that reality seem wanting in many ways. However, that just raises the question of whether the rhetorical power and empirical validity of Marx's criticisms of capitalism are dependent upon the feasibility of socialism. What Marxism rejects about the spontaneous order of the market is precisely its spontaneity. To see the unplanned nature of market order as a problem would appear to make sense only if we could in fact generate an even better world through conscious human planning. One can extend this point to the particulars of the Marxist criticisms: alienation, exploitation, and the propensity to crises might all have force only if the humanely planned society were possible. For example, what is left of Marx's theory of exploitation (even assuming the truth of the

labor theory of value) if a meaningful human society is not possible without private property in the means of production?



*Friedrich von Hayek*

If Mises and Hayek were right in arguing that socialist planning is not possible, and that economic rationality requires private property in the means of production along with exchange, markets, prices, and profits, then the socialist future in which Marx is standing and looking back with his critical eye simply cannot exist. And if it cannot exist, what force do the criticisms have? I can perhaps imagine a world without gravity and criticize our world for all the resources we waste in counteracting its effects, but if such a world is not possible, what is the value of my criticisms? Is the imagined socialist future one big beautiful rainbow-producing Mungerian (2014) unicorn in comparison to which all other actually existing animals necessarily fall short?

For me, the central question with respect to Marx in the 21st century is the one that Virgil raises: what remains of Marx's criticisms of capitalism if we are confident that his theory of history, his theory of value, and his belief in the feasibility of the socialist future are all mistaken? I believe the answer is "not much." However, that does not mean that really-existing capitalism is not without its flaws and imperfections. What it does mean is that those have to be judged by comparison to alternatives that can actually be achieved rather than imagined worlds that cannot. As



Mises's theory of history argues, it is no small thing for capitalism to have created deep interdependencies and profound increases in human well-being even without conscious human control. The division of labor and exchange created society as we know it, and we must tread carefully when we attempt to fix capitalism's apparent weaknesses and flaws. Reforming really-existing capitalism has to be a project where the imaginable but unachievable future ideal does not become the enemy of the achievable marginal improvements of the present.

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## ALIENATION AND EXPLOITATION: WAS MARX ENGAGED IN A MORAL ARGUMENT AGAINST CAPITALISM?

by David L. Prychitko

Virgil Storr argues that even if Marx was not aware of it, his criticism of capitalism is ultimately a moral criticism. Marx's use of the concepts *alienation*, *exploitation*, and so on seems to suggest that they carry great normative weight, and to the extent that they expose the unjust nature of capitalism, appeals to justice would demand correcting the system of its injustices. I wish to question this interpretation at least a little bit and by doing so address Virgil's three questions at the end of his essay, which I think are all interrelated.

“MARX'S USE OF THE CONCEPTS *ALIENATION*, *EXPLOITATION*, AND SO ON SEEMS TO SUGGEST THAT THEY CARRY GREAT NORMATIVE WEIGHT...”

I believe Marx can be best understood if we see his critique of capitalism *not only* as an application of his vision of socialism – using his idealized vision of the socialist future as a set of glasses by which to critically

judge actually existing capitalism -- but more fundamentally as an application of his ontological view of man, Marx's philosophical anthropology. Marx views man as a praxis being and a species-being (more on this idea below), who ultimately has the power to live freely and creatively, who can rationally and democratically guide and control institutions of his own making. While man has this collective power, or at least the fundamental potential for such power, men and women find themselves in an alienating and exploitative position under the capitalist mode of production, which Virgil correctly discussed and I need not repeat here. It is a key to understanding Marx that alienation is ultimately self-alienation, estrangement -- a structural gap between man's final potential to control society and the reality of living within the anarchic sea of the capitalist mode of commodity production. For Marx, man will only "return to himself" when the commodity mode is completely and utterly abolished and some sort of system of comprehensive economic planning is put into place. Louis Althusser's (2003) objections notwithstanding, I believe Marx's philosophical anthropology undergirds his more "mature" works and his conception of scientific socialism.

As I see it, Marx's philosophical anthropology explains man's present estrangement in capitalist society, and Marx's scientific socialism explains and predicts man's ultimate relief, his ultimate and historically inevitable way out. It is not an issue of immorality and injustice. It's a deeper one of the difference between where man finds himself today and where he will – inevitably – find himself in the socialist future. No appeals to justice will get him there.

In fact, Marx ridicules such appeals. He considers the entire notion of rights and justice to be part of the capitalist superstructure – its towering system of legitimation that seeks to maintain the commodity mode of production. Marx insists that we are confused if we think we can fundamentally transform the system into a more "just" order if we work within the realm of law, regulation, and culture to better man's place in society, to lift people out of exploitation and alienation, say, for

example, through redistributive justice or the formation of worker-cooperative societies whether through philanthropic beneficence or state aid. The base, the commodity mode of production, must be abolished. Anything less is fantasy (if not utopian) and merely meliorist.



***Friedrich Engels***

Marx (and Engels) clearly discuss this in several of their lesser read works, for example, *Critique of the Gotha Program* (1986 [1875], 10-11):

Rights can never be higher than the economic structure of society and the cultural development thereby determined.

Also consider his "On the Jewish Question" (1844):

None of the so-called rights of man, therefore, go beyond egoistic man, beyond man as a member of civil society – that is, an individual withdrawn into himself, into the confines of his private interests and private caprice, and separated from the community. In the rights of man, he is far from being conceived as a species-being; on the contrary, species-life itself, society, appears as a framework external to the individuals, as a restriction of their original

independence. The sole bond holding them together is natural necessity, need and private interest, the preservation of their property and their egoistic selves.

Moral critique within the system fails, as we hear from Engels's in *Anti-Durhing* (1978 [1878], 117-18):

We therefore reject every attempt to impose on us any moral dogma whatsoever as an eternal, ultimate and forever immutable ethical law on the pretext that the moral world, too, has its permanent principles which stand above history and the difference between nations. We maintain on the contrary that all moral theories have been hitherto the product, in the last analysis, of the economic conditions of society obtaining at the time. And as society has hitherto moved in class antagonisms, morality has always been class morality; it has either justified the domination and the interests of the ruling class, or, ever since the oppressed class became powerful enough, it has represented its indignation against this domination and the future interests of the oppressed. That in this process there has on the whole been progress in morality, as in all other branches of human knowledge, no one will doubt. But we have not yet passed beyond class morality. A really human morality which stands above class antagonisms and above any recollection of them becomes possible only at a stage of society which has not only overcome class antagonisms but has even forgotten them in practical life.

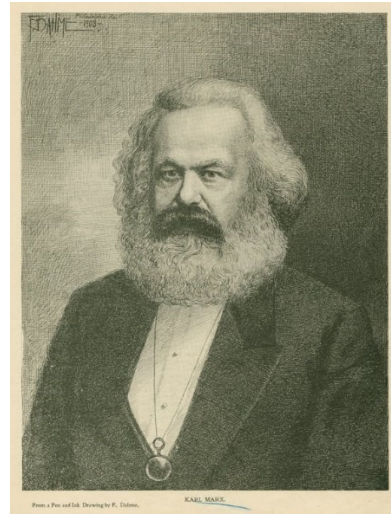
On the question of going from here to there, we read from Marx and Engels's *The Holy Family or Critique of Critical Criticism* (1845):

[I]t follows that the proletariat can and must emancipate itself. But it cannot emancipate itself without abolishing the conditions of its own life. It cannot abolish the conditions of its own life without abolishing all the inhuman conditions of life of society today which are summed up in its own situation. Not in vain does it go through the

stern but steeling school of labour. It is not a question of what this or that proletarian, or even the whole proletariat, at the moment regards as its aim. It is a question of what the proletariat is, and what, in accordance with this being, it will historically be compelled to do. Its aim and historical action is visibly and irrevocably foreshadowed in its own life situation as well as in the whole organization of bourgeois society today.

Marx (and Engels) are clearly against any type of justice-oriented reformism. Income redistributionism, unions and cooperative associations, and so on still seek to preserve the dominant mode of production; these approaches do not, and cannot, abolish alienation and exploitation. Here we have in Marx a true radicalism, a radicalism based not only on Marx's image of a comprehensively planned society, informed in part by his dialectical method of scientific socialism, but also and especially by his primarily ontological view of man, his philosophical anthropology. To fulfill man's praxis potential and reunite his true species-being, capitalism itself must be abolished outright. Socialism or communism is not some justice-filled ideal that man tinkers, haggles, persuades, and reforms his way toward, independent of the materialist forces of history. It is a complete rupture with the present, as Marx and Engels state clearly in *The German Ideology* (1939 [1846], 26:

Communism is for us not a stable state which is to be established, an *ideal* to which reality will have to adjust itself. We call communism the *real* movement which abolishes the present state of things.



***Karl Marx***

So where does this leave us in the context of Virgil's essay? Virgil argues that Marx's analysis is ultimately engaged in moral critique or that, at the very least, it has normative implications. Let me therefore raise the following question: Was Mises's effort a moral critique of socialism when he raised the calculation problem? Are the Austrian criticisms in Hayek's edited book *Collectivist Economic Planning* (1975 [1933]) moral criticisms of socialism? Not at all. Mises viewed his case against socialism as a positive, value-free exercise in praxeology and economics in particular. To say that Mises didn't quite see that he was (also) engaged in moral criticism misses the point. Now, his effort may have moral, ethical, or normative implications – what *should* we do (or not do) in light of the calculation problem? But it is not a moral critique. Mises insisted he was engaged in value-free economic reasoning. Similarly, as I see it, Marx's critique of capitalism is not a moral critique, and Marx himself knew that. His was (dare I say) a dialectically "positive" exercise in his own praxis philosophy in general and scientific socialism in particular.

May it also, like Mises's critique, have normative implications? Yes. But understand here, I insist that Marx was a radical, not a meliorist. And, it is crucial to note, while people inspired by Mises might act upon their wills and give up on socialism, elect classical liberals to office, adopt a freer market system, and so on, for Marx the abolition of capitalism cannot be willed into action. The

capitalist mode of production has to dialectically move into a final crisis stage before a successful revolutionary change can occur. If Marx has a normative, moral mission in his lifework, it is fundamentally a revolutionary morality. Those who are inspired by Marx today, say, democratic socialists in the U.S., fail to appreciate the true radicalism of his message. They themselves would be subject to unrelenting criticism from Marx, just like the contemporaries of his time.

Which leads me to Virgil Storr's three questions. In answering them briefly, due to space constraints, I will now state clearly that Marx's philosophical anthropology is simply and completely false. *Marx's view that "man" can – and ultimately will -- "return to himself" through comprehensive economic planning fails in light of the calculation and knowledge problem because the central planning board itself is an office of grotesque pretenses.* In fact, I believe Marx should have been horrified himself of such an office, as the board would act as one universal capitalist, dictating its plans from the top down. But even decentralized and self-managed comprehensive planning – which Marx may have been more comfortable with – fails for knowledge-based reasons as well. (On this, see Prychitko [1991] and the first several chapters in Prychitko [2002].) If man cannot rationally and comprehensively plan the system, then it is not true that people are "stuck" in an alienated system, blocked from "returning" to themselves, or that, in Virgil's view, Marx's implicit moral condemnation of capitalism may still hold. Instead, there simply is no alienation *as Marx defined, understood, and condemned it.* One can only be "blocked" from that which is possible; one cannot be blocked from that which is impossible to ever achieve. (Nor does the concept of exploitation, *as Marx defined, understood, and condemned it,* pass muster in light of his false labor theory of value and his theory of surplus value.)

In conclusion, if comprehensive planning, of any variety, is epistemically impossible, then Marx's view of man is false and his scientific critique of capitalism, as well as its normative implications (if any), is completely misguided. Critics of capitalism may do best by looking elsewhere.

## THE PROBLEM OF TERMINOLOGY: WHY 'CAPITALISM'?

by David M. Hart

In the year of the bicentennial of Karl Marx's birth it is fitting that we should provide a proper accounting of his ideas given the current renewed interest in his life and work.<sup>[1]</sup> This should include a list of the very deep conceptual errors Marx made in his economic, political, and social theory. This is especially important to note as the attempt to implement these erroneous ideas by force in the 20th and early 21st centuries has led to death and profound misery for many millions of people. However, Virgil is correct to also include in this accounting the few things in Marx's thought which he may have got right and which economic and social theorists today should continue to explore. In his opening essay Virgil identified the issues of "exploitation" and "alienation" as two such avenues of thought which we should pursue further.

As part of the accounting of his errors, I think it would be a useful exercise as part of this discussion to compile a list of the key economic and social ideas which Marx put forward and which history and modern economic thought show that he got wrong. I will address this matter in a later post.

Before we get too far into the discussion I would like to put on the table my reluctance to use the term "capitalism" as Virgil does because it was coined by the opponents of free markets and voluntary exchange, and this inevitably creates an intellectual straightjacket from which it is hard to escape. Similarly with the 17th-century English revolutionaries and proto-classical liberals the Levellers. They had to spend much effort in refuting the idea implied in the name given to them by their political opponents that they wanted to "level" all property ownership to a common, even "communistic" level.<sup>[2]</sup> Classical liberals have had to do the same thing with the term "capitalism" in my view.

The word "capitalism" suggests a system in which a society is ruled by capital or the owners of capital, i.e.,



capitalists. I much prefer to use the expression "free markets" or "the free market system" instead of this baggage-ridden term "capitalism."<sup>[3]</sup> A true free-market society is ruled by no minority in their own interests, such as owners of capital or any other group, and exchanges take place voluntarily between individuals or groups of individuals with the sole proviso that property rights are respected and no coercion is used.



**Pierre Leroux**

The origin of the term *le capitalisme* <sup>[4]</sup> can be traced back to the late 1840s when socialists like Pierre Leroux (1848), Louis Blanc (1849), and Pierre-Joseph Proudhon (1851) began using it in a detrimental way to describe the free-market system as part of their campaign to introduce socialist reforms such as the National Workshops employment program, "free credit" and Peoples Banks in the Second Republic.<sup>[5]</sup> It was taken up by the Economists such as Frédéric Bastiat and V. Avril in their battle against socialism in 1849.<sup>[6]</sup> Bastiat, for example, took issue with three socialist terms which were then used to attack his ideas: *le propriétaireisme*, *le capitalisme*, and *l'individualisme* (private ownership of land or landlordism, capitalism, and individualism), which he discussed in what would become the chapter "On Wages" in the posthumously expanded edition of *Economic Harmonies*.<sup>[7]</sup> Perhaps Blanc gave the most concise

definition of *le capitalisme* in July 1849 when he stressed the limited ownership, or monopolization of capital, not capital itself, which was its defining characteristic:

*On voit en quoi consiste le sophisme qui sert de base à tous les raisonnements de M. Bastiat. Ce sophisme consiste à confondre perpétuellement l'utilité du capital avec ce que j'appellerai le capitalisme, c'est-à-dire l'appropriation du capital par les uns, à l'exclusion des autres. Comme si l'utilité d'une chose résultait de son accaparement et non de sa nature!*

We can see what makes up the sophism which lies at the foundation of all of Bastiat's thinking. This sophism consists in constantly confusing the utility of capital with what I am going to call "capitalism," that is to say the appropriation of capital by some to the exclusion of others. As if the utility of a thing is due to its monopolisation and not from its nature!<sup>[8]</sup>

It is interesting that the German word *der Kapitalismus* is of later origin (possibly 1870).<sup>[9]</sup> Although Marx lived and worked in Paris between 1843 and 1844 and visited again in 1848 (to distribute his new pamphlet "The Communist Manifesto" to the German Workingmen's Club after the Revolution broke out in February 1848), he did not use the term *der Kapitalismus* at all in *Das Kapital* vol. 1 (1867; DK1), and it appeared only once in volume 2 (DK2), which was posthumously edited and published by Engels in 1885, so possibly it was an insertion by him. The term did not appear at all in volume 3, which Engels published in 1894. In the English translation of all three volumes, which appeared in the late 19th century (1886, 1890, 1909), also with the assistance of Engels, the word "capitalism" appeared several times even though it had not been used in the German language original. So we need to be careful when quoting from these later English translations that we keep in mind the vocabulary that Marx himself used to describe the economic system he was criticizing.

