C O N T E N T S

HISTORY OF ECONOMICS AND 'MODERN ECONOMICS'

INTRODUCTION

The raison d'être of this pamphlet is to recount the progressive historical inception and evolution of the scientific economic categories and principles on the one hand, and to lay bare the deceitful attacks and distortions of the capitalist apologia – the “eminent economists” against the very science of economics with their dishonest “economic sciences” on the other. Here we intend to show how, when and where the political economic ideas, commodity, value, exchange-value, money , price, rent, usury, interest, profit, wage, etc. took root and eventually developed into a decisive historical science intimating fundamental observations towards a comprehensive understanding about the working of the economy giving rise to the Political Economy.

Political Economy had categorically discovered the essence of the science of economics – the labour theory of value. This science that evolved through ages and changes via primitive communism, slavery, serfdom and various stages of feudalism finally culminating into capitalism has been thoroughly investigated, analysed and epitomised by Marx and Engels whereby they declared that the capitalist class had become “superfluous”. This alarmed the capitalist class of the world. They couldn’t accept their own capitalistic death sentence wilfully. Capitalist economists couldn’t sit idle with hands folded just to see their master class’s burial in the hands of their “own grave-diggers”. Hence, they systematically and eventually raised massive bulges of vulgar economic literature produced and propagated through their education for wage slavery and propaganda machines via schools, colleges, universities and the social media campaigning with all-pervasive lies and inanities.

The labour theory of value – the core category of the science of economics has been swindled with their brain-dead so-called utility theory. A semblance has been set against the essence of the science; a culture of corruption has blighted education and life.

This pamphlet is a factual revelation and critical analysis of historical lessons towards an understanding of the way Political Economy has evolved and has been attacked. A century has been stolen by the anti-social capitalist blockade against its core concepts, ideas and formulations. Consequently, in the interest of working class' self-organisation within the framework of the World Socialist Movement, we submit our findings for consideration by our class by revisiting the theoretically indispensible social categories to ascertain the truth for self-emancipation.

The first part of this pamphlet the "History of Political Economy" is a collection of six articles titled "Notes on Economic History" written by Bob Ambridge and published in the *Socialist Standard*, London, in its six consecutive monthly issues from November 1960 to April 1961. Thanks to the Socialist Party of Great Britain for this contribution.

The second part, namely "From Political Economy to 'Economics'" has been written by Binay Sarkar of the World Socialist Party (India) in the summer, 2006 and finally revised and edited in October 19 – 30, 2015 for this publication.

It is gratifying to say that Adam Buick of the Socialist Party of Great Britain has edited it on behalf of us.

Executive Committee,
WORLD SOCIALIST PARTY (INDIA)
November 2015

History of Political Economy

SECTION ONE

Economics before Mercantilism

The object of these notes is to provide a general introductory guide for those who would like to know more about the subject of Political Economy. They cover the period from early times to Marx and set out the main developments and theories that arose during that time, using as a key the Materialist Conception of History.

Engels in his preface to the 1888 edition of the *Communist Manifesto* says: "The 'manifesto' being our joint production, I consider myself bound to state that the fundamental proposition which forms its nucleus belongs to Marx. That proposition is: that in every historical epoch the prevailing mode of economic production and exchange, and the social organisation necessarily following from it, form the basis upon which is built up, and from which alone can be explained, the political and intellectual history of that epoch."

That proposition is, in short, the Materialist Conception of History.

By the term economics is meant throughout these notes the study of the production and distribution of wealth. Such a study must take into consideration historical, geographical and many other factors, always bearing in mind that behind the abstractions are real people, who combine, deliberately or otherwise, to produce and distribute wealth.

Neither in classical antiquity, nor yet in the Middle Ages, did there arise any finished systems of economic thought. In those epochs, when men's thoughts were concerned with the heroic and supernatural, the economics of life was regarded as of little importance. Only when, as today, life is dominated by the forces of competition and struggle, is civilised life dominated by economic considerations to the extent we know it today. Even in those earlier ages, however, economic thought such as it was showed signs that it had arisen out of earlier forms of society, and developed and evolved with these societies.

It is an error to picture the course of economic development as though mankind has passed simply from a primitive form of society to a slave-owning form, then to a Feudal one, and finally to a Capitalist economy. At all times there have been lesser economic groups that formed integral parts of the larger, nation-wide or world-wide complexes.