Instead of "capitalism," Marx in DK1 preferred to use phrases such as *die kapitalistische Produktionsweise* (the capitalistic mode, or way, of production) and *der kapitalistische Produktionsprozess* (the capitalistic production

process). He also only rarely referred to it in the general sense of a "system" such as *das kapitalistische System* (the capitalist system).<sup>[10]</sup> Instead of an abstract noun to describe an economic "system," Marx much preferred to use the adjectival form *kapitalistisch* (capitalistic or capitalist) in the expressions mentioned above, as well as to describe a series of methods of exploitation and plunder which he believed was inherent in the "capitalist system," for example, *die kapitalistische Exploitation* (capitalist exploitation), *die kapitalistische Exploitationsweise* (the capitalist mode of exploitation), *die kapitalistische Ausbeutung* (capitalist exploitation or plunder), and *die kapitalistische Ausbeutungsweise* (the capitalist mode of plunder).

All that being said, I think Virgil is quite right to identify "exploitation" and "alienation" as two central problems raised by Marx which still need to be addressed today. On each I will be brief here as I will return to them in later posts.

Concerning "exploitation" it should be noted that many 19th-century classical liberals, especially the French, had a well-developed theory of class and "exploitation" (Bastiat called it *la spoliation*, plunder) from which Marx borrowed, as he acknowledged, in order to develop his own theory.<sup>[11]</sup> The liberal theory was a combination of empirical analysis (who controlled the state and how did they use it to benefit themselves at the expense of others) as well as moral condemnation and outrage. The latter was a result of their theory of individual property rights and opposition to the use of coercion. What seemed to occur in the late 19th and early 20th centuries is that classical liberals abandoned this way of thinking and thus handed over to the socialists and Marxists a monopoly, as it were, in looking at the world in this way. It would not be until the 1960s when Murray Rothbard and Leonard Liggio revived interest in classical-liberal class analysis that some classical liberals and libertarians (like myself) began talking about class and exploitation again. Nevertheless I would say the bulk of free-market economists and classical-liberal political theorists still reject this tradition as somehow "tainted" with Marxism. I think typical of this practice was Mises who did not like

the term "class" (using it in the sense of social class) preferring to use the term "caste" as he did in his books *Socialism* and *Human Action*, and his essay "The Clash of Group Interests" (1945).<sup>[12]</sup>



***Leonard Liggio***

Concerning "alienation," I am less sympathetic as I think it is based upon a false romantic notion of what labor was, is, or could be in the future. It is not clear to me that there ever could be a form of labor which is not "alienating" in some way, simply because of the fact of and need for the division of labour and the enormously greater wealth it makes possible. Outside of primitive hunter-gatherer societies, when did human beings ever have full and total control of how they went about their business of making and doing things? Can one imagine in a socialist or communist society there not being a division of labour of some kind? What market societies have increasingly provided all people at every level of wealth are tradeoffs between work, income, leisure, specialization, and choice of occupation. When one gets anguished over the poor conditions faced by some people at any given stage of economic and historical development, one is obliged to ask two fundamental questions: compared to what and why were they poor in the first place?

Endnotes

<sup>[1]</sup> This renewed interest in Marx's ideas ranges from the sublime to the ridiculous as these examples indicate: the acclaim for Thomas Picketty's book *Capital in the Twenty-*

*First Century* (Cambridge, MA: Harvard, 2017) and the new biography of Marx by Gareth Stedman Jones, *Karl Marx: Greatness and Illusion* (Penguin, 2017); a series of articles in the *New York Times* Opinion section, "Red Century: Exploring the History and Legacy of Communism, 100 years after the Russian Revolution" <<https://www.nytimes.com/column/red-century>>; the critical success of Raoul Peck's film "The Young Marx" (2017); and the *Teen Vogue* article extolling Marx by Danielle Corcione, "Everything You Should Know about Karl Marx," *Teen Vogue*, May 10, 2018 <<https://www.teenvogue.com/story/who-is-karl-marx>>.

[2.] In a late anonymous pamphlet from February 1659, *The Leveller: Or The Principles & Maxims Concerning Government and Religion*, a member of the so-called Levellers party complained about: "And do not some *English* men now suffer deeply upon the same account, from the Peoples hands for whose sakes they have prodigally hazarded their estates and lives; are not some lovers of their country defamed and esteemed prodigious monsters, being branded with the name of *Levellers*, whilst those that reproach and hate them, neither know their principles, or opinions concerning Government, nor the good they intend to their very enemies; those that have designed to prey upon the Peoples estates and liberties, have put the frightful vizard of Levelling, upon those mens faces, and most People are agast at them, like children at Raw-head and Bloody-bones, and dare not ask who they are, or peep under their vizard to see their true faces, Principles and designs." In *Tracts on Liberty by the Levellers and their Critics (1638–1660)*, 7 vols, ed. David M. Hart and Ross Kenyon (Indianapolis, IN: Liberty Fund, 2014–2018), vol. 7 (1650–1660). <[/titles/2602#Leveller\\_1542-07\\_2300](/titles/2602#Leveller_1542-07_2300)>.

[3.] The same also goes for the term "private enterprise," which could equally be used to describe "politically privileged" privately owned and operated enterprises or private enterprises which have no such political benefits to ensure their profitability but only their competence at satisfying the needs of voluntary consumers.

[4.] The word "capitalist" (or *le capitaliste*) appeared much earlier. On the origins of the term *le capitalisme*, see Edmond Silberner and Lucien Febvre, "Mots et choses : le mot *capitalisme*," in *Annales d'histoire sociale*. 2<sup>e</sup> année, N. 2, 1940. pp. 133–34; Michel Leter, *Le Capital – L'invention du capitalisme* (Paris: Les Belles Lettres, 2015), pp. 259–65.

[5.] See for example a speech by Pierre Leroux in the *Assemblée nationale* (30 Aug.1848) in *L'ami de la religion*, jeudi 31 août 1848, (Paris: D'Adrien le Clere, 1848), vol. 138, p. 621; Louis Blanc, *Le Nouveau monde. Journal historique et politique, rédigé par Louis Blanc. No. 1 - 15 juillet 1849* (Bruxelles: J.J. Joostens, 1849), p. 319; and Pierre-Joseph Proudhon, *Idée générale de la Révolution au XIX<sup>e</sup> siècle* (Paris: Garnier frères, 1851), p. 223.

[6.] See V. Avril, *Histoire philosophique du crédit* (Paris: Guillaumin,1849): vol. 1, p. 153–54.

[7.] Until the new Liberty Fund translation of Bastiat's *Economic Harmonies* appears, see the Foundation for Economic Education edition (Irvington-on-Hudson, NY: 1979), p. 405.

[8.] Louis Blanc, *Le Nouveau monde. Journal historique et politique, rédigé par Louis Blanc. No. 1 - 15 juillet 1849* (Bruxelles: J.J. Joostens, 1849), p. 319.

[9.] Edmond Silberner thinks the German economist Albert Schäffle popularized the term in the German-speaking world as late as 1870 in his book *Kapitalismus und Sozialismus mit besonderer Rücksicht auf Geschäfts und Vermögensformen: Vorträge zur Versöhnung der Gegensätze von Lohnarbeit und Kapital* (Tübingen: Laupp, 1870).

[10.] There is one reference to *das kapitalistische System* (the capitalist system) in DK1 (0502: 483) <</pages/marx-k1-1867>> and another in DK2 (0440 : 406) <</pages/marx-k2>>.

[11.] See the Introduction to the anthology *Social Class and State Power: Exploring an Alternative Radical Tradition*, ed. David M. Hart, Gary Chartier, Ross Miller Kenyon, and Roderick T. Long (New York: Palgrave Macmillan, 2018).

[12.] Ludwig von Mises, *The Clash of Group Interests and Other Essays. With a Preface by Murray N. Rothbard. Occasional Paper Series #7.*(New York: The Center for Libertarian

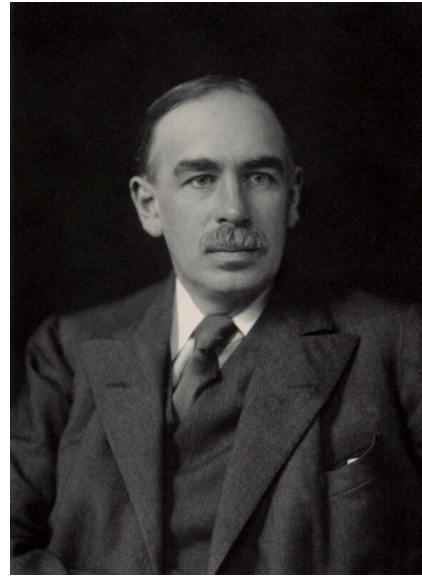
Studies, 1978.) Originally published in *Approaches to National Unity* (1945).

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## MARX'S METHOD AND AESTHETIC

by Peter J. Boettke

I am currently out of the country, so my engagement with this conversation has been slightly delayed. I had three reactions while reading my colleague Virgil Storr's essay "Marx and the Morality of Capitalism": (1) our teacher Don Lavoie is smiling down on this conversation and is thrilled that we are taking seriously the critical analysis of Marx; (2) Storr's careful reading and willingness to engage others with whom he disagrees are extremely impressive and Lavoie-like; and (3) as the "bad" economic student of Lavoie, who was raised on Böhm-Bawerk's "close" of Marx's system and Mises's "decisive critique" and who spent the formative decade of his academic career documenting the utter destruction and inhumanity of Marxism in practice, I was reminded of (a) Murray Rothbard's opening remarks to a history-of-thought lecture series in 1985: "You will do well in history of economic thought if you remember two things: Marx was a commie and Keynes was a Keynesian"; (b) Lavoie's emphasis in *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (1985)<sup>[13]</sup> of Marx's dialectical materialist methodology and the implications he drew from that methodology, and (c) recent reading I have been doing on counter-Enlightenment thought and in particular the role played by aesthetics as compared to logic and evidence in the works associated with the "Totality" project of complete revolution.



*John Maynard Keynes*

What argument or evidence, I want to ask Storr, would persuade Marx (or a Marxist) that his analysis of capitalism was offbase? For example, Eugen von Böhm-Bawerk, in his *Karl Marx and the Close of His System* (1896),<sup>[14]</sup> exposed logical inconsistency between volumes one and three of *Capital*, which has since been dubbed the "transformation problem": how does the value of commodities based on socially desirable labor units get transformed into competitive prices in the marketplace? If no logically coherent way can be found, then Marx's *economic analysis* fails on its own terms. Answers? No. No Marxist has solved that problem yet. But neoclassical economists have: it's the marginal productivity theory of factor pricing, and it's based not on the labor theory of value but on subjective value and marginal utility theory. Early neoclassical economics basically drove an intellectual nail into the coffin of Marx's ideas.

Can we still learn from Marx? Of course we can. But what? By putting forth a vision of an economic system that is the opposite of the "invisible hand" we can actually see more clearly critical features of "invisible hand" explanations of the market order. Most important of these is Mises's "decisive objection" to comprehensive central planning: that it must forgo the intellectual division of labor. The flip side is how the economic calculation enabled by private property, market prices,



and profit-and-loss accounting mobilizes this intellectual division of labor to realize productive specialization and peaceful social cooperation among the participants in the economy. Economic calculation sorts out from the bewildering array of technologically possible investment projects those which are economically viable. It is *this* process of economic calculation that was a critical component in the Great Enrichment that Marx and Engels celebrated in *The Communist Manifesto* (1848).<sup>[15]</sup>

But how does Marx give us this "picture" of the opposite of the "invisible hand"? As Storr explained, Marx had two fundamental tools of critique — alienation and exploitation — and the longing for total revolution is only satisfied if the injustice of exploitation is eliminated by the transcendence of the alienating force of private property. Justice, in other words, can only be served through transcendence -- thus the abolition of private property and commodity production. Marx might not have wanted to write recipes for the cookshops of the future, but he certainly left us a picture to gaze at.<sup>[16]</sup>



**Karl Marx**

Critical to understanding Marx is that the dialectical method requires that science advances through criticism. Marx did not object to the utopian socialists talking about socialism; he objected to the *way* they talked about the socialist future. They did not follow the dialectical method, and in his way of thinking, they were not

scientific. But Marx, the dialectical materialist, was scientific, and he had identified the governing dynamic in the inevitable march of history. Socialism would be what capitalism was not. So if capitalism was exploitive, socialism would not be; if capitalism suffered from periodic crises, socialism would not; if capitalism was characterized by the anarchy of production, socialism would be the rationalization of production. Thus, the argument went, socialism would revolutionize the social relations of production to such an extent that humanity would move from the Kingdom of Necessity to the Kingdom of Freedom.

But, what if such a rationalization isn't possible? If the promised future world isn't possible, what remains of the critique?

So if Böhm-Bawerk was right and Mises was right, shouldn't the Marxian system be closed for good? The millions of souls lost in the most horrific social experiment of the 20th century might certainly hope so, but they would be wrong. The animating spirit of Marxism is alive and well and retains its appeal in the face of logical demolition and an empirical track record that should give anyone pause.

Wait. The aesthetic is too appealing. No logical demonstration of flaws and inconsistencies and no accumulation of evidence can make the aesthetic of the totality project appear distorted and disjointed.

Storr's three fundamental questions must be asked and answered. Will the Marxian aesthetic hinder or encourage such a conversation?

#### Endnotes

<sup>[13.]</sup> Don Lavoie, *Rivalry and central planning: the socialist calculation debate reconsidered* (New York : Cambridge University Press, 1985).

<sup>[14.]</sup> We have online a German and English version of this book: PDF only: Eugen von Böhm-Bawerk, *Karl Marx and the close of his system, a criticism*. Translated by Alice M. Macdonald with a Preface by James Bonar (London: T. Fisher Unwin, 1898) <[/titles/2760](#)>; English HTML version: "On the Completion of Marx's System (of

Thought)" (1896, 1898) <</pages/completion>>. German version: PDF <</titles/2761>>; HTML <</titles/2761>>.

[15.] Editor: If the reader will pardon my intrusion here I will provide a long quote from the *Communist Manifesto* in which Marx expresses in quite moving prose his positive vision of how "capitalism" (or rather the Bourgeoisie) will transform the world for the good:

In German <</pages/marx-manifest>>:

Die Bourgeoisie kann nicht existieren, ohne die Produktionsinstrumente, also die Produktionsverhältnisse, also sämtliche gesellschaftlichen Verhältnisse fortwährend zu revolutionieren. Unveränderte Beibehaltung der alten Produktionsweise war dagegen die erste Existenzbedingung aller früheren industriellen Klassen. Die fortwährende Umwälzung der Produktion, die ununterbrochene Erschütterung aller gesellschaftlichen Zustände, die ewige Unsicherheit und Bewegung zeichnet die Bourgeois-Epoche vor allen früheren aus. Alle festen, eingerosteten Verhältnisse mit ihrem Gefolge von altherwürdigen Vorstellungen und Anschauungen werden aufgelöst, alle neugebildeten veralten, ehe sie verknöchern können. Alles Ständische und Stehende verdampft, alles Heilige wird entweiht, und die Menschen sind endlich gezwungen, ihre Lebensstellung, ihre gegenseitigen Beziehungen mit nüchternen Augen anzusehen.

Das Bedürfnis nach einem stets ausgedehnteren Absatz für ihre Produkte jagt die Bourgeoisie über die ganze Erdkugel. Ueberall muß sie sich einnisten, überall anbauen, überall Verbindungen herstellen.

Die Bourgeoisie hat durch die Exploitation des Weltmarkts die Produktion und Konsumtion aller Länder kosmopolitisch gestaltet. Sie hat zum großen Bedauern der Reaktionäre den nationalen Boden der Industrie unter den Füßen weggezogen. Die uralten nationalen Industrien sind vernichtet worden und werden noch täglich

vernichtet. Sie werden verdrängt durch neue Industrien, deren Einführung eine Lebensfrage für alle civilisirte Nationen wird, durch Industrien, die nicht mehr einheimische Rohstoffe, sondern den entlegensten Zonen angehörige Rohstoffe verarbeiten, und deren Fabrikate nicht nur im Lande selbst, sondern in allen Welttheilen zugleich verbraucht werden. An die Stelle der alten, durch Landeserzeugnisse befriedigten Bedürfnisse treten neue, welche die Produkte der entferntesten Länder und Klimate zu ihrer Befriedigung erheischen. An die Stelle der alten lokalen und nationalen Selbstgenügsamkeit und Abgeschlossenheit tritt ein allseitiger Verkehr, eine allseitige Abhängigkeit der Nationen von einander. Und wie in der materiellen, so auch in der geistigen Produktion. Die geistigen Erzeugnisse der einzelnen Nationen werden Gemeingut. Die nationale Einseitigkeit und Beschränktheit wird mehr und mehr unmöglich, und aus den vielen nationalen und lokalen Literaturen bildet sich eine Weltliteratur.

Die Bourgeoisie reißt durch die rasche Verbesserung aller Produktions-Instrumente, durch die unendlich erleichterten Kommunikationen alle, auch die barbarischsten Nationen in die Civilisation. Die wohlfeilen Preise ihrer Waaren sind die schwere Artillerie, mit der sie alle chinesischen Mauern in den Grund schießt, mit der sie den hartnäckigsten Fremdenhaß der Barbaren zur Kapitulation zwingt. Sie zwingt alle Nationen die Produktionsweise der Bourgeoisie sich anzueignen, wenn sie nicht zugrunde gehen wollen; sie zwingt sie die sogenannte Civilisation bei sich selbst einzuführen, d. h. Bourgeois zu werden. Mit einem Wort, sie schafft sich eine Welt nach ihrem eigenen Bilde.

Die Bourgeoisie hat das Land der Herrschaft der Stadt unterworfen. Sie hat enorme Städte geschaffen, sie hat die Zahl der städtischen

Bevölkerung gegenüber der ländlichen in hohem Grade vermehrt, und so einen bedeutenden Theil der Bevölkerung dem Idiotismus des Landlebens entrissen. Wie sie das Land von der Stadt, hat sie die barbarischen und halbbarbarischen Länder von den civilisirten, die Bauernvölker von den Bourgeoisvölkern, den Orient vom Occident abhängig gemacht.

In English <</pages/marx-manifesto>>:

The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind.

The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are

consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature.

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.

The bourgeoisie has subjected the country to the rule of the towns. It has created enormous cities, has greatly increased the urban population as compared with the rural, and has thus rescued a considerable part of the population from the idiocy of rural life. Just as it has made the country dependent on the towns, so it has made barbarian and semi-barbarian countries dependent on the civilised ones, nations of peasants on nations of bourgeois, the East on the West.

[16.] "(S)tatt Rezepte (comtistische?) für die Garküche der Zukunft zu verschreiben." This comes from Marx's "Preface to the Second edition" of *Das Kapital* (London, Jan. 24, 1873) and reads: "Thus the *Paris Revue Positiviste* reproaches me in that, on the one hand, I treat economics metaphysically, and on the other hand—imagine!—confine myself to the mere critical analysis of actual facts, instead of writing recipes (Comtist ones?) for the cook-shops of the future." In *Capital: A Critique of Political Economy. Volume I: The Process of Capitalist Production*, by Karl Marx. Trans. from the 3rd German edition, by Samuel Moore and Edward Aveling, ed. Frederick Engels. Revised and amplified according to the 4th German ed. by Ernest Untermann (Chicago: Charles H. Kerr and Co., 1909). <[/titles/965#Marx\\_0445-01\\_46](#)>.

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## DON'T WE ALL HAVE A STANDPOINT PROBLEM?

by Virgil Henry Storr

I would like to thank each of the four scholars for their responses to my essay. Taken together, I think they raise the points that ought to be raised in response to any articulation of Marx's "moral" critique of capitalism. In many places, I agree with what they wrote and think they each raise questions that anyone who is sympathetic to Marx's exploitation and alienation critiques of capitalism would have to answer.

I wonder, though, if the challenges to Marx's "moral" critique are as damaging as we sometime imagine. I want to take up later the question raised explicitly by Dave regarding whether it's fair to think of Marx's discussions of alienation and exploitation as "moral" critiques despite Marx's objections to reading them that way. I want to focus this response on a potential problem for Marx's exploitation and alienation critiques that was raised in all four responses.

### The Standpoint Problem

Each of the responses advanced a version of the "standpoint problem" in answer to the question I posed

about what remains of Marx's critiques of capitalism if the socialist world Marx imagined is in fact impossible. Stated succinctly, to fairly characterize some aspect of the social world as a social problem, you must be able to "stand" in a realizable imagined future where that so-called problem does not exist. Stated another way, to complain about the existence of X when X must exist is to bark at the moon. For Marx to fairly critique capitalism for alienation and exploitation, these scholars suggest, he must be able to "stand" in a world where no alienation and exploitation exist. But, they explain, that world cannot exist, and so Marx's critiques can be ignored.

There are, however, at least three problems with this position:

1. We can meaningfully complain about social facts that cannot be changed.

Surely, we can look at an animal raised in horrific conditions (say, in a cage that was too small) and decry that as a result it is now stunted. Noting that this particular animal, given the particular circumstances of his birth (e.g., he was born to an abusive owner in a secluded area), was destined to grow up in a cage that was too small does nothing to reduce our complaint. Pointing out that this particular animal will never achieve the level of development that we imagined possible does not mean we ought to be silent. Explaining that if a million animals were born to this owner their lot would be the same cannot mean that describing this animal as stunted is inappropriate. Yes, in this scenario things are as they had to be; no different or better world for this animal was possible. But this can't mean that an (unrealistic and impossible) imagined existence for this animal with a different owner or in the wild is irrelevant to how we should view the situation. This animal is stunted even though he could not have been otherwise. It would be strange to describe the animal as flourishing.





One way to read Marx's moral critique of capitalism is that he is arguing that human beings are stunted in a capitalist system. Pointing out that we cannot do away with capitalism (that we must be caged animals) is to leave the thrust of his claim without a response. Dave is no doubt correct that "One can only be 'blocked' from that which is possible; one cannot be blocked from that which is impossible to ever achieve." However, I am not so sure that this settles anything. Any animal born into that society had to grow up in a cage that was too small; that is, there was no realistic future where it could be full grown. But still the animal is stunted. Surely, animals born into that society are not flourishing.

2. Complaining about gravity is what inspires flight.

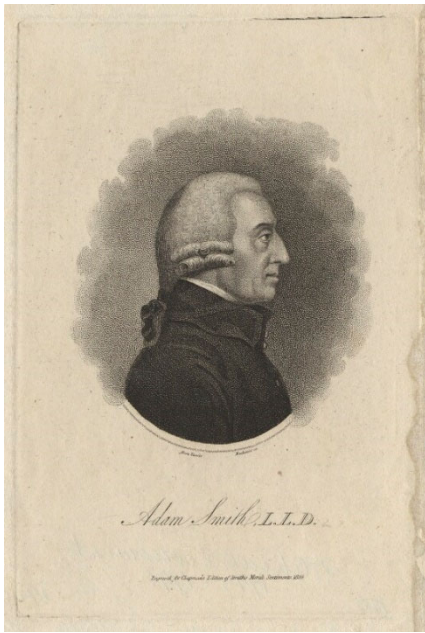
Steve's essay compared Marx's complaining about the "evils" of capitalism to complaining about the consequences of gravity. As Steve asks rhetorically, "I can perhaps imagine a world without gravity and criticize our world for all the resources we waste in counteracting its effects, but if such a world is not possible, what is the value of my criticisms?" Steve believes that the answer is obviously that these kinds of complaints are not all that valuable. I wonder, though, if they aren't essential. It's possible that they inspire us to create new, better, and cheaper ways to counteract the effects of gravity. It's possible that they push us to find additional, creative ways to harness gravity on our behalf in order to rebalance the ledger. And for those not prone to adopt the criticisms of the excessive costs of combating gravity, I wonder if the criticisms don't push us to re-articulate the benefits of gravity and to re-appreciate the various ways we have worked to overcome its effects. Standing in an unrealizable and imaginary world without gravity might be the only "standpoint" from which we can see how

many resources we are expending on overcoming gravity. And it might be the only "standpoint" from which we can work to overcome its effects.

It should be noted that a number of social critiques, some quite dear to the commenters, suffer from a standpoint problem. For instance, some worry about the various ways that central banks distort the money supply. To say they have "distorted" the money supply requires standing in a world where central bankers don't exist or exist but don't behave as they tend to behave. We have good reason, however, to believe that this is an unlikely world (i.e., central bankers like their discretion; governments like that the bankers have it; citizens are unlikely to organize to push for that world). To be sure, if Mises was right, socialism suffers from a "logical problem" that cannot ever overcome. If public choice is right, however, then liberalism might suffer from a "political problem" that might be almost impossible to overcome. "Cannot overcome" and "might be almost impossible to overcome" is a distinction without a practical difference. If we get to keep our utopias, Marx gets to keep his.

3. Marx borrowed his alienation and exploitation critiques from Adam Smith.

It's unclear, however, how much of Marx's "moral" critiques of capitalism actually do suffer from a "standpoint problem." Others standing in very different imagined futures saw the same problems. Adam Smith, for instance, articulated both an alienation and exploitation critique of capitalism.



**Adam Smith**

Describing the inevitable struggle between capitalists and workers, Smith (1976, 83) argued that "[What are the common wages of labour depends everywhere](#) upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible." Smith (ibid., 85) goes on to explain that employers have the advantage in any dispute with their employees.

Likewise, describing the estrangement that plagues workers in a capitalist society where the division of labor becomes quite extensive, Smith (ibid., 782) writes,

[The man whose whole life is spent in performing a few simple operations](#), of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just

judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance, in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expence of his intellectual, social, and martial virtues. But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.

It is clear to anyone who read the 1844 manuscripts that Marx borrowed his "moral" critiques of markets from Smith. It is possible to suggest that what was just a social fact in Smith became a social problem in Marx. But this reading is belied by the fact that Smith proposed solutions to both exploitation and alienation (i.e., increasing competition between employers and education). It is likely more accurate (following Dave's essay) to say that what was a social problem for Smith became simply a social fact for Marx. That Smith recognized these problems in capitalism from a radically different imagined future than Marx suggests either that Smith also has a standpoint problem or that Marx's standpoint problem is overblown. Notice that if we accept that Smith might also have a standpoint problem, we are forced to explain why it is only a problem when Smith talks about the evils of capitalism and not also when he discusses the benefits.

Marx's "Moral" Critiques of Capitalism Still Resonate

I simply don't think that we get to reject what Marx had to say about *subject A* because he or we think its

connected to what he had to say about *subject B*. Given how many errors Marx made, incorrectly seeing the linkages between two pieces of his system would be a relatively small one.

At essence, Marx's exploitation critique is a charge that under capitalism workers don't get what they deserve, that they are paid less than they contribute. "Are workers exploited under capitalism?" is an empirical question that we might ask and answer independent of any questions about whether or not exploitation can be eliminated or reduced. My guess would be that most of us feel that we are paid less than we contribute, and many people feel that workers in general are paid less than they deserve. This suggests that if we can answer this question, we should answer it.

Similarly, at root Marx's alienation critique speaks to the disconnect that many workers feel in their work lives. According to Marx ([1844] 1988, 73-74), in a capitalist system "the more the worker produces the less he has to consume" and "man (the worker) no longer feels himself to be freely active in any but his animal functions." He argues that with the advance of machinery, workers become "idiots" and "cretins." Marx argues that workers become detached from themselves and each other. "The worker," Marx (*ibid.*, 74) claims, "only feels himself outside his work, and in his work feels outside himself." These are empirical claims that can be assessed.

I actually think that Marx would be surprised at the answers.

Pete has described this as the aesthetic appeal of Marxism. As Pete writes, "The aesthetic is too appealing. No logical demonstration of flaws and inconsistencies and no accumulation of evidence can make the aesthetic of the totality project appear distorted and disjointed."

I don't think that's right. I think Marx's critiques have an empirical appeal. Marx describes a social world that many people recognize. They believe that the facts on the ground are likely to match what Marx predicts. This might be why people could abandon his policy position when it proved disastrous but still embrace his moral criticisms of capitalism.

## AESTHETICS AND EMPIRICS IN MARX

by Steven Horwitz

Just as Virgil pointed out that our responses to him were more or less what he would have expected, so too is his rejoinder more or less what I expected. I want to use his rejoinder to say a few words about two topics that run through that rejoinder as well as Pete's commentary. The recurrence of both "aesthetics" and "empirics" in this conversation deserves some attention as we think about the relevance of Marx in the 21st century.



Before I do that, one quick word about Virgil's central banking analogy. I don't think that's an example of a liberal-standpoint problem for two reasons. First, even if a free-banking system is *politically* (nearly) impossible to achieve, that's not the same as logically or theoretically impossible to achieve. Whatever the merits of the "standpoint" criticism of Marx, the argument is that criticisms that depend on the existence of a world that is logically or theoretically impossible should not carry much, if any, force. The free-banking case is not subject to that claim because it has no logical or theoretical flaw even if it's not going to happen politically. Second and relevant to the role of empirics, we actually have examples of banking systems that operated without central banks and that aligned near perfectly with the institutions of a free-banking system. And we know that they worked well, even if the logic of politics eventually undermined them. We have no such positive example for Marxian socialism. If anything, as Pete's work on the early years of the Soviet Union shows, we have an empirical

example of its failure. (Boettke 1990) Virgil's response to the gravity analogy is more effective, I think, than is the central-banking analogy.

What I want to say about the claim that Marx's critiques are ultimately, in light of the socialist-calculation debate, aesthetic is that this should serve as a lesson for critics of Marx and defenders of the market. There are two ways to respond to such criticisms. First, we need to respond at the aesthetic level. Second, we need to respond at the empirical level.



*Leonard Read*

Aesthetically, what is most important is that liberals create a positive aesthetic of the market. I think the first part of my commentary that discusses Mises's Law of Association as a vision of peaceful social coordination is a start toward that aesthetic. One can view [Leonard Read's "I, Pencil"](#) as another example, particularly the [film version of it](#) produced by the Competitive Enterprise Institute. I've also written ("When Libertarians Cry," 2015) about the aesthetic power of Hans Rosling's TED talk on "[The Magic Washing Machine](#)." These are examples of how the market's promotion of peace, progress, social cooperation, and individual development can be portrayed in a counter-aesthetic to Marx. One can imagine other ways in which an aesthetic defense of the market might be mounted, focusing on how markets promote social cooperation and peaceful interaction. It is incumbent upon liberals, in the

face of Marxian criticisms, to avoid speaking solely of "efficiency" and the like and to focus instead on the ways in which markets are beautiful and creative, how they enable us to self-actualize.

As Virgil notes, there is also room for an empirical response to Marx. Marxists have made a number of empirical claims about what markets do to humans, particularly the poor. Is it empirically true that the working class has been "immiserated" by capitalism? Is it even empirically valid to speak of class divisions in terms of ownership of the means of production where so many in the working class own stock either directly or, more often, indirectly through retirement plans? And what does the advent of Uber, Lyft, and Airbnb mean for Marxian class theory when more and more individuals own their own means of production and work, essentially, for themselves? Has capitalism become less competitive and more monopolistic? Are consumers in general worse off? Is inequality substantially worse than in the past?

All of these are important empirical questions whose answers can serve as responses to Marxian criticisms even if we dismiss the standpoint problem. Making those empirical arguments is something I've tried to do in my own work, most notably in [a 2015 article](#) in *Social Philosophy and Policy*, but also in a variety of blog posts and public lectures. Deirdre McCloskey's *Bourgeois Virtues* trilogy (2006; 2010; 2016) is a contribution to this effort as well. And "empirics" here need not be limited to statistical data. The narratives we can tell about the ways in which real people have made use of the market and the emergent order of civil society to solve problems and improve their lives are just as important.