During the primitive period of man, in the Stone Age, the exchange of things went on, and there are proofs of the existence of some form of primitive trading as far back as the Bronze Age, since the constituents of bronze (tin and copper) are not generally found together. At the beginning of historical times, in Babylon, Persia, Carthage, Egypt, Greece and Rome, there was a well-developed form of trade, with industry carried on for export, together with monetary systems and credit.

The beginnings of economic science itself go back to Plato and Aristotle. Plato (347 B.C.) and Aristotle (322 B.C.). made some contributions to economic science, but as far as economics is concerned, mention need only be made of Aristotle's remarks on money, interest and taxation. Aristotle saw the essential nature of money as this: "That it is an intermediary in the exchange of utilities, thus acting as a medium of exchange." To him, however, it is sterile; "it brings forth no children." It cannot of itself produce any goods; therefore interest is wicked. This teaching was to have a great influence in the later Feudal period.

The economic thought of the Middle Ages was dominated by the teachings of Thomas Aquinas (1274), who derived from Aristotle and the Roman civil and canon law the concept of a "just price." Aquinas held that there were two kinds of justice:

1. Distributive justice.
2. Compensatory justice, or the justice of exchange.

In the matter of price, justice is found in the equality of mutual benefit in an exchange. What determines income is not the supply and demand of labour, but a normal outlook, the customary and average mutual adjustments between the individuals who exercise functions. To quote Aquinas, "Wherever a good is to be found, its essence is due measure." Thus we get the idea of income that is "suitable" or "proper" to a man's position in society. Interest on money, or usury, is frowned upon. "Money is a medium of exchange; its use is in its consumption." Consequently, for the use of borrowed money it is wrong, or at least improper, to expect anything beyond simple repayment. Aquinas does make exception in the case of tenancy, hire and credit for goods supplied. In later years, missed opportunities for gain, and loss incurred by or injury to the lender, became good grounds for demanding interest.

The prohibition of interest or usury is basically designed for an economy based on land as property, that is Feudal society, which endeavoured to keep money, and those ideas that flow from an economy based on money, under control.

Economic ideas, and the practical application of them, show a gradual growth and conflict as the old Feudal society begins to decline. The development which economic science made after this period is bound up with the growth of towns and the increasing power of the traders. The early stage of these developments is generally known as the Mercantile period and this will be dealt with in our next issue.

SECTION TWO

The Mercantile System

This was the beginning of the modern era. A new form of economic practice was developing, and new theories made their appearance in the form known as Mercantilism. This term (introduced by Adam Smith) is, however, a little misleading for its advocates were quite as concerned with industrial development as with the exchange of merchandise.

The term "Mercantile system" is loosely used to denote all the principles applied by the governments and traders of those days—though it is a fact that these principles have a general conformity. Mercantilism was a growth of its time. It was a system of political absolutism and centralization in favour of the burghers and mobile capital, to the detriment of the lords of the soil. To throw light on this we must glance at the economic process of this period.

The economic organisation of the Middle Ages was disrupted mainly by those political changes which led in Western Europe to the formation of the national states (France, Spain, Portugal and England); and in Germany, later in, to the formation of territorial princedoms. As a result, the Mediaeval economy, with its urban units, was replaced by larger units of different kind—the unified national economic areas. Political concentration in these areas resulted in money and wealth becoming elements of political power in a way very different from of old.

The idea of money as the nerve of the State was in many respects new. The State, which had been constitutional (in the Feudalist sense) became absolute; a State army replaced the

Feudal militia; and the centralisation of the administration established a paid civil service, judiciary, etc., where Feudal methods of self government had previously prevailed. The result was that military and civil concerns, taxation, and the processes of State credit, tended more and more to be carried on upon a monetary basis instead of by the payments in kind of the earlier economy. Money acquired a significance that was quite new.

These changes were accompanied by the economic upheavals that followed the discovery of America (1492) and the opening of the sea route to the East Indies (1498). New possibilities of world trade came into being, giving power to those traders situated on Western seaboards (the Spanish, the Portuguese, the Dutch and the English) but weakening those cut off from the new commerce. Trade, and the money standing behind trade, became important as sources of wealth and political power.

The effects of these displacements of wealth was reinforced by a new process. Soon after the discovery of the New World a vast amount of gold and silver began to move from Spain across Europe. As a result, the purchasing power of these metals fell enormously, with a consequent tremendous rise in prices. It is true that the rise in prices began about 1510, whereas the increase in gold and silver began to make itself felt about 1520. This was the result of famine, plague, and other causes, but nonetheless, the superabundance of gold was a factor, and a major one, in the rise of prices. The influx of gold played a great part in undermining the foundations of the old feudal economy, for it favoured the diffusion of the means of credit, and laid the ground for the development of the capitalist system.

All these circumstances tended to emphasize the importance of money, to stress the importance of commercial wealth as compared with the wealth that changed hands in kind during the feudal period. Thus, whereas in earlier times there had been the endeavour to check the growth of a monetary economy, the opinion now was that money, of not the only source of wealth, was certainly of decisive importance.

The primary aim of the mercantilists was to achieve a favourable balance of trade. When exports exceed imports, when the value of the goods sold to buyers abroad exceeds the value of the goods purchased from such buyers, the amount of money entering a country will exceed the amount of money leaving it. Then the balance of trade is said to be favourable to the country in which money thus accumulates. To achieve this favourable balance (which was the desire of the mercantilists) it was necessary to stimulate export trade. With that end in view, it was essential to foster industries that created commodities for export and, on the other hand, to check as far as possible the import of commodities.

But if home industry was to be fostered, special attention had to be paid to internal communications. It was necessary to abolish or reduce tolls and the like, and to break down the barriers erected by the urban economy of the Guilds. Good roads had to be built, canals dug, internal communications facilitated, home markets established. Customs policy was, therefore, of supreme importance in the mercantile system. The champions of that system wanted to abolish export duties, and if necessary stimulate exports by subsidies; at the same time they aimed at reducing imports by a high import tariff, or by actual prohibition. Instances are in France, the unified import tariff in 1664, and the development towards such a tariff in England after 1692. As corollaries to the restriction of imports, there had to be freedom for the import of raw materials needed by home industries and prohibition of the export of such materials.

SECTION THREE

The Rise of the Merchants

The earlier feudal economy had to be curbed by the encouragement of manufacture through privileges and monopolies (thus breaking the power of the Guilds), through exemption from taxation, and through other forms of support. Skilled craftsmen were imported, industrial secrets were purchased or stolen. On the other hand, by official supervision of the whole process of production, industry was to be kept up to the mark, and at the same time the consumer was to be protected by subjecting the process of sale to inspection. Here the traditions and customs of the older urban economy showed their influence.

Another method adopted was the establishment of colonies and trading companies. The East India Company, founded in 1660, was given the right in 1661 to carry on war and make peace in non-Christian countries. Similar companies were set up by other Powers.

Attempts were made to provide cheap labour so as to promote and strengthen industry. One method was to encourage the increase of population (a special need in Germany in those days after the Thirty Years War); prohibitions on marriage were removed and payments made to fathers of large families. Another was to cheapen the necessaries of life, so that wages could be kept down. Foodstuffs were freed from import duty, while high levies were placed on exported grain, or its export totally forbidden. These measures were opposed to the interests of the agriculturalists but, though not openly advocated, were often put into practice, for example, in France by Colbert.

Finally the output of gold and silver was to be increased where possible by mining in the home-land, assisted by state subsidies if needed. The attraction of wealthy foreigners into the country, the prohibition of the export of precious metals, and similar measures, were to supplement and round off the expedients for increasing the national wealth.

A survey of mercantilist policy shows that its advocates placed great importance on money, but did not hold that money was an end in itself; they valued it for its productive effects. Thomas Mun, the mercantilist, wrote "money begets trade" and "trade increases money". Charles Davenant, of the same school, says "Foreign trade brings in the stock. This stock, well and industriously managed, betters land, and brings more products of all kinds for exportation; the returns of which growth and product are to make a country gainers in the balance". Colbert says the same thing from the outlook of the State financier: "If there be money in the country, the desire to turn it to advantage makes people set it in motion, and public funds benefit thereby".

It is necessary to remember that mercantilism differed greatly at different times and in different countries. In England, Holland and Italy, it was predominantly commercial; in France and Germany it was rather industrial. These variations notwithstanding, and allowing for differences in the details of application, all the European rulers and statesmen from the sixteenth to the eighteenth century were guided by the principles set out above.