Responding to Marx will require both a liberal aesthetic vision and rigorous liberal scholarship about the empirical and historical accomplishments of markets. Those two projects will also be deeply intertwined. Thanks to Mises and Hayek and others, liberalism may have won the day theoretically, but a fully effective reply to Marxian criticisms of capitalism will require aesthetic and empirical responses as well.



## CAN YOU ANSWER EMPIRICAL QUESTIONS PHILOSOPHICALLY?

by Peter J. Boettke

Storr, in response to my remarks about the aesthetic of Marx's claims, argues that many find those claims empirically grounded. No doubt. But in some ways, that is my point. The purpose of theory is to produce history. Better theory, assuming no errors in execution, produces better history. The theoretical eyeglasses we wear either hinder our vision or improve it. My aesthetic charge is that Marx's theoretical set of lens distorts our vision of the workings of the system and hinders our ability to get a full understanding of how the world works. But the success of Marx and Marxism is that the aesthetic defined the tacit presumptions of political economy among what McCloskey dubs the "clerisy," or what others might call the "intelligentsia," since the mid-19th century. Commercial society is not described by the *doux-commerce* thesis of Enlightenment thinkers such as Voltaire, Hume, and Smith, but as the contra-Enlightenment thinkers from Rousseau to Marx described it -- exploitive, alienating, and ultimately enslaving.



*Voltaire*

As summed up nicely in the recent book by William Clare Roberts, *Marx's Inferno* (2017, 85): "Marx sees in this exposure of decisions to market forces -- the price sensitivity of buyers and sellers -- an encroachment upon the sphere of deliberate action." The fetishism of the market is "to be understood as a form of domination, rather than a form of false consciousness." Market forces are beyond the direct control of actors and thus within commercial society, they suffer from impersonal domination.

How would one go about exploring that claim? I'm not sure you can, and that is the problem. It is simply a way of seeing, a perspective you adopt, and thus a story you tell about the world around you.

If you look through that "window" you will see domination and control by impersonal forces that result in a sacrifice of human agency. Monopoly power reinforces this domination, and periodic crises both reveal the inherent contradictions of the system and reinforce the increasing power of a few to lord over the many.

Classical and early neoclassical economists developed arguments and methods of measurement to counter these claims. Exploitation doctrines were debunked, as I mentioned in my first comment, by Böhm-Bawerk, who besides is *Karl Marx and the Close of His System* had earlier published *Capital and Interest*, which included a tour through various exploitation doctrines and debunked them theoretically. But it is also the case that between 1900 and 1950, many economic thinkers analyzed the extent of enterprise monopoly and such Marxian claims as the increasing concentration of capital, finding that the measures moved in the opposite direction. Yet in dealing with complex phenomena, the results of empirical testing are never definitive; ambiguity is always present; interpretation is necessary -- and thus disagreements often turn on perspective. We must always ask "as compared to what" and "how big is *big*" in any empirical investigation. Aesthetics in so many ways can never be defeated by reason and evidence alone.

This is why Marx remains appealing despite the millions of lost souls that resulted from Marxism in political action

in the 20th century and despite the theoretical and empirical challenges to Marxism as a scientific program that were leveled against the claims in the late 19th and throughout the 20th centuries. The intelligentsia wants to believe.

Storr also raises the standpoint problem. In a sense, of course, he is correct. To say a situation is hopeless is to say it's ideal, as Frank Knight used to say. Obviously the world is not ideal, and so all is not hopeless. There is scope for reform to bring us greater freedom. But that direction indicates a standpoint -- greater freedom. We all face a standpoint problem.

But I think that rather than addressing the challenge put to him about Marx, Storr is cleverly sidestepping it. Of course, we all face a standpoint problem, but the question is how we face up to. And here there are two points to make -- the first is Hayekian in spirit, the second Buchananesque. First, in "Why I am Not a Conservative" (1960), Hayek lays out the argument that the social theorist must reserve the right to question all of society's values. Nothing can be held as sacrosanct. The scientific attitude for the student of society, just as for the student of nature, must always be to prefer questions that cannot be answered to answers that cannot be questioned. But everyone who reads that famous essay must also read his "The Errors of Constructivism" (1978), where he points out that while students of society must take the critical stance to all of society's values, they cannot criticize those values all at the same time: they face an epistemological constraint. There is no Archimedean point for social theorists to stand on; they must always critique from within a set of values that are taken as given, and the critique is always on the margin. We cannot step outside of time and offer, from on high as it were, correctives to the social ills that plague society in a root-and-branch fashion. We must begin with the here and now and work from there.



*James Buchanan*

This leads directly to the Buchananesque point about politics, constitutional contract, and workable utopias. We cannot begin discussions of politics-as-exchange from imaginary starting points or with visions of incoherent utopias that will be implemented by rainbow-colored unicorns. Political bargaining for reform begins in the here and now and seeks structural changes in the rules that will produce Pareto improvements. Our guiding standpoint must be a direction of change toward a workable utopia. No transformation of the human spirit is allowed as a requirement for the system to work; no positing of benevolent dictators can be done, let alone omniscient ones. Our workable utopias must be subject to the ordinary motives of human beings and to their cognitive limitations. Working within that intellectual discipline, we can strive to find that set of institutions that will deal with the sharp edges in our social intercourse, ameliorate social ills, and enable us to live better together than we ever could in isolation. We can engender with appropriate constitutional craftsmanship a social order that exhibits neither discrimination nor domination.

Marx's vision violated the "workability" criteria, and thus the standpoint collapses. That "test" must be met by others as well -- as Storr rightly points out. But that others have criticized from an "ideal standpoint" irrelevant to humanity does not excuse Marx and Marxism from the problems whenever theorists engage in this sort of undisciplined flights of fancy. Students of society must do better, even if it costs us some cherished stories we

have been persuaded to believe. The Easter bunny and tooth fairy also had to be given up as we matured.

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## WAYS OF CRITIQUING MARX

by Virgil Henry Storr

As I've said multiple times in this exchange, I'm a poor defender of Marx in part because I'm not a Marxist. And so at some level I've considered Marx's arguments (often quite carefully) and rejected them (often adopting arguments along the lines that my dialogical partners have advanced). But I remain uncomfortable with three moves that we often make to "defeat" Marx.

### 1. The standpoint problem, redux.

Critics of Marx say that his critique of capitalism depends on the possibility of rational economic calculation under socialism (meaning here the elimination of private ownership of the means of production). My point was that this simply cannot be true. Marx or any of us can criticize anything, whether or not we can imagine an alternate reality and whether or not the alternate reality we happen to imagine is theoretically possible or likely to occur. That Marx believed that the future he imagined was necessary for his critique of capitalism to have legs (and he surely did) isn't dispositive in any way. I also understand the insistence that being theoretically impossible is more damning than being unlikely to occur, but I'm not so certain that this holds up.



2. Marx's errors are fatal; others making the same errors just need to be updated.

Yes, Marx's theory of exploitation (as he articulated it) did depend on the labor theory of value. Yes, the labor theory of value has been refuted. But, as Wertheimer (1999, x) argues, "the important moral core of the Marxist view is not unique to Marxism. When Marxism claims that capitalist class exploits the proletariat, it employs the ordinary notion that one party exploits another when it gets unfair and underserved benefits from its transactions or relationships with others." (Note: rather than updating/modifying Marx, Wertheimer articulates a view of exploitation that does not rely on Marx.)

How would Marx, if he were writing today, have to make the case for exploitation? As I suggested earlier, I think he would have to argue that a certain class of workers was not paid its marginal revenue product. He would then have to support that claim by arguing that a certain class of workers is likely to receive less than its marginal revenue product perhaps because it lacks bargaining power. One way to read Marx's discussions in the 1844 manuscripts is as an expression of Marx's hyper-concern with the differential power of employers and employees. This doesn't seem wildly implausible to me. (Note: This may have been what Böhm-Bawerk had in mind when he articulated his "exploitation" theory, as Sheldon Richman (2012) helpfully reminds us. <https://fee.org/articles/austrian-exploitation-theory/>)

3. People believe Marx because they want to believe him, and so we're not in the realm of rational debate.

There's a sense in which everything we all believe can be reduced to preferences. I have a tremendous faith in bottom-up solutions to social problems. So when I see evidence of these solutions in the real world, I tend to highlight them. Similarly, when I see social issues that stubbornly resist efforts to ameliorate them, I tend to look for barriers that prevented bottom-up efforts from doing their magic. This is one way to read much of my work on post-disaster community recovery. Still, my wanting to believe in the capacity of community members working together to overcome community challenges does not say anything about how you should evaluate the evidence that I present. Were you to dismiss my findings simply because you knew of my faith in bottom-up

solutions to social ills, I'd cry foul, and I think rightfully so.

So let's look at the evidence regarding exploitation (as rearticulated above). There have been several studies that have explored whether workers in particular industries or firms are paid their marginal products. Not surprisingly, the answer is that some workers are paid their marginal product, some are paid more, and some are paid less. Where we see workers being paid less it is because of wage compression in fields where wage disparities would disrupt collaboration or because workers lack bargaining power. Consider the study by Macdonald and Reynolds (1984) of salaries of major league baseball players. Their study did not challenge previous findings that before free agency, baseball players were not paid commensurate with what they contributed to the team's revenues. The study found that after free agency, while veteran players did appear to be paid their marginal revenue product, young players were still "exploited," i.e., paid less on average than their marginal revenue products. I reference this not as a way to advocate for young baseball players. Instead, the study suggests that under some market structures, Marx's concern (i.e., some people get less than they deserve) could be a very real concern.

If these moves are off the table ...

I wonder what the discussion would look like if these moves were off the table.

I do think that both Steve and Pete point us in useful directions. Steve's paper "Inequality, Mobility, and Being Poor in America" (2015) is the right sort of response to these kinds of queries. And Pete's insistence that we work to "find that set of institutions that will deal with the sharp edges in our social intercourse, ameliorate social ills, and enable us to live better together than we ever could in isolation" is excellent advice.

## WHAT "AESTHETIC"? PART 1 -- THE POSITIVE

by David M. Hart

It puzzles me that people say they find Marx's "aesthetic" compelling. I have the opposite reaction to his writing. With only a very few exceptions, which can be found in some of his journalism, I find Marx's view of the world and the way he expresses that view turgid and hard to understand, theoretically confused and confusing, filled with venom and abuse towards other economists, and ultimately wrong both theoretically and empirically. All this in the three languages he wrote in (German, French, and English).

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PASSAGES..."

To begin with the positive, it is true that in his journalism, notably the *Communist Manifesto*, there are some inspired and inspiring passages, such as the following:[\[17\]](#)

The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his "natural superiors", and has left remaining no other nexus between man and man than naked self-interest, than callous "cash payment". It has drowned the most heavenly ecstasies of religious fervour, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in place of the numberless infeasible chartered freedoms, has set up that single, unconscionable freedom – Free Trade. In one word, for exploitation, veiled by religious



and political illusions, it has substituted naked, shameless, direct, brutal exploitation.

Or this passage, one of my favourites, from another piece of his journalism, written shortly afterwards, "The Class Struggles in France, 1848 to 1850," *Neue Rheinische Zeitung Revue* (January-October 1850):[\[18\]](#)

The July Monarchy was nothing other than a joint stock company for the exploitation of France's national wealth, whose dividends were divided among ministers, Chambers, 240,000 voters, and their adherents. Louis Philippe was the director of this company – Robert Macaire on the throne. Trade, industry, agriculture, shipping, the interests of the industrial bourgeoisie, were bound to be continually endangered and prejudiced under this system. Cheap government, *gouvernement à bon marché*, was what it had inscribed on its banner in the July days.

Since the finance aristocracy made the laws, was at the head of the administration of the state, had command of all the organized public authorities, dominated public opinion through the actual state of affairs and through the press, the same prostitution, the same shameless cheating, the same mania to get rich was repeated in every sphere, from the court to the Café Borgne to get rich not by production, but by pocketing the already available wealth of others, Clashing every moment with the bourgeois laws themselves, an unbridled assertion of unhealthy and dissolute appetites manifested itself, particularly at the top of bourgeois society – lusts wherein wealth derived from gambling naturally seeks its satisfaction, where pleasure becomes *crapuleux* [debauched], where money, filth, and blood commingle. The finance aristocracy, in its mode of acquisition as well as in its pleasures, is nothing but the *rebirth of the lumpenproletariat on the heights of bourgeois society*.

Even the classical liberal in me can get excited by nearly all that he has to say here about the liberating effect of

markets and the exploitation by the ruling elites, but with reservations of course. Perhaps the reason people find Marxism compelling and attractive is because more people read his journalism than his theoretical works or the incomplete musings in his notebooks (which were not published in his lifetime anyway but seemed to have inspired a whole new generation of Marxists in the 1960s after they had been).

I will contrast "the positive" with examples of "the negative" in a future post.

#### Endnotes

[\[17.\]](#) Marx/Engels *Selected Works*, Vol. One, Progress Publishers, Moscow, 1969, pp. 98-137. <<https://www.marxists.org/archive/marx/works/1848/communist-manifesto/ch01.htm#007>>. The original German is:

Die Bourgeoisie, wo sie zur Herrschaft gekommen, hat alle feudalen, patriarchalischen, idyllischen Verhältnisse zerstört. Sie hat die buntscheckigen Feudalbande, die den Menschen an seinen natürlichen Vorgesetzten knüpften, unbarmherzig zerrissen, und kein anderes Band zwischen Mensch und Mensch übrig gelassen, als das nackte Interesse, als die gefühllose "baare Zahlung." Sie hat die heiligen Schauer der frommen Schwärmerei, der ritterlichen Begeisterung, der spießbürgerlichen Wehmuth in dem eiskalten Wasser egoistischer Berechnung ertränkt. Sie hat die persönliche Würde in den Tauschwerth aufgelöst, und an die Stelle der zahllosen verbrieften und wohl erworbenen Freiheiten die Eine gewissenlose Handelsfreiheit gesetzt. Sie hat, mit einem Wort, an die Stelle der mit religiösen und politischen Illusionen verhüllten Ausbeutung die offene, unverschämte, direkte, dürre Ausbeutung gesetzt. [*Karl Marx/Friedrich Engels - Werke*. (Karl) Dietz Verlag, Berlin. Band 4, 6. Auflage 1972, unveränderter Nachdruck der 1. Auflage 1959, Berlin/DDR. S. 459-493. <[http://www.mlwerke.de/me/me04/me04\\_45\\_9.htm#Kap\\_I](http://www.mlwerke.de/me/me04/me04_45_9.htm#Kap_I)>]

[18.] Marx, "The Class Struggles in France, 1848 to 1850," *Neue Rheinische Zeitung Revue* (January - October 1850), in ME, *Selected Works*, Volume 1, Progress Publishers, Moscow 1969 <<https://www.marxists.org/archive/marx/works/1850/class-struggles-france/ch01.htm>>. The German is:

Die Julimonarchie war nichts als eine Aktienkompanie zur Exploitation des französischen Nationalreichtums, deren Dividenden sich verteilten unter Minister, Kammern, 240.000 Wähler und ihren Anhang. Louis-Philippe war der Direktor dieser Kompanie - Robert Macaire auf dem Throne. Handel, Industrie, Ackerbau, Schifffahrt, die Interessen der industriellen Bourgeois mußten beständig unter diesem System gefährdet und beeinträchtigt werden. Wohlfeile Regierung, gouvernement à bon marché, hatte sie in den Julitagen auf ihre Fahne geschrieben.