In England, though agriculture and manufacture were not neglected, mercantilism had a strong commercial trend. Cromwell's Navigation Law of 1651 decreed that no merchandise from Asia, Africa or America should be imported, except in ships built in England, owned by English subjects, navigated by English captains, with at least three-fourths of the crew English. Sea-borne commerce from England to other European countries was to be carried either in English boats, or else in ships belonging to the country with which trade was being carried on.

These conditions meant a practical monopoly of the seas for the English, to the detriment of the Dutch carrying-trade. By a treaty of 1703, Portuguese ports were opened to British woollens in return for concessions to Portugal allowing the importation of wine into Great Britain.

In Germany and Austria, owing to the devastation of the Thirty Years War, the need to increase the population was of paramount importance. There could not be much endeavour to promote foreign trade. The main concern was to hinder imports from countries whose manufactured goods were so cheap that the compensation could not be met. A demand for laws to limit expenditure on clothes, food, furniture, etc. was a feature of mercantilism here.

In Italy, in conformity with the nature of the financial and commercial aristocracies of the republics of that period, the mercantilist school was especially interested in the balance of trade and monetary problems.

In France, Jean Baptiste Colbert was the most successful exponent of the mercantile system, especially after 1666 when he became controller general of the national finances. At the time he took office, French industry was a long way behind England, and even Germany, and the finances and administration were in a bad state. It was not long before internal customs dues had been largely abolished, canals had been made, and skilled workmen and contractors attracted from other countries. By such stimulants as State subsidies, protective duties, and the establishment of technical schools, French industry began to flourish.

Adam Smith considered the mercantilists as a school of united thinkers. This is not so. Mercantilism was essentially a vague principle of applied economics, stemming from the historical, economic, and political foundations of the period. The economists of those days, in order to further the advance from the feudal and localised urban economy to a unified national economy, had to put forward the ideas of the balance of trade, attach great importance to money, study the effects of customs tariffs, examine the source of national wealth, and thus come to form a durable though somewhat loosely organised unity.

It was the economics of early capitalism—the period of history in which Capitalists and Workers make their appearance, showing a difference in the form of the class struggle from the feudal period before it.

SECTION FOUR

Before the Physiocrats
Sir William Petty (1623-1687)

Marx, in Volume 1 of *Capital*, says: "Once for all, I may add that by classical political economy I understand that economy which since the time of W. Petty has investigated the real relations of production in bourgeois society, in contradiction to vulgar economy, which deals with appearances only".

This is a tribute to the genius and originality of Sir William Petty, the founder of modern political economy. It is in his *Treatise of Taxes and Contribution*, London 1662, that we find the first idea of surplus value.

Petty distinguishes the natural price of commodities from the market price, the "true price current". By natural price he means value. This is his main point, as the determination of surplus value depends on the determination of value itself. What, then, is value? Petty determines the value of commodities by the relative amounts of labour which they contain; he is concerned not with appearances, but with foundations.

In the following quotation from his *Treatise of Taxes and Contributions* we get the first definition of value:
If a man brings to London an ounce of Silver out of the earth in Peru, in the same time that he can produce a bushel of corn, then one is the natural price of the other; now if by reason of new and more mines a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at ten shillings the bushel as it was before at five shillings, *ceteris paribus* (all things being equal).

The next quotation from the same work interests us, as it is the early examination of the value of labour;
The law . . . should allow the labourer but just the wherewithal to live; for if you allow double then he works but half so much as he could have done, and otherwise would; which is a loss to the public of the fruit of so much labour.
In modern words, in receiving for six hours' labour the value of six hours, the labourer would receive double what he receives if he worked for twelve hours and got only the value of six. he would therefore not work more than six hours. Thus the value of labour is determined by the minimum necessary for subsistence. To induce the labourer to produce surplus value and to perform surplus labour, it is necessary to compel him to expend all the labour power of which he is capable, as the condition upon which he may earn the necessities of life.

Petty recognises two forms of surplus value, ground rent and money rent (interest). He divides the second from the first which, for him, as later for the Physiocrats, is the true form of surplus value. He depicts rent not as simple surplus of labour expended over and above necessary labour, but as a surplus, of the surplus labour of the producer himself over and above his wages and the replacement of his capital; as for example the following"

Suppose a man could with his own hands plant a certain scope of land with corn, that is, could dig, or plough, harrow, weed, reap, carry home, thresh and winnow so much as the husbandry of this land requires; and had withal seed wherewith to sow the same. I say that when this man has subtracted his food out of the proceed and given to others in exchange for clothes and other natural necessaries, that the remainder of the corn is the natural and true rent of the land for that year, and the medium of seven years, or rather of so-many years as make up the cycle, within which dearth and plenty make their revolution, doth give the ordinary rent of the land in corn.

To Petty, the value of the corn is determined by the labour time which it contains, while rent, equivalent to the total product after the deduction of wages and seed, equals the surplus labour represented by surplus product. Rent, therefore, includes profit which is inseparable from it.

Petty also shows that the individual character of the labour is of no consequence. Labour time is what matters.

As a final tribute, and summing up of Petty's contribution to political economy, we quote the following extract from Volume III, of *Capital*.

Petty . . . and in general the writers who are closer to feudal times, assume that ground rent is the normal form of surplus value, whereas profit to them is still vaguely combined with wages, or at best looks to them like a portion of surplus value filched by the capitalist from the landlord. These writers take their departure from a condition, in which the agricultural population still constitutes the overwhelming majority of the nation, and in which the landlord still appears as the individual, who appropriates at first hand the surplus labour of the direct producers through his land monopoly, in which land therefore still appears as the chief requisite of production. These writers could not yet face the question, which, contrary to them, seeks to investigate from the point of view of capitalist production, how it happens that private ownership in land manages to wrest from capital a portion of the surplus-value produced by it at first hand (that is, filched by it from the direct producers) and first appropriated by it.

John Locke (1633-1704)

John Locke is probably better known for his philosophy than he is for his contribution to political economy. He follows William Petty in that he regarded human labour as the principal source of wealth, though Petty regarded both labour and *land* as the important factors. For Locke, nature was out of the prime importance. He believed that the laws of nature established personal labour as the natural limit of private property—the limit arising from the physical limitation on the amount of labour an individual can perform, and from the fact that no one should accumulate more than his needs.

Locke was opposed to the private ownership of land. In his opinion ground rent was no different from usury and, due to the unequal distribution of the means of production, was a transfer from one person to another of the profit that should have been the reward of one man's labour. The following quotation from his *Consideration of the Lowering of Interest* is an illustration of this:

Money, therefore, in buying and selling, being perfectly in the same condition with other commodities, and subject to all the same laws of value, let us next see how it comes to be of the same nature with land, by yielding a certain yearly income, which we call use or interest. For land produces naturally something new and profitable, and of value to mankind; but money is a barren thing, and produces nothing, but by compact transfers that profit that was the reward of one man's labour into another man's pocket.
Locke's importance is that he is the voice of the juridical theories of capitalist society as opposed to feudalism. His work in philosophy was the basis upon which the thinking of subsequent English economist rested.

Sir Dudley North (1641-1690)

Sir Dudley North is best known his *Discourses upon Trade*. This is mainly concerned with commercial capital, and as such is outside the scope of these notes. The importance of North is that he reflects in his writing the period in which he lived.

From 1663 to 1798, except for the years 1708 and 1709, wheat prices were falling. Landlords complained continuously about falling rents. Industrial capitalists and landowners were concerned about, and did in fact bring about, a reduction in the rate of interest. Up to 1760 it was considered to be in the national interest to maintain and increase the value of land. From 1760 onwards an economic investigation began into the rise in rents, about the increase in the price of land and corn, and of other consumer goods.

The years 1650 to 1750 were full of struggles between "moneyed interests" and "landed interests". The landowners gradually lost out to the money lenders and financiers of the period. The financiers, with the establishment of the credit system, and the system of State debt, became predominant in society.

Petty, in his works, refers to the complaints of the landlords regarding the fall of rents. He defended the moneyed interests against the landlords, and placed the rent of money and rent of land in the same category. North, in his writing, follows Petty. It was in this form that capital gave landed property its first set-back, since money-lending at interest was one of the main means for the accumulation of capital.

North seems to have been the first to understand interest correctly. He included both capital and money in "Stock". On price and money his observation that gold and silver serve not as gold and silver in themselves, but only as forms of exchange value, is, for his day, remarkable.

To sum up, the position of the economists before the physiocrats was that they had to try and understand the conditions in which the landlord was being forced out, to the advantage of finance capital which was growing.