Indem die Finanzaristokratie die Gesetze gab, die Staatsverwaltung leitete, über sämtliche organisierte öffentliche Gewalten verfügte, die öffentliche Meinung durch die Tatsachen und durch die Presse beherrschte, wiederholte sich in allen Sphären, vom Hofe bis zum Café Borgne dieselbe Prostitution, derselbe schamlose Betrug, dieselbe Sucht, sich zu bereichern, nicht durch die Produktion, sondern durch die Eskamotage schon vorhandenen fremden Reichtums, brach namentlich an den Spitzen der bürgerlichen Gesellschaft die schrankenlose, mit den bürgerlichen Gesetzen selbst jeden Augenblick kollidierende Geltendmachung der ungesunden und liederlichen Gelüste aus, worin der aus dem Spiele entspringende Reichtum naturgemäß seine Befriedigung sucht, wo der Genuß crapuleux wird, wo Geld, Schmutz und Blut zusammenfließen. Die Finanzaristokratie, in ihrer Erwerbsweise wie in ihren Genüssen, ist nichts als die *Wiedergeburt des Lumpenproletariats auf den Höhen der bürgerlichen Gesellschaft*.

In *Karl Marx - Friedrich Engels - Werke*, Band 7, S. 9-107. Dietz Verlag, Berlin/DDR 1960] <[http://www.mlwerke.de/me/me07/me07\\_012.htm](http://www.mlwerke.de/me/me07/me07_012.htm)>.

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## A BRIEF COMMENT ON THE MARXIST AESTHETIC

by David L. Prychitko

Pete Boettke argued in his first comment that Marxism, its core vision, has a powerful appeal to it. In a sense, it is aesthetically robust despite its serious theoretical and predictive shortcomings. David Hart suggests that if there is any aesthetic appeal in Marx, it most likely comes from his journalistic, as opposed to his theoretical, writings.

*In Defence of*  
**Marxism**

I'd like to suggest, and I think Pete would agree with me, that the aesthetic appeal lies mostly in Marx's theory as opposed to his journalism or, as Virgil Storr suggested, his empirics. One need only read Martin Jay's powerful book, *Marxism & Totality: The Adventures of a Concept from Lukacs to Habermas* (1984), to get the argument that Pete is making. Marx's totalistic theory, his dialectical understanding of history as class struggle, and his belief in the total abolition of capitalist institutions and the inevitable move towards a final resolution in a socialist endpoint make for an exciting read and one hell of a radical vision. It attracted a great many scholars in the 20th century.

Now whether, as Steve Horwitz suggested, classical liberals should construct a counter-aesthetic (he said it was "incumbent" upon us to do so), one which is designed "to focus instead on the ways in which markets are beautiful and creative, how they enable us to self-actualize," I will leave for him to continue to push

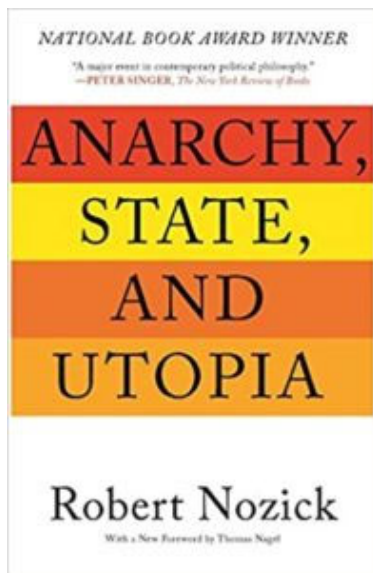
toward. I myself fear that Steve's effort, focusing on the "beauty" of markets, might squeeze out features of markets that are open to sustained critical examination. Stories like "I, Pencil" seem to satisfy Steve's aesthetic sensibilities, but I wonder if "I, Meth Pipe" would appeal to the same sense of beauty, creativity, and self-actualization.

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## WHAT "AESTHETIC"? PART 2 - THE NEGATIVE

by David M. Hart

Thanks to David P. for suggesting Martin Jay's *Marxism & Totality* (1984) is a good example of what has inspired so many 20th century thinkers to fall for the Marxist "total" vision. I however find the "utopian vision" put forward by Robert Nozick in *Anarchy, State and Utopia* (1974) much more satisfying because of its "multiplicity" of utopian visions, namely his "framework" which allows many individualised utopias to exist side by side.[\[19\]](#)



But let me return to what Marx himself has said, rather than his 20th century interpreters. Compare the passages I quoted in part 1 of my comment with others written by Marx, the would-be "scientific socialist," such as this one from *The German Ideology* (1845-46) about the "alienation"

caused by the division of labor, the "contradiction" between individual and communal interests, and his unrealistic dream that under communism the division of labor would disappear (without apparently any loss of productivity and wealth) and every man could be everything and do everything at his mere whim:[\[20\]](#)

Further, the division of labour implies the contradiction between the interest of the separate individual or the individual family and the communal interest of all individuals who have intercourse with one another. And indeed, this communal interest does not exist merely in the imagination, as the "general interest," but first of all in reality, as the mutual interdependence of the individuals among whom the labour is divided. And finally, the division of labour offers us the first example of how, as long as man remains in natural society, that is, as long as a cleavage exists between the particular and the common interest, as long, therefore, as activity is not voluntarily, but naturally, divided, man's own deed becomes an alien power opposed to him, which enslaves him instead of being controlled by him. For as soon as the distribution of labour comes into being, each man has a particular, exclusive sphere of activity, which is forced upon him and from which he cannot escape. He is a hunter, a fisherman, a herdsman, or a critical critic, and must remain so if he does not want to lose his means of livelihood; while in communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind, without ever becoming hunter, fisherman, herdsman or critic. This fixation of social activity, this consolidation of what we ourselves produce into an objective power above us, growing out of our control, thwarting our expectations, bringing

to naught our calculations, is one of the chief factors in historical development up till now.

Now compare this absurd and largely incomprehensible passage (I include the German original in the endnote to show it reads no better or more easily in the original than it does in the English) with that of a contemporary of Marx who sat on the other side of the ideological fence - namely Frédéric Bastiat. In Bastiat's chapter on "Exchange" in his unfinished *Economic Harmonies* (1850) he argues the exact opposite of Marx, that far from "alienating" individuals, "l'union des forces" (the joining together of men's forces), "la division du travail" or "la séparation des occupations" (the division of labor), and exchange are deeply social activities which not only bring people closer to gather but also increase everybody's standard of living. I include the French original in the endnote to show how clear and beautifully expressed Bastiat's prose is compared to Marx's. In the revised Liberty Fund translation the passage reads:[\[21\]](#)

Exchange is manifested in two ways: the joint use of our strength and the division of labor. ...

Well, the joining of men's forces involves (an) exchange. In order for men to agree to cooperate, they have to have in mind a share of the satisfaction to be obtained. Each of them uses his efforts for the benefit of someone else and benefits from the efforts of someone else in the proportions agreed, and this constitutes exchange.

We can see here how exchange in this form increases our satisfactions. ...

We will make the same comment about the division of labor. After all, if you look closely, sharing occupations around is for men just another way, one that is more permanent, of combining their various strengths, cooperating, and associating with each other, and it is quite right to say, as will be shown later, that the current organization of society, provided that it acknowledges free exchange, is the finest and most extensive of all associations, one marvelous

in a different way from those dreamt of by Socialists, since it operates through a wonderful mechanism that does not conflict with individual independence. Each person enters and leaves it at any time, as it suits him. He contributes what he wishes; and withdraws from it comparatively higher and always progressively greater satisfaction, such satisfaction which is determined, in accordance with the laws of justice, by the very nature of things, and not by the arbitrary will of a leader.



*Frédéric Bastiat*

Bastiat's vision of the social, peaceful, and productive nature of markets and exchange is a much more attractive "aesthetic" than anything Marx and Engels presented. I think H.B. Acton was correct when he concluded his book on Marx by saying that "Marxism is a philosophical farrago."[\[22\]](#) It is a confused mixture of the nonsense of Hegelian dialectical jargon, the worst errors of the classical school of political economy, and his own deep hatred and misunderstanding of "bourgeois" society, that is, a society founded upon free and voluntary exchanges.

The fact that Marx could not tell his readers what a "class free" future society might look like, or how "rational planning" would work under communism, or what "non-alienated labour" might look like (other than the pious statement that it would be the "opposite" of what existed under "capitalism") should tell us a lot about the man and



his theories. I will look at his brief remarks about "non-alienated labour" in a future post.

Endnotes

[19.] Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974). Chapter 10 "A Framework for Utopia," pp. 297-334.

[20.] Marx, *The German Ideology* (1845-46). The opening to the section on "Private Property and Communism" <<https://www.marxists.org/archive/marx/works/1845/german-ideology/ch01a.htm>>. The German is:

Ferner ist mit der Teilung der Arbeit zugleich der Widerspruch zwischen dem Interesse des einzelnen Individuums oder der einzelnen Familie und dem <33> gemeinschaftlichen Interesse aller Individuen, die miteinander verkehren, gegeben; und zwar existiert dies gemeinschaftliche Interesse nicht bloß in der Vorstellung, als "Allgemeines", sondern zuerst in der Wirklichkeit als gegenseitige Abhängigkeit der Individuen, unter denen die Arbeit geteilt ist. Und endlich bietet uns die Teilung der Arbeit gleich das erste Beispiel davon dar, daß, solange die Menschen sich in der naturwüchsigen Gesellschaft befinden, solange also die Spaltung zwischen dem besondern und gemeinsamen Interesse existiert, solange die Tätigkeit also nicht freiwillig, sondern naturwüchsig geteilt ist, die eigne Tat des Menschen ihm zu einer fremden, gegenüberstehenden Macht wird, die ihn unterjocht, statt daß er sie beherrscht. Sowie nämlich die Arbeit verteilt zu werden anfängt, hat Jeder einen bestimmten ausschließlichen Kreis der Tätigkeit, der ihm aufgedrängt wird, aus dem er nicht heraus kann; er ist Jäger, Fischer oder Hirt oder kritischer Kritiker und muß es bleiben, wenn er nicht die Mittel zum Leben verlieren will - **während in der kommunistischen Gesellschaft, wo Jeder nicht einen ausschließlichen Kreis der Tätigkeit hat, sondern sich in jedem beliebigen Zweige ausbilden kann, die Gesellschaft die allgemeine Produktion**

**regelt und mir eben dadurch möglich macht, heute dies, morgen jenes zu tun, morgens zu jagen, nachmittags zu fischen, abends Viehzucht zu treiben, nach dem Essen zu kritisieren, wie ich gerade Lust habe, ohne je Jäger, Fischer, Hirt oder Kritiker zu werden.**

Dieses Sichfestsetzen der sozialen Tätigkeit, diese Konsolidation unsres eignen Produkts zu einer sachlichen Gewalt über uns, die unsrer Kontrolle entwächst, unsre Erwartungen durchkreuzt, unsre Berechnungen zunichte macht, ist eines der Hauptmomente in der bisherigen geschichtlichen Entwicklung.

In *Karl Marx - Friedrich Engels - Werke*, Band 3, S. 5 - 530. Dietz Verlag, Berlin/DDR 1969 <[http://www.mlwerke.de/me/me03/me03\\_017.htm#I\\_1](http://www.mlwerke.de/me/me03/me03_017.htm#I_1)>.

[21.] Or see the FEE edition, p. 67. The French is:

L'échange a deux manifestations: Union des forces, séparation des occupations. ...

Or union des forces implique Échange. Pour que les hommes consentent à coopérer, il faut bien qu'ils aient en perspective une participation à la satisfaction obtenue. Chacun fait profiter autrui de ses efforts et profite des efforts d'autrui dans des proportions convenues, ce qui est échange.

On voit ici comment l'échange, sous cette forme, augmente nos satisfactions. ...

Nous ferons la même remarque sur la division du travail. Au fait, si l'on y regarde de près, se distribuer les occupations, ce n'est, pour les hommes, qu'une autre manière, plus permanente, d'unir leurs forces, de coopérer, de *s'associer*; et il est très-exact de dire, ainsi que cela sera démontré plus tard, que l'organisation sociale actuelle, à la condition de reconnaître l'échange libre, est la plus belle, la plus vaste des associations : association bien autrement merveilleuse que celles rêvées par les socialistes, puisque, par un mécanisme admirable, elle se concilie avec l'indépendance individuelle.

Chacun y entre et en sort, à chaque instant, d'après sa convenance. Il y apporte le tribut qu'il veut ; il en retire une satisfaction comparativement supérieure et toujours progressive, déterminée, selon les lois de la justice, par la nature même des choses et non par l'arbitraire d'un chef.

In Frédéric Bastiat, *Harmonies Économiques* (Paris: Guillaumin, 1850), pp. 122-23.

[22.] H. B. Acton, *The Illusion of the Epoch: Marxism-Leninism as a Philosophical Creed* (Indianapolis: Liberty Fund, 2003). <[titles/877#Acton\\_6844\\_385](#)>.

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## THE DANGERS OF MARKET PERFECTIONISM

by Steven Horwitz

Virgil's most recent reply raises a couple of issues worthy of further explanation. In his discussion of whether exploitation is still relevant in a world that has rejected the labor theory of value, he points to a study showing that some baseball players are not paid the value of their marginal product. He asks whether it's a problem if some people in the market don't get paid what they deserve and suggests that perhaps we might want to reconsider some notion of exploitation as a result.

His use of the word "deserve" is notable as it suggests there is an implicit ethical theory at work behind the idea that wages "should" equal the value of workers' marginal products. He's on solid ground given the role of J. B. Clark's marginal productivity theory of wage determination as a response to Marx's claim that workers are exploited under capitalism. Still, I think if we want to go in that direction as a way of taking exploitation seriously, we probably will need a full-blown ethical theory to go with it.



The baseball example does, however, raise a bigger issue. I suspect that one could go around looking for workers who aren't paid the value of their marginal product and find many at any given point in time. We could label those as examples of how capitalism does exploit workers, given some ethical theory as noted above. And in some sense perhaps they are. Here again, though, there are two questions. First, what, if anything, can be done about it? And second, do such examples of market exploitation persist?

One way to think about both questions is to ask how well markets work at correcting such examples of exploitation. That is, are studies that might find underpaid workers simply capturing a snapshot of the unfolding market process? In a more dynamic, process-oriented view of the market, we wouldn't be surprised to find errors like this; nor would we be surprised to find out that they got corrected over time. The real question is whether such exploitation, if we wish to call it that, persists despite the competitive and corrective forces of the market. Point-in-time errors of all kinds are abundant in markets. The more important question, for me, is whether those errors persist over long periods and whether any other feasible system would correct them more effectively and promptly than would markets.

This last point raises a certain danger to which friends of the market can easily succumb. Too often, defenders of markets engage in a kind of market perfectionism that makes matters too easy for the critics of markets. Whether this takes the form of more-formal "equilibrium always" theorizing or the less-formal belief that "markets will solve it," this sort of perfectionism opens the door to critics pointing to the numerous imperfections of

markets as a way of showing how poorly markets actually perform. If markets are like archers, their defenders claim they will always hit the bullseye and their critics rightly point out that they rarely ever do.

Instead of asking whether markets actually reach equilibrium or can solve every problem, we should instead focus on the ways in which alternative sets of economic institutions *respond to error and their capacity for self-correction*. The existence of market outcomes that seem to be examples of exploitation at a point in time is not surprising. The more interesting question should be how effectively markets can recognize and correct such problems, especially as compared to alternative sets of institutions. Less important for judging markets than whether the archer always hits the bullseye is how well she adjusts when she misses. And, to extend the analogy, this is even more important in a dynamic market context where the target itself is constantly moving or perhaps, paraphrasing Buchanan (1982), only becomes visible in the very process of shooting the arrows.

In other words, we can, if we want, admit with Marx that markets will sometimes not pay people what they deserve, but also note that markets are particularly good at recognizing these situations and responding to them by closing that gap -- if, of course, we believe that to be true, as I suspect Virgil does. One of the useful things Marx can do for us is to remind us of exactly this. Markets aren't perfect, and we weaken the case for them when we pretend that they are or that they have to be.