SECTION FIVE

The Physiocrats

Although the Mercantile system was abundantly criticised, it was a long time before opposition to it became formed into a new doctrine. Such a new system of economic thought arose in France, its chief advocate being François Quesnay. He gave his doctrine the name Physiocracy—the rule of nature.

François Quesnay (1694-1774) was the son of a lawyer. He graduated as a doctor of medicine and became a physician to Madame de Pompadour and Louis XVth, His principal writings are the Economic Tables, 1758, and General Maims, 1758.

Quesnay's teaching is something more than economics; it appears to be part of a general philosophy. Setting out from the materialist notions of his time, he wanted to have social and moral phenomena regarded as being no less "natural" than physical phenomena; and the laws governing the former as well as the latter were to be seen as mechanical laws of nature.

The natural right of human beings in primitive society, he argues was the right to property—that is the right to the free disposal of goods which the individual has made or appropriated by means of his own labour. When at a later stage, men, for the better safeguarding of their natural rights, entered into the social contract, it was essential that they should not lose the right each of them had to earn his own living. Bound up in this right is another natural right of the individual—the right to foster his own economic interest and to shape his own future as best suited to him. This following of self-interest, according to Quesnay, leads to the establishment of a "natural order" in the economic association of human beings.

This doctrine of self-interest was eventually erected by Quesnay into a finished system. He endeavoured to study the laws of the economic "natural order", which were to be deduced by reason from the general plan of nature. This doctrine of "natural order" is important to him for two reasons. First, inasmuch as the pursuit of self-interest is regarded as an idea of natural right, a system of economic individualism is for the first time established. Secondly, the persons who, in their economic life, act consistently because they are guided by motives of self-interest, resemble atoms with fixed properties. The phenomena that result from their mutual contacts (in the market and elsewhere in society) are mechanically determined like those that result from the mutual contacts of the atoms. It follows, says Quesnay, that political economy, like the realm of material nature, is governed by natural laws.

To the question of what activity of the individual it is that regulates the economic machinery, and upon what foundation economic life depends. Quesnay answers—upon natural economic activities, namely agriculture. Agriculture is for him the source of all the wealth of the nation. Not money, trade, traffic and industry, but the tilling of the soil is the true source of public welfare. The former activities merely transform matter and move it from place to place; they are not creative. The agriculturist renders them possible by nourishing those who engage in them, and he supplies the raw material without which they cannot be undertaken. Commerce, industry and transport are to be considered as dependent upon agriculture.

The Physiocrats put the matter thus. The countryman gets hides, leather, and in the end his boots and other articles from his oxen; wood, and in the end his tools, from the trees on his farm; and so on. But, they said, to avoid the wasting of materials and energy, it is better that he should not himself undertake the work that transforms these basic materials, but should have it done for him by various specialists (the tanner, bootmaker, joiner, etc.) whom he must support of his agricultural surpluses.

The only productive, the only creative labour is, therefore, labour on the land. It is true that work which transforms materials derived from land, or moves them from place to place, can enhance the value of these things, but the cost of the supplementary labour is really defrayed by the agriculturist, who must feed the workers who perform it. The increase in value this produced is, therefore, according to the cost of the labour and is equal to the expense of maintaining the workers who do it. Such labour is once again covered and made good by labour on the land. The tanner, joiner, etc. who shape the raw material derived from land work merely earn their own keep in the form of wages; they make nothing new. All they do, says Quesnay, is to "add" not to "create". The agriculturist's work is a work of creation; the industrial workers perform only a work of addition, of transformation, or of transport.

Thus the class of landowners (consisting in those days chiefly of tenant farmers as contrasted with the landowning nobility) appear to Quesnay to be the only "productive" class. The land owners, on the other hand, form an "owning" or "distributive" class, while the industrialists and craftsmen comprise a "sterile" class.

These three classes are considered to be the "active" classes of the population, whilst the wage earners make up a fourth, a "passive" class, with no economic activity of its own. Agriculture cannot continue to be prosperous, adds Quesnay, unless grain realises high prices, for only then can agriculture provide a large "net product"***** and thus become able to provide large incomes for the landowning class, the manufacturers, and the working class, and in this way diffuse general prosperity. It was essential, therefore, to do away with all restriction upon the export of grain—Quesnay completely rejected the mercantilist theory of the balance of trade. The demand for free trade was an inevitable result of his views.

The Physiocratic system also gave a picture of the formation of value and of price. In certain connections Quesnay emphasized the nature of value as utility but with his doctrine of net product, value and price and derived from cost. In his view the transformative labour of industry added to goods only so much value as this labour itself consumed—only an amount of value therefore equivalent to its own cost. It follows from this that for Quesnay wages represent nothing other than the cost of replacement of the labour power that has been expended. Wages are merely the equivalent of subsistence.

* Quesnay uses the term "Produit Nett" as signifying the surplus of the raw produce of the earth left after defraying the cost of its production.

SECTION SIX

The Physiocratic School

No examination of the ideas of physiocracy would be complete without a reference to those who took up and developed Quesnay's teachings. They called themselves "economites". This school acquired great influence in France. Turgot, one of the members of this group and author of an important work on the subject of physiocracy (*Reflections on the Formation and Distribution of Wealth*) was appointed Controller-General of the Finances in 1774. Another of Quesnay's pupils who became political chief of the physiocratic school, was Marquis Victor de Mirabeau, generally known as Mirabeau the elder. Others were quick to espouse physiocracy in the land of its birth.

The physiocratic doctrine soon spread from France to other countries, but made little impression in England. It had immense in Germany, where Karl Friedrich Margrave of Baden, aided by Schlettween, the most distinguished among the German physiocrats, made an unsuccessful attempt to put in practice the physiocratic principles of taxation. Leopold I, Grand Duke of Tuscany, endeavoured to introduce a "land tax" in his duchy. Joseph II, Catherine, and most of the other monarchs of the period, were affected and influenced by physiocratic ideas. The doctrine found adherents also in Italy, Poland, Sweden and elsewhere.

After Quesnay's death in 1774, dissensions broke out among the French physiocrats, chiefly because of Condillac, who insisted that commerce and industry were "fruitful" as well as agriculture, which was unorthodox to other physiocrats. The disputes that followed paved the way for the collapse of the movement. The dismissal of Turgot from office as a result of the poor condition of the State treasury, the bad harvest of 1775, the rise in the price of bread, and the bread riots all over the country, all helped this collapse.

Finally, the French revolution, bringing the birth of Modern Capitalism to France, relegated the idea of physiocracy to the realm of the past.

The ideas of the Physiocrats did not escape criticism, even in the country of its origin. Of particular interest are the works of Linquet, (*Legislation on Trade*, 1769) and Necker, (*Grain Legislation and Trade*, 1775 and the *Administration of the Finances of France*, 1785).

Linquet, who wrote ironically about conditions of the period, appears to defend chattel slavery against wage slavery, and ridicules all the physiocratic ideas of property. The following quotes from his writing of 1767 illustrate this. The first quotation is the answer to the physiocrats.

It is the impossibility of gaining a livelihood in any other way which forces our day labourers to till the soil whose fruits they will never eat, and our masons to raise buildings in which they will never dwell. It is poverty which drives them to market to dance attendance upon the masters who might wish to buy them. It is this which compels them to kneel before the rich, and to beg of them permission to enrich them.

And on freedom—a boast of the physiocrats: What is this apparent liberty with which you have invested them? They can live only by renting their hands. They must find someone to rent them or die.

To the economists of his time he said this about the workers.

Do you not see that the obedience, the abjection—let us say it—of this numerous flock, is the wealth of the shepherds? If the sheep who comprise it were ever to lower their heads to the dog who herds them, would they not be dispersed and destroyed, and their masters ruined? Believe me, for his interest, and for your own, and even for theirs, leave them in the persuasion where they now are, that this cur which bays at them has more power itself alone than all they together. Let them flee at the mere sight of his shadow. Everyone will be the gainer. You will find them easier to round up for the fleecing. They are more easily kept from being devoured by the wolves. It is true that this is only so they can be eaten by men. But then, that is their lot from the first moment they enter the fold. Before talking of releasing them, overturn their fold, society.

Necker in his work shows that the development of the productive forces if the workers merely permits the worker to devote less time to the reproduction of his own wages and more to the enrichment of his employer. The importance of this is that Necker derives profit and rent, the wealth of the capitalist class, from surplus labour. But he sees it only as relative surplus value, produced not by the prolongation of the working day but by a reduction of the necessary labour time. The following quote from his *Administration of French Finances* shows the class position of his time.