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## WHAT WOULD NON-ALIENATED LABOR LOOK LIKE IN MARX'S VIEW?

by David M. Hart

We have to go to the end of some notes Marx wrote in early 1844 while in Paris about a French translation of James Mill's *Elements of Political Economy* (1821, French translation 1823) to find out what he thought non-alienated labor might look like.[\[23\]](#) Or as he put it,

"*Gesetzt, wir hätten als Menschen produziert*" ("Let us suppose that we had carried out production as human beings.") The full note is worth reading in my view, but I will quote only a paragraph (German version is in the endnote):



*James Mill*

Each of us would have in two ways affirmed himself and the other person. 1) In my production I would have objectified my individuality, its specific character, and therefore enjoyed not only an individual manifestation of my life during the activity, but also when looking at the object I would have the individual pleasure of knowing my personality to be objective, visible to the senses and hence a power beyond all doubt. 2) In your enjoyment or use of my product I would have the direct enjoyment both of being conscious of having satisfied a human need by my work, that is, of having objectified man's essential nature, and of having thus created an object corresponding to the need of another man's essential nature. 3) I would have been for you the mediator between you and the species, and therefore would become recognised and felt by you yourself as a completion of your own essential nature and as a necessary part of yourself, and consequently would know myself to be confirmed both in your thought and your love. 4) In the individual expression of my life I

would have directly created your expression of your life, and therefore in my individual activity I would have directly confirmed and realised my true nature, my human nature, my communal nature.<sup>[24]</sup>

Two things strike me about this passage: firstly, Marx is talking about physical goods, not services, and I wonder if the same feeling of "*Enttäusserung oder Entfremdung*" (alienation or estrangement) applies to services as well. Secondly, his ideal seems to be very much like the mutually beneficial, voluntary exchanges that take place between individuals in a free market. He talks about what he produces as an expression of his individuality; both parties enjoy see the other party using and enjoying what has been exchanged; both parties are like "mediators" to a greater social good of some kind; and so both confirm their own individual nature as well as that of society. Something very similar could have been (and in fact was) written by Bastiat.



What seems to be causing a problem for Marx is the existence of both private property and the division of labor, which appear to corrupt the nature of exchange between individuals. Leaving aside for the moment the issue of private property, presumably Marx believes that some degree of the division of labor is necessary. (A happy and non-alienated worker can't make all his own tools or raw materials from scratch.) The question seems to be how much division of labor is "good" and how much is "bad." What is the Goldilocks "just right" amount? He never answers clearly.

He also seems not to understand that there are trade-offs here, that the greater productivity under a division of labor is achieved by each worker specializing in some tasks, even if this means giving up the "joys" of making something (or most of something) all by oneself. Furthermore, the greater productivity of the division of labor means there are many, many more kinds of work available for people to choose from in the rapidly industrializing economies of Europe, and also many more places where one can undertake that labor.

Not least, of course, is that rising wages during the 19th century meant that ordinary workers for the first time could enjoy weekends off and time and money to spend on leisure. Perhaps they couldn't "hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner" (which could only exist in Marx's fantasy world of the future communist society), but in the not too distant future in the actual world in which they existed, workers could go to football matches on Saturdays or perhaps take a train trip to the seaside to enjoy the amusements on the piers.

#### Endnotes

<sup>[23.]</sup> James Mill, *Éléments d'économie politique*, par J. Mill; traduits de l'anglais par J.-T. Parisot (Paris: Bossange frères, 1823). Available online: James Mill, *Elements of Political Economy, 3rd edition revised and corrected* (London: Henry G. Bohn, 1844). <[/titles/302](#)>.

<sup>[24.]</sup> Marx, "Comments on James Mill, *Éléments D'économie Politique* (1823)" <<https://www.marxists.org/archive/marx/works/1844/james-mill/>>. German version:

Gesetzt, wir hätten als Menschen produziert: Jeder von uns hätte in seiner Produktion sich selbst und den andren doppelt bejaht. Ich hatte 1. im meiner Produktion meine Individualität, ihre Eigentümlichkeit vergegenständlicht und daher sowohl während der Tätigkeit eine individuelle Lebensäußerung genossen, als im Anschauen des Gegenstandes die individuelle Freude, meine Persönlichkeit als gegenständliche, sinnlich anschaulbare und darum über allen



Zweifel erhabene Macht zu wissen. 2. In deinem Genuß oder deinem Gebrauch meines Produkts hatte ich unmittelbar den Genuß, sowohl des Bewußtseins, in meiner Arbeit ein menschliches Bedürfnis befriedigt, also das menschliche Wesen vergegenständlicht und daher dem Bedürfnis eines andren menschlichen Wesens seinen entsprechenden Gegenstand verscharrt zu haben, 3. für dich der Mittler zwischen dir und der Gattung gewesen zu sein, also von dir selbst als eine Ergänzung deines eignen Wesens und als ein notwendiger Teil deiner selbst gewußt und empfunden zu werden, also sowohl in deinem Denken wie in deiner Liebe mich bestätigt zu wissen, 4. in meiner individuellen Lebensäußerung unmittelbar deine Lebensäußerung geschaffen zu haben, also in meiner individuellen Tätigkeit unmittelbar mein wahres Wesen, mein menschliches, mein Gemeinwesenbestätigung Verwirklichzu haben.

Marx, "Auszüge aus James Mills Buch "Eléméns d'economie politique" (1844)," in *Marx Engels Werke*, Ergänzungsband Teil 1, pp. 445-63. Quote from p. 462. <<http://www.dearchiv.de/php/dok.php?archiv=mew&brett=MEW040&fn=443-463.40&menu=mewinh>>.

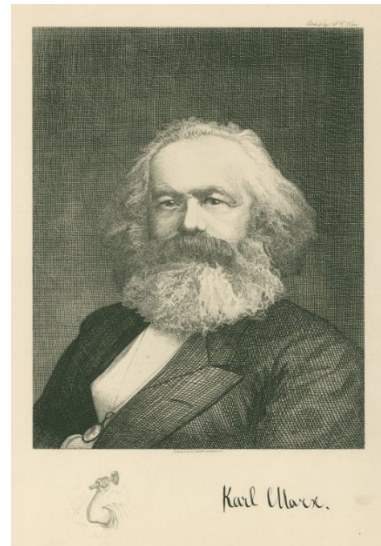
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## SHARP OBJECTS

by Peter J. Boettke

Marx has to be given credit for highlighting the "sharp objects" in the liberal project. We are imperfect human beings living in an imperfect world and stumbling upon various imperfect institutional solutions to our problems. Perfection and perfect harmony are not possible in this life.

Marx thought that the march of history inevitably would lead to socialism and that socialism could be the vehicle by which human societies could transition from the "Kingdom of Necessity" to the "Kingdom of Freedom." (Walicki 1995) This is, if not a beautiful picture, at least a bold one -- and in many ways a creatively bold one at that.



**Karl Marx**

To fully understand Marx's system, one must not only look at the philosophical and methodological stance he takes, the analytical and empirical arguments he deploys, and the underlying eschatology he paints as a substitute for the religious doctrines of his time. To account for all of this in a deep sense is beyond our abilities in this discussion and in this format. But hopefully our conversation entices others to explore in greater depth Marx's system.

What I want to emphasize in this note is that social life for humans is full of "sharp objects." Some version of economics and libertarianism assumes these objects away through exercises in conceptual clarity. There are no monopolies, no externalities, no public-good problems, and no macroeconomic instability once we are conceptually clear about the relevant costs and benefits in decision-making and the appropriate property-rights arrangements. This is what Horwitz had in mind when he warned in his last comment of the "perfect market" fallacy. But Marx's vision of the future socialist world also eliminates the "sharp objects" through a transformation of the human being and the social relations of production. In the "Kingdom of Freedom," there is harmony as well as complete rationalization and unlimited material progress.

None of these is needed to develop a social morality for mortals. These "sharp objects" need to be recognized

because if not, human societies will trip over them, fall on them, and they cut -- cut deeply -- and in many instances can fatally wound. So the object of our political and economic discourse should not be to brush aside concerns with poverty, ignorance, squalor, let alone concerns with power, coercion, and domination. No, we must embrace the challenge.

Remember, the key to political economy is to bear in mind that institutional problems demand institutional solutions. Humans are ingenious at creatively thinking about institutional fixes. There, genius is best on display at the local level, while human arrogance is best on display when people propose global fixes. But I don't want to belabor that point today. I want to instead just emphasize that the project of liberal political economy will advance not when we strive to eliminate the "sharp objects" in human existence but instead seek institutions that will dull the edges so rather than suffering deep cuts, human beings will suffer only scrapes and bruises in social intercourse. This is about the rules that enable us to live better together than we could ever live in isolation. It is these rules that enable us to realize the gains from social cooperation under the division of labor. It is these rules that encourage capital accumulation and unleash the innovation machinery of the entrepreneurial market economy.

Perfection is not an option for human beings — certainly not now and not in the future. We are imperfect human beings interacting in a most imperfect world, and we rely on imperfect institutions to enable us to find margins of cooperation rather than conflict and hopefully enough such margins so that we can live with one another in peace and prosperity.

Ultimately, this is Marx's biggest failure as a social thinker. He offers us little by way of a social morality for mortals. He helped sharpen our understanding of some "sharp objects" that we must account for in the bourgeois society, but he offers us little by way of analysis of how to creatively find ways to dull the edges and safeguard against deep cuts and fatal wounds. That project instead fell to Smith and Hume, to Say and Bastiat, to Mill and Marshall, to Mises, Hayek, Buchanan, and Ostrom.

## SHARP OBJECTS AND BEAUTIFUL VISIONS

by Steven Horwitz

Pete's last contribution makes an absolutely essential point about the importance of "sharp objects" for social theory along with his points about a "morality for mortals" and institutions that can generate social cooperation on the margin. I just want to zoom out from those more particular points to talk about larger visions. And I want to pose my thought as a question: is there a way to capture this correct understanding of good social analysis in a beautiful, larger vision that still manages to avoid the utopianism (in the bad sense) of Marx?



*Elinor Ostrom*

Institutional improvement and continual gains in social cooperation on the margin are great things, and to political economists, they probably have some sex appeal. But one of Marxism's great attractions is that it offers a larger, and beautiful, vision of a better world. I think it's hard for people who are not inside the theoretical edifice of Smith, Menger, and Hayek/Buchanan/Ostrom to appreciate the sum of those marginal improvements when we focus on the margins rather than the sum and when we don't offer them as a beautiful vision of a better future.

I honestly do not know if there's a way to paint that beautiful vision of a society of free and responsible

people slowly improving the lives of all through the gradual extension of the division of labor and the growth in social cooperation, peace, and prosperity that it produces. And I certainly don't know if there's a way to do it that avoids the problem of perfectionism and utopianism that Pete and I have both noted.

Perhaps we can keep pounding away with careful, detailed presentations of the historical facts and with larger narratives like Deirdre McCloskey's *Bourgeois Virtues* trilogy or the recent books by Steven Pinker and Hans Rosling. It's my own sense that in recent years these sorts of projects have made a dent – there is a greater understanding among public intellectuals of just how much human progress has been produced by the very forces that Marx rejected. Yet the critics of markets still point to what is left undone and the remaining sharp objects that might be inevitable parts of social interaction for really-existing humans -- and those critics do so using the broad approach that Marx provided. Perhaps people just get more upset by the remaining smaller problems when so many big ones have been solved. Perhaps there is just something deep in human nature that longs for the perfected world that will never be satisfied with marginal improvements, even when the sum of those margins would appear to our ancestors as something akin to heaven.

Sometimes, when I'm going through a typical day, I will pause and ask myself what would Thomas Jefferson think about some particular aspect of life in the 21st century if we could bring him back to life? It's an interesting exercise not just in gratitude for what humans have produced but also in realizing how much dulling of sharp objects we take for granted every single day. Every day, we walk through what to Jefferson would seem like miracles and magic, and we know what sorts of institutions produce them: the very same ones that Marx and so many modern intellectuals wish to supersede. I suspect that it will always be a source of frustration that so many intellectuals can't see that the really beautiful vision is actually all around us as the institutions of a free economy enable us to dull the edges, measurably but

slowly, of the unavoidable sharp objects of life for mere mortals.

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## IF NOT MARX, THEN WHOM?

by David L. Prychitko

I ended my original comment to Virgil Storr by saying, "In conclusion, if comprehensive planning, of any variety, is epistemically impossible, then Marx's view of man is false and his scientific critique of capitalism, as well as its normative implications (if any), is completely misguided. Critics of capitalism may do best by looking elsewhere."

I'd like to now take this opportunity to clarify what I mean by my last sentence. Virgil sees a sense of morality and justice in Marx that still animates and inspires today's critics. I've argued that it is not really there, but I do acknowledge that people find meaning in texts that go beyond the intention of their original authors. That said, even the late Tom Bottomore lamented:

There is one obvious lack in Marxist thought which I have constantly emphasized, namely the absence of anything that could be called a Marxist ethical theory. I don't understand how a theory of society which is so intimately connected with socialism as a movement aspiring to some new and better form of society, has failed to make a larger contribution to the elaboration of a moral doctrine, to the principles of what Gramsci called a "new civilization." Yet there has never been a great Marxist moral philosopher. Some Marxists have written about Marxism and morality, and there are elements of a moral theory in some discussions of alienation, but there is nothing, I think, which occupies a central place in what anybody would read if they were looking at the major expositions of moral philosophy. [Taylor and Outhwaite 1989, 395]

For this and for a variety of other reasons already discussed in this forum, it is probably not productive for contemporary socialist critics of capitalism to turn to Marx himself.



**Eduard Bernstein**

If not Marx, then whom? I'm surprised that Eduard Bernstein does not receive a larger hearing and recognition among contemporary progressives and democratic socialists. His *Evolutionary Socialism* (1961 [1899]) seems to fit much of their ideal, and, indeed, many of the reforms that he called for have actually emerged in 20th-century capitalist systems. Of course, Bernstein's reformist and meliorist position would be completely attacked and discredited from a Marxist position in Rosa Luxemburg's *Reform or Revolution*. (1970 [1899]) That said, Bernstein's most-often quoted line should have great appeal, it seems to me, among contemporary democratic socialists in the United States:

But with respect to liberalism as a great historical movement, socialism is its legitimate heir, not only in chronological sequence, but also in its spiritual qualities, as is shown moreover in every question of principle in which social democracy has to take up an attitude [149].

Be that as it may, the most valuable contemporary literature, to me, comes out of the Amherst School of post-Marxism. Although a (revamped) theory of exploitation remains, very little is discussed about alienation (with its associated problems) anymore. (This may be an Althusserian influence whereby the "early" Marx is largely rejected.) I believe that serious Marxist-inclined contemporary critics of capitalism would find

important arguments in Resnick and Wolff's *New Departures in Marxian Theory*. (2006; Wolff's less scholarly book, *Democracy at Work: A Cure for Capitalism* [2012], itself has drawn a wide readership.)

All of us here are familiar with Ted Burczak's important book, *Socialism After Hayek*. (2006) In it he raises issues of appropriative and distributive justice that we don't really find in Marx. At the same time, it satisfies Bottomore's concerns mentioned earlier. Better than returning to Marx himself, I think contemporary critics of capitalism should read Ted's book. Indeed, I have recommended it to some of my own students.

Finally, I think the most important book to have come out of this tradition in the past decade is Burczak, Garnett, and McIntyre's edited collection, *Knowledge, Class, and Economics: Marxism Without Guarantees*. (2018) The subtitle says a lot: the Grand Narrative (which so much of the Marxist aesthetic was tied to) appears to have been discarded. The hard questions now remain. Ted even speaks about "Catallactic Marxism" in one of the chapters.

Exactly 30 years ago I wrote: "I believe these new debates are a healthy alternative to the monolithic position held by the orthodox Marxist earlier in the twentieth century. I will leave it up to the Marxists themselves to decide which position is more consistent with what Marx himself 'really meant.'" (1988, 33) And that was before I came across the work of my Amherst colleagues mentioned above. I am even more confident in my claim today. So, yes, I believe the socialist criticisms of capitalism would do far better by not focusing so much on Marx's original works but on the works of others who came after Marx: perhaps Bernstein, but even more so the post-Marxists of the Amherst School. Of course, my recommendations are not only made for some of my own students and a handful of readers on this site, but for all of us in this exchange – Boettke, Hart, Horwitz, and Storr, too.

We have a lot to learn and much work to do.



# MARX AND SOME 'SHARP OBJECTS' AND 'DEAD ENDS'

by David M. Hart

I very much like Pete Boettke's notion of "sharp objects" which classical liberals have to at least blunt or at best remove from the paths of ordinary working people. To his credit, Marx did articulate a critique of several of these "sharp objects," but he was not alone in this, either from the socialist side (Proudhon remains an underappreciated critic) or from the free-market side. I would include the following issues as the sharpest of the sharp objects which afflicted people in mid-century Europe:

1. exploitation by the privileged classes
2. high (indirect) taxes on the poor
3. the high cost of food, clothing, and other staples
4. prohibitions on entering certain trades or starting one's own business
5. the dislocation of employment caused by technological change
6. the business cycle with its periods of unemployment

The historian needs to compare the understanding of and proposed solutions to these problems by the various groups which existed at the time, such as the conservatives, classical liberals, and socialists and Marxists (S&Ms). Of the three groups, I would argue that only the classical liberals and the S&Ms understood and opposed problems 1, 2, and 3 but differed over who was actually doing the exploiting or why staples cost so much. (Classical liberals said it was tariff protection, the Marxist the inefficiencies of capitalist production or the greed of producers.) Only the classical liberals appreciated and opposed problem 4, the solution to which was to be found in drastically limiting the power of the state: that is, ending legal privileges to favored producers, cutting taxes (especially indirect taxes on the poor), cutting spending (especially on the military), opening all trades and

occupations, and introducing complete free trade and laissez faire.



*Charles Coquelin*

Both classical liberals and S&Ms appreciated problems 5 and 6 but differed on how to solve them. Neither had any real answer to problem 5 except to "wait it out"; the Marxists until the "capitalist system" had done the dirty work of transforming the economy by creating large-scale industry, which would then fall into the lap of the waiting communists; the classical liberals until the economy had become productive and diverse enough to make this only a temporary problem. No group at the time had an adequate explanation for or solution to problem number 6, except for a handful of theorists such as Charles Coquelin (1802–1852), who advocated free banking in place of monopoly state banks.[\[25\]](#) The solutions offered by S&Ms (state ownership, dispossession of property owners, the end of wage labor, the end to or strict regulation of profit, interest, and rent), I would argue, were worse than the problems they were intended to solve and would have catastrophic consequences in the 20th century.

In addition to these "sharp objects," I would also suggest that there were a lot of "dead ends" in Marx's theory which led him and his followers badly astray over the 170 years since he wrote *The Communist Manifesto*. These are of

two kinds -- errors of commission and errors of omission. The errors of commission included the following false beliefs which badly hampered the Marxists' understanding of how the economy worked and thus would prevent their attempts to fix its perceived problems:[\[26\]](#)

1. the myth of alienation caused by the division of labor
2. the labor theory of value
3. the theory of surplus value
4. the belief that competition would drive profits down, leading to increasing concentration and monopolization for businesses to survive
5. the belief that competition would drive wages down to unsustainable mere-subsistence levels (the immiseration of the workers)
6. the belief that socialism would bring rational planning and economic abundance once the inefficiencies and exploitation of the capitalist system had been removed.



The errors of omission were the neglect key aspects of the competitive free-market system which S&Ms did not understand or rejected and which led them ultimately to misunderstand how capitalism worked. I would argue that ideas about most (but perhaps not all) of these aspects were in circulation at the time Marx wrote and that he would have come across them in the course of his deep reading of political economy, but which he rejected for various reasons. These errors of omission include:

1. the role consumers played in driving production (thus we should talk about "consumerism," rule of consumers, rather than "capitalism" (rule by capital or capitalists)
2. the importance of profits in directing producers to the most urgent needs of consumers
3. the dynamic role of entrepreneurs in making production and distribution of goods and services possible
4. the point that both parties to a voluntary exchange benefited
5. the point that services, not just the production of goods by means of physical labor, also created wealth
6. the ignoring of several other key issues, such as the role of incentives, the problem of scarcity, the problem of risk, and the importance of ideas (especially in the Misesian notion of the role ideas play in forming what we think our "material interests" are).

Before anybody can begin softening the sharp objects, they have to stop going down dead ends. This also applies to the modern Amherst School of post-Marxism, which David P. suggests we consider seriously. Until all socialist critics of free markets stop going down these intellectual and empirical dead ends, any moral critique of capitalism they produce will be as flimsy as Marx's. Even if they mean well.

#### Endnotes

[\[25.\]](#) Charles Coquelin, *Du Cr dit et des Banques* (Paris: Guillaumin, 1848).

[\[26.\]](#) I go into the errors in more detail in my "Socialism: A Study Guide and Reader" on the OLL: [</pages/socialism>](/pages/socialism/).

# MARXISM WHAT IS IT GOOD FOR? ABSOLUTELY NOTHING -- SAY IT AGAIN

by Peter J. Boettke

I have greatly enjoyed the back and forth in this discussion. And if a student asked me, I of course would recommend reading Marx with great care and charity. But I would also hope that they would see that greater power of *analysis* is to be found in David Hume and Adam Smith, in J. B. Say, in David Ricardo, in J. S. Mill, and of course in Carl Menger, Eugen Böhm-Bawerk, Ludwig von Mises, F. A. Hayek, and a host of other thinkers who addressed *the* questions of the politics and economics of socialism.



*Eugen von Böhm-Bawerk*

Virgil, Dave, Steve, and I share a common "professor" – Don Lavoie. Don was among the most important, if not the most important, intellectual influence in our lives. He was a model scholar and demanded that we read others with care and charity. He wrestled with Marx as a scholar and scientist of the capitalist system and as an inspiration for real-world activism throughout the 20th century. (Lavoie 1985a) But Don also never shied away discussing the political and economic illusions of socialism and the death and destruction that were the consequences of Marxism in practice. (Lavoie 1985b and 1986)

Here, as I see it, is the bottom line in the 100-plus years of critical examination of Marx's thought. His theoretical apparatus has been demonstrated to have fundamental contradictions, and his empirical claims have been refuted repeatedly. This was the case from the very beginning of his intellectual career. Alternative socialist thinkers such as Mikhail Bakunin challenged Marx on both theoretical and strategic grounds. (Bakunin 1873) This battle over the strategic implications for socialist activism would rage from the mid-19th through the mid-20th centuries and even resurfaces today. [Böhm-Bawerk's \*Karl Marx and the Close of His System\*](#) demonstrated the fundamental contradictions in Marx's value and exploitation theory. Empirically, Marx's predictions about the increasing concentration of capital and the declining rate of profit, etc. have all been thoroughly disputed by careful economic analysis. Consider, e.g., G. Warren Nutter's *Enterprise Monopoly in the United States, 1899-1958* (1969), where he shows that the march of market forces in history go in the opposite direction from that predicted by Marx.

Are there problems with power? Can economic interests align themselves with state entities to reap monopoly profits? Do modern state-capitalist economies suffer from disproportionality and thus periodic crises? Of course they do. Does the modern state-capitalist economy seem cold and remote to participants? Yes it does. In my last contribution to this dialogue, I stressed the importance of recognizing the "sharp objects" in the economic and social processes of human affairs. But I would argue we have better theories and analyses of power, of alienation, of exploitation, of the rivalry of market competition, and of periodic crises than those offered by Marx. The classical political economists and the early neoclassical economists offered us far superior theories of wage determination, resource allocation in general, the coordination of economic activities through time, the rivalrous activity of the market process, and the cause and consequences of periodic crises. As economists and political economists, we should be teaching and talking about those other theories, rather than Marxism.

We now are teaching kids who have no memory of socialism in practice in their lifetimes. The millions dead are just words and numbers on pages. The economic deprivation of the Soviet system is forgotten, and the ongoing tragedies of real-existing socialism in places like Venezuela are excused away. The Nordic states are held up as shining examples of what *democratic* socialism can achieve, without any recognition of the reality of the fiscal reforms of the 1990s, the unique circumstances of small homogeneous populations, and the economic-freedom scores these countries receive. The socialist rhetoric that is used by politicians and activists is seductive, but it does not stand up to analytical or empirical scrutiny. It is our responsibility as social scientists to stress the analytical and the empirical.

There is much to learn from studying the social tensions that we can identify in our experience with commercial society, and no doubt thinkers such as Rousseau and Marx offered criticisms of commercial society. But were they good critics? Making that judgment is less complicated than we often want to admit.

Communism and socialism are simply *not* philosophical ideals that humanity has failed to live up to, but instead are a set of philosophical propositions that fail to address the demands of humanity. These are fundamentally flawed notions of social organization and social cooperation. And no amount of care and charity in reading through the works of the leading thinkers can escape that ultimate judgment because Marx's arguments committed logical contradictions and his empirical proclamations were vacuous.

So we need to study the serious flaws of state monopoly capitalism, not with the analytics of Marx but with the analytical tools of *mainline* economics and political economy – rational choice, thorough-going subjectivism, and the dynamic processes of adaptation and adjustment that coordinate economic activities through time. In the end, neither Marx's analytics nor his overall vision of the capitalist present or the socialist future should inspire a new generation of students. These conversations should take Marx and Marxism so seriously that we are willing to challenge his work with the same radical spirit that he

exhibited. Where his criticisms of the doctrines of classical political economy and the capitalist system missed their mark, those of us trained in *mainline* economics and liberal political economy cannot miss our mark when it comes to socialism and communism. The stakes are too high.

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## WHAT IS LEFT?

by David L. Prychitko

In my Capitalism, Socialism, and Democracy course, which I've taught for almost 30 years now, I require my students to carefully and charitably read and discuss some of Marx and Engels's original writings during the first several weeks of the semester. (Students often become convinced by Marx until I turn to Mises and Hayek, and the Soviet experience with central planning, during the next several weeks.) But if a student or two had not taken my class and were interested in Marxism, I'd direct them to more contemporary literature. Marx himself is simply too difficult to handle for the curious student who wishes to read him without any formal guidance. Of course, at some point I also recommend they read Mises, Hayek, Lavoie, or Boettke for both balance and criticism.



I fondly recall when Pete Boettke and I would meet weekly at the George Mason University Library, in a small room the size of a broom closet, trying to come to terms with Marx. So I'm a bit surprised, and disappointed, when Pete says in his latest post that there is "absolutely nothing" to learn from Marxism. Now, I fully agree with him – and I teach this in my course and have focused on this in my own writings – that Marx's theory has



fundamental contradictions and his predictions have been proven false time and again. But I disagree that, as a result, Marxism as a whole offers absolutely nothing of value, or that, as David Hart says, it's a "dead end."

Pete mentions the influence of Don Lavoie on us, and that encourages me to reflect a bit.

Back in the early 1980s, when I was an undergraduate "free-market economist," I thought I was expected to applaud Reagan because, after all, my hero Milton Friedman spoke favorably of him. I thought I had to watch Buckley's "Firing Line" TV series because he, too, was a friend of markets. And so I did, quite uncomfortably.

But then, during my first year at Mason (1984-1985), I served as Don Lavoie's research assistant and proofread his *National Economic Planning: What is Left?* (1985) before publication. Chapter 7 changed my vision. I saw that we can and should be engaged in a serious, charitable, and open discussion, a dialogue, as it were, with the left. And not just as a matter of strategy (cf. Rothbard [1979]) but as a matter of principle. Or at least I myself saw it as a matter of principle, and I think Don did too. Indeed, Lavoie cast his vision as being part of the left. Since then I have wanted to see which positive elements of the left can be saved, given the lessons and framework imparted by Mises, Hayek, Kirzner, Lachmann, and Lavoie. My effort is not one of grabbing onto the left in an attempt to "dare to be different" among my Austrian school colleagues (although I sometimes pretentiously claim to be). It is, instead, motivated because I share many of the left's concerns over power in the workplace, potential exploitation, some form of alienation, consumerism, and so on. Pete says that "we have far better theories and analyses of power, of alienation, of exploitation" than those offered by Marxism. Who's the "we"? Which Austrian economists have a better theory of exploitation or alienation? I'm confident our analysis can be more powerful, but very little is being written.

I wonder why.

Hardly anybody in our school explores labor-managed vs. traditional hierarchical capitalist firms, for example. I've

stood alone on that issue since writing my first book, *Marxism and Workers' Self-Management: The Essential Tension*. (Maybe the younger generation of Austrians will eventually find something of value in my scattered writings.) The radicals among us economists often stand for "anarcho-capitalism" but say nothing about power-ridden capitalist firms and the employer-employee relationship within that anarchist utopia, a concern for Marx but also for many others. (See, for example, Anderson [2017]). Here we can learn much from David Ellerman's (1993) critique of the traditional wage contract. (In fact, that book was published in the Lavoie-Klamer series at Blackwell, and, according to Don himself, "The book's radical reinterpretation of property and contract is, I think, among the most powerful critiques of mainstream economics ever developed" [from his manuscript acceptance letter to a senior editor at Blackwell].) And let's not forget Ellerman's (and Hayek's!) influence on Burczak, which I mentioned in my previous reply.

Pete says that not only Marx but Marxism is good for nothing. That's odd because Lavoie himself saw something positive in reading Marx -- recall his "Some Strengths in Marx's Disequilibrium Theory of Money," published by the *Cambridge Journal of Economics* (1983). Steve Horwitz (1994) found value in the Austro-Marxist Rudolf Hilferding's classic book, *Finance Capital*. Pete now proclaims Marxism is good for absolutely nothing, while he encourages all of us here to "say it again." That disappoints me. Alas, now I can only look fondly upon the bygone days when Pete and I sat reading in the Mason library, freshly inspired by Don Lavoie's charitable influence and his unique vision.

## ON WHY MARX'S THEORIES OF ALIENATION AND EXPLOITATION ARE ULTIMATELY MORAL CRITIQUES

by Virgil Henry Storr

The conversation has moved beyond this point, but I promised earlier to address Dave's earlier argument regarding whether Marx made a moral critique.

Dave correctly asserts that I argue (in my lead essay) "that Marx's analysis is ultimately engaged in moral critique or that, at the very least, it has normative implications." Dave also correctly argues that Marx did not see himself as making a moral appeal to our capitalist overloads and scoffed at those who believed that appeals to justice were a way to overcome alienation and exploitation. As Dave rightly concludes, "If Marx has a normative, moral mission in his lifework, it is fundamentally a revolutionary morality."

I don't know that I disagree. Marx believed that capitalism transformed us into a kind of monster. Human beings in a capitalist system would not and could not flourish. As I argued earlier, "[O]ne way to read Marx's moral critique of capitalism is that he is arguing that human beings are stunted in a capitalist system." There a sense in which this is an unavoidably moralized claim.

Dave helpfully cited Engels on how we might think of morality from a Marxian perspective. According to Engels, in one of the works that Dave cites (*Anti-Dürhning*),

[A]ll moral theories have been hitherto the product, in the last analysis, of the economic conditions of society obtaining at the time. And as society has hitherto moved in class antagonisms, morality has always been class morality; it has either justified the domination and the interests of the ruling class, or ever since the oppressed class became powerful enough, it has represented its indignation against this

domination and the future interests of the oppressed.

That in this process there has on the whole been progress in morality, as in all other branches of human knowledge, no one will doubt. But we have not yet passed beyond class morality. A really human morality which stands above class antagonisms and above any recollection of them becomes possible only at a stage of society which has not only overcome class antagonisms but has even forgotten them in practical life.

No one, certainly not the capitalist and not even the worker, can be a fully moral agent in a capitalist system. The morality that comes to be expressed in a capitalist context is not a "really human morality" but mere "class morality." To the extent that a fulfilled human existence is connected to and depends on the existence of a "really human morality," it is hard not to read this observation as anything other than a morally relevant criticism of capitalism. To be sure, this is a revolutionary moral critique. But, that does make it any less of a moral critique.

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## THE FALSE ACCUSATIONS MADE AGAINST THE FREE MARKET BY SOCIALISTS

by David M. Hart

Marx was only one of many critics of the free market who emerged in the 1840s, especially in France where he lived in 1843-44 (when he was writing his *Economic and Philosophic Manuscripts*) and again in 1848 (when he presented his recently completed *Communist Manifesto* to the German Communist League in Paris during the revolution).<sup>[27]</sup> Among these critics were Pierre Joseph Proudhon, Victor Considerant, and Louis Blanc,<sup>[28]</sup> whose ideas the French political economists like Charles Dunoyer, Michel Chevalier, and Frédéric Bastiat criticized in numerous articles and books. Marx's writings need to be seen in the context of this broader critique of the free market which was taking place at this

time. In spite of Marx's harsh rejection of what he called French "utopian socialism," his critique of "capitalism" was similar to that of the others in spite of what he might say in polemical works like his attack on Proudhon's *Système des contradictions économiques* (1846).<sup>[29]</sup>



***Michel Chevalier***

Two things particularly frustrated the French economists about this critique. Firstly, they agreed with many of the socialists' criticisms of the injustices of contemporary society concerning the vested interests who used the state for their own ends at the expense of ordinary working people. Gustave de Molinari even offered to form an alliance with the more-radical socialists groups in France in June 1848 (on the eve of the bloody June Days uprising) since he thought they all shared so many goals in common, in particular, what he called a shared vision of a "utopia of liberty."<sup>[30]</sup>

And secondly, and perhaps most importantly, the socialists blamed the free market and laissez-faire competition for causing these problems in the first place in spite of the fact that the liberal reform agenda had barely begun to be implemented.

Charles Dunoyer (1786–1862) expressed this concern best in a 60-page appendix he inserted at the end of

volume three of his massive *De la liberté du travail* (1845).<sup>[31]</sup> The book was devoted to exploring how the principle of the complete liberty to work and produce had evolved historically and what it would mean for human prosperity when a society based upon this freedom had been brought into existence. Naturally, he found the objections of socialists like Considerant and Blanc to be wrong and misplaced.

Dunoyer summed up his objections in five points:<sup>[32]</sup>

1. fully free markets did not exist anywhere, so it was false to blame economic problems on what did not yet exist;
2. the socialists did not recognize the great advances which had already made in bringing people out of poverty, especially since the Revolution had destroyed so many of the restrictive practices of the Old Regime;
3. the socialists had not identified the real causes for poverty: the persistence of restrictions on trade and production, the burden of taxes, and the never-ending problem of war and conscription (the so-called "blood tax" imposed on young men);
4. the remedies proposed by the socialists would not work: namely "the organization of industry" and "the association of workers" into government-controlled "social workshops," based upon models drawn from the military and government bureaucracies or the hated "corporations" which controlled many professions in the Old Regime; and finally
5. the real remedy for poverty was more of what the socialists rejected, namely, the creation of "*un régime de plus en plus réel de liberté et de concurrence*" (a regime of more and more real liberty of competition).

This problem still plagues classical liberals and defenders of the free market 170 years later. Until we can decisively refute these false accusations, we will just have to keep

fighting the same intellectual battles again and again in a free-market version of the film Groundhog Day.

Endnotes

[27.] Gareth Stedman Jones, *Karl Marx: Greatness and Illusion* (Penguin Books, 2017), pp. 219–22.

[28.] See Louis Blanc, *Organisation du travail. IV<sup>e</sup> édition. Considérablement augmentée, précédée d'une Introduction, et suivie d'un compte-rendu de la maison Leclaire. La première édition a paru en 1839* (Paris: Cauville frères, 1845); Victor Prosper Considérant, *Théorie du droit de propriété et du droit au travail* (1st ed. 1845; Paris: Librairie phalanstérienne, 1848. 3rd ed.); Pierre Joseph Proudhon, *Qu'est-ce que la propriété? ou Recherches sur le principe du Droit et du Gouvernement. Premier mémoire* (Paris: J.-F. Brocard, 1840); and Proudhon, *Système des contradictions économiques, ou Philosophie de la misère*, 2 Volumes (Paris: Guillaumin et cie, 1846).

[29.] Karl Marx, *Misère de la philosophie: réponse à la philosophie de la misère de M. Proudhon* (Paris: A. Frank , 1847).

[30.] Gustave de Molinari, "L'utopie de la liberté (lettre aux socialistes), par un Rêveur", *JDE*, T. 20 No. 82, 15 juin 1848, pp. 328–32.

[31.] Charles Dunoyer, *De la liberté du travail* (Paris: Guillaumin, 1845), vol. 1, Chap. X. Post-scriptum sur les objections qu'on a soulevées, dans ces derniers temps, contre le régime de la libre concurrence, pp. 408–71.

[32.] Dunoyer, *De la liberté du travail*, vol. 1, p. 413.

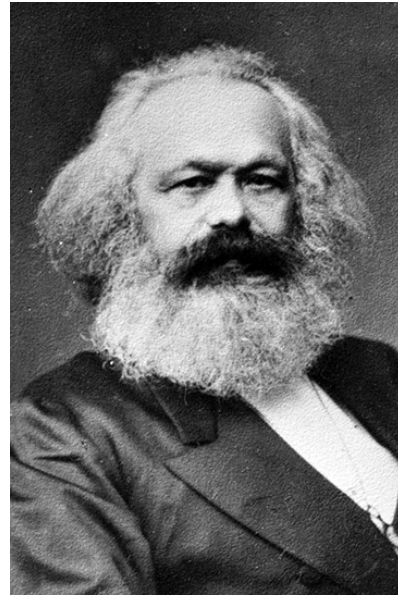
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## MARXIST CLASS ANALYSIS IS MARX'S SOLE REDEEMING VIRTUE

by David M. Hart

Please note that I warned readers of the many "dead ends" S&M had to offer but did not refer to the totality of Marx's thought as a "dead end" in the singular. The exception for me is Marxist class analysis from which I

have learned a great deal. But I learned this from Marx the journalist and not Marx the economist.



**Karl Marx**

Marx the journalist used class analysis in some important essays which predated his work *Das Kapital*, such as "The Class Struggles in France, 1848 to 1850" (1850) and *The 18th Brumaire of Louis Napoleon* (1852). [33] As the gifted journalist he was, in these writings he dumped the pure "economic" theory of class (based on ownership of the means of production and wage labor) and used an older "political" view of class to devastating effect. Here the important factors are who has access to the coercive powers of the state; how is this power exercised; how do the users of power benefit from it; who is forced to pay for this; and how does power change over time? Marx and the "Marxist" historians who followed his lead thus ask nearly all the right questions about political power and its exercise.

In my own journey as an historian, I have benefited enormously from reading the work of Marxist historians such as E.P. Thompson, Christopher Hill, Perry Anderson, Charles Tilly, Moses I. Finley, Robin Blackburn, and Eric Hobsbawm. [34] They may not get all the answers right (because their understanding of how markets work is fundamentally flawed), but they ask the right questions about power and get those answers pretty well correct. A new generation of neo-Marxist historians



is currently at work, such as Sven Beckert at Harvard,<sup>[35]</sup> whose work needs to be addressed by classical liberals (with the usual caveats about their not being able to distinguish legitimate "capitalist acts between consenting adults" and illegitimate plunder à la Bastiat).

There are two very bitter ironies in all this. The first is that Marx explicitly acknowledges that he got this notion of political class from reading French classical-liberal economists and historians such as Augustin Thierry.<sup>[36]</sup> See Marx's letter to Weydemeyer, March 5, 1852:<sup>[37]</sup>

I do not claim to have discovered either the existence of classes in modern society or the struggle between them. Long before me, bourgeois historians had described the historical development of this struggle between the classes, as had bourgeois economists their economic anatomy. My own contribution was 1. to show that the existence of classes is merely bound up with certain historical phases in the development of production; 2. that the class struggle necessarily leads to the dictatorship of the proletariat; 3. that this dictatorship itself constitutes no more than a transition to the abolition of all classes and to a classless society.



*Augustin Thierry*

The second irony is that when he attempts to explain in more detail what he means by class (at the very end of *Das Kapital*, volume 3, published posthumously by Engels), his manuscript literally breaks off in mid-paragraph as he cannot reconcile all the contradictions his "economic" theory of class entails and so he cannot continue.<sup>[38]</sup> He begins by talking about "*die drei grossen gesellschaftlichen Klassen*" ("the three great classes of modern society," namely, "[*die*] *Lohnarbeiter, Kapitalisten, Grundeigentümer*" [wage earners, capitalists, and landowners]) and then asks himself the key question: "what constitutes a class?" When he realizes that two other important groups who are part of the system and who provide services ("*Aerzte und Beamte*" [doctors and office workers, or civil servants]) cannot be fitted into his theory of class, he breaks off at this point. This, to paraphrase Böhm-Bawerk, is how Marx closes his system.

In this, as with so much else about Marx, the rule of thumb I have developed when assessing his theoretical contributions is the following: "what is correct in Marx is not original; what is original in Marx is not correct."

#### Endnotes

<sup>[33.]</sup> Karl Marx, "The Class Struggles in France, 1848 to 1850" (1850). Written January - October 1850 for the *Neue Rheinische Zeitung Revue* and published later as a booklet by Engels in 1895. In Marx, *Selected Works* (Moscow: Progress Publishers, 1969). vol. 1. And *The 18th Brumaire of Louis Napoléon* (1852) in *Karl Marx: Surveys from Exile: Political Writings, Volume II*, David Fernbach, ed. (New York: Vintage Books, 1974).

<sup>[34.]</sup> Christopher Hill, *Milton and the English Revolution* (London: Fabar and Fabar, 1977); and *The World Turned Upside Down; Radical Ideas during the English Revolution* (New York: Viking Press, 1972); Perry Anderson, *Lineages of the Absolutist State* (London: Verso, 1979) and *Passages from Antiquity to Feudalism* (London: Verso, 1979); Charles Tilly, *Coercion, Capital, and European States, AD 990-1990* (Oxford: Basil Blackwell, 1990) and *The Formation of National States in Western Europe*, ed. Charles Tilly (Princeton, NJ: Princeton University Press, 1975); *Bringing the State Back In*, ed. Peter B. Evans, Dietrich Rueschemeyer, Theda Skocpol (Cambridge:

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[35.] Sven Beckert, *Empire of Cotton: A Global History* (New York: Vintage Books, 2014).

[36.] See the extracts from Adolphe Blanqui, Frédéric Bastiat, Charles Renouard, Gustave de Molinari, and Augustin Thierry in the anthology *Social Class and State Power* (2018).

[37.] Karl Marx, "Letter to Joseph Weydemeyer (March 5, 1852). *MECW* Volume 39, p. 58; and also "Letter to Engels" (July 27, 1854) in *MECW*, Volume 39, p. 472.

[38.] Karl Marx, *Capital: A Critique of Political Economy. Volume III: The Process of Capitalist Production as a Whole*, by Karl Marx, ed. Frederick Engels, trans. from the 1st German edition by Ernest Untermann (Chicago: Charles H. Kerr and Co. Cooperative, 1909). <[/titles/967#lf0445-03\\_label\\_226](#)>.

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## SOME FINAL THOUGHTS

by Virgil Henry Storr

As is true of any genuine conversation, this conversation about Marx's moral critique of markets has gone in several directions that could not have been predicted.

Marx argued that human beings could not reach their full potential in a capitalist system, that because of alienation

and exploitation, human beings become less than human, more like animals, not much more than things.

A number of my dialogical partners have pointed out the weaknesses in Marx's system. These points are well taken. David Hart highlighted some worrisome dead ends in Marx's theories. Pete helpfully applauded Marx for helping us to understand some "sharp objects" we must all confront in commercial society, but argues (persuasively) that Marx does not help us "to creatively find ways to dull the edges and safeguard against deep cuts and fatal wounds." Steve (convincingly) argues that some of Marx's appeal is due to the fact that people simply cannot see the "beautiful vision of a society of free and responsible people slowly improving the lives of all." Dave Prychitko usefully reminds us that the several people working in the tradition of Marx have important "criticisms of capitalism."

Sill, Marx remains a part of our *extended present*. The worry that markets corrupt us and the concern that the rich have too much power (and are likely to abuse that power) are, in many ways, Marxian fears about life in capitalist society. By describing them as Marxian fears, I mean that the form these fears take in many popular accounts owe a great deal to Marx. Market advocates must speak to these fears, and they can only do so effectively if they pay attention to Marx.

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## ABOUT THE AUTHORS

[Virgil Henry Storr](#) is a senior research fellow and the senior director of academic and student programs at the Mercatus Center, a research associate professor of economics in the department of economics, and the Don C. Lavoie Senior Fellow in the F.A. Hayek Program in Philosophy, Politics and Economics at the Mercatus Center, all at George Mason University. He holds a Ph. D. in economics from George Mason University (Fairfax, Va.) and did his undergraduate work at Beloit College (Beloit, Wis.).

[Pete Boettke](#) is a University Professor of Economics and Philosophy at George Mason University and director

of the F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics at the Mercatus Center there. He is also serves as co-editor-in-chief of *The Review of Austrian Economics*, president of the Southern Economic Association, and president of the Mont Pelerin Society. Among his most recent publications are *The Collected Works of Israel M. Kirzner* (co-edited with Frederic Sautet), *The Oxford Handbook of Austrian Economics* (co-edited with Christopher J. Coyne), and *Living Economics: Yesterday, Today, and Tomorrow*.

**Steve Horwitz** is the John H. Schnatter Distinguished Professor of Free Enterprise in the department of economics at Ball State University in Muncie, IN. A member of the Mont Pelerin Society, he has a PhD in economics from George Mason University and an AB in economics and philosophy from the University of Michigan. Horwitz is the author of three books, *Monetary Evolution, Free Banking, and Economic Order* (Westview, 1992), *Microfoundations and Macroeconomics: An Austrian Perspective* (Routledge, 2000), and *Hayek's Modern Family: Classical Liberalism and the Evolution of Social Institutions* (Palgrave Macmillan, 2015). He has written extensively on Austrian economics, Hayekian political economy, monetary theory and history, and American economic history. His work has been published in professional journals such as *History of Political Economy*, *Southern Economic Journal*, and *The Cambridge Journal of Economics*.

**David L. Prychitko** is a professor of economics at Northern Michigan University. He earned his M.A. and Ph.D. in economics from George Mason University and his B.S. in economics from Northern Michigan University. Dr. Prychitko has authored *Marxism and Workers' Self-Management* (Greenwood Press, 1991), *Markets, Planning, and Democracy* (Edward Elgar, 2002), and is co-author (with Peter Boettke and the late Paul Heyne) of *The Economic Way of Thinking* (Pearson, 2014). His research articles have appeared in the *Review of Political Economy*, *Review of Austrian Economics*, *Cambridge Journal of Economics*, and *Journal of Economic Education*.

**David M. Hart** is the Director of Liberty Fund's Online Library of Liberty Project and the Academic Editor of

Liberty Fund's six volume translation of the *Collected Works of Frédéric Bastiat* and the editor of Gustave de Molinari's *Conversations on Saint Lazarus Street* (1849). He received a Ph.D. in history from King's College, Cambridge and taught in the Department of History at the University of Adelaide in South Australia. He has co-edited with Robert Leroux two anthologies of 19th century French classical liberal thought: *French Liberalism in the 19th Century: An Anthology* (Routledge, 2011) and in French, *L'Âge d'or du libéralisme français. Anthologie. XIXe siècle* (Ellipses, 2014). More recent works include a co-edited collection of writings about classical liberal class analysis, *Social Class and State Power: Exploring an Alternative Radical Tradition* (Palgrave, 2018) and a chapter on "The Paris School of Political Economy, 1803-1853," in *The Cambridge History of French Thought* (Cambridge University Press, forthcoming).

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