That class in society whose fate seems as though fixed by social laws is composed of all those who, living by the labour of their hands, receive the imperious law of the proprietors and are forced to content themselves with the simplest necessities of life. Their mutual competition and the urgency of their wants constitute their dependency; and these circumstances can in no way change.

In assessing the value and place of physiocracy in any history of political economy, we must take into account the economic development of France and other countries where the doctrine was accepted. Physiocracy is first and foremost the ideas of an agricultural economy; it is the philosophy of Feudalism gradually transforming into Capitalism. Its importance fades with the French Revolution.

For us today, physiocracy can be seen as a link in the chain that leads up to, and influences, later economists. Adam Smith was influenced by it, as were several others after him. The Henry George School of modern times is also a reflection of the old physiocrats. The liberal ideas of *laissez-faire*, freedom of competition, likewise flow from this source.

Finally, its weakness has been shown by Marx in Volume 2 of *Capital*, as already mentioned in these notes.

FROM POLITICAL ECONOMY TO 'ECONOMICS'

The decline from scientific investigation to apologies for capitalism

CHAPTER ONE

Political Economy and its outcome

The history of economic research came up as *an independent science* in the seventeenth century. However, that didn't happen all on a sudden. Long ago since ancient times, the process of rudimentary conceptualization and formation of political economic ideas had begun cropping up. The ancient Egyptians, Greeks, Hindus and other peoples were already acquainted with such economic categories as commodity, exchange, money, price, loan interest, commercial profit, and others. There are very interesting ideas and data in ancient Egyptian *papyri*; the *code of Hammurabi*, the ruler of Babylonia; the *Vedas* of Ancient India; Homer's *Odyssey* and other works of the ancient Greek poet; the writings of Xenophon, Plato, Aristotle and other philosophers of Greek antiquity, and so on. Actually, what the ancients knew about economic categories was just embryonic.

The history of economic thought initiates with the works of Xenophon (c. 430 – 354 BC), Plato (428/427 or 424/423 – 348/347 BC) and especially Aristotle (384 – 322 BC), who made the first step towards a theoretical understanding of the economy of the ancient Greek society (which was at the stage of demise of the primitive-communal system and the rise of slavery), and articulated some remarkable ideas on value, commodity exchange, and the earliest forms of capital: trading (merchant’s) and usury capital.

Capitalist structures first took shape not in production, but in trade and monetary operations in the late sixteenth and early seventeenth centuries. Eventually this evolutionary process of the upcoming capital came to be known as Mercantilism that expressed the interests of merchant’s capital in England, Italy and France. Its principal spokesmen were William Stafford (1554 – 1612) and Thomas Mun (1571 – 1641) in England, Antonio Serra (1580 – 1650) in Italy and Antoine de Montchrestien (c 1575 – 1621) in France.

The term “*Political Economy*” was first coined by the French mercantilist Antoine de Montchrestien in his *Treatise of Political Economy* (1615), which contained recommendations on how to run the state economy and multiply the country’s wealth. The term was derived from three Greek words: “*politikos*” – state, social; “*òikos*”- household or its management; and “*nomos*” – rule of law, and so meant “the laws of state management”

Later on, bourgeois political economy was developed by the Physiocrats: Francois Quesnay, Anne Robert Jacques Turgot, and others. François Quesnay (1694 – 1774) was a French economist of the Physiocratic school. He is known for publishing the "Tableau économique" (Economic Table) in 1758, which provided the foundations of the ideas of the Physiocrats. Under the influence of Quesnay, Anne Robert Jacques Turgot, Baron de l'Aulne (1727 – 1781), commonly known as Turgot, was a French economist and statesman.

In contrast to the mercantilists, they switched the emphasis in economic research from the sphere of circulation to the sphere of production.
Bourgeois political economy in that period [from the 17th century to the 1830s] was advanced by William Petty in England, (1623 – 1687) and Pierre Boisguillebert in France (1646 – 1714). They were the pioneers in formulation of the *labour theory of value*. They were the founders of *classical political economy*, which reached its peak in the works of the Scottish economist Adam Smith (1723 – 1790) and the English economist David Ricardo (1772 – 1823)
Karl Marx (1818 – 1883) observes in *Historical Notes on the Analysis of Commodities* in *A Contribution to the Critique of Political Economy*, "The decisive outcome of the research carried on for over a century and a half by classical political economy, beginning with William Petty in Britain and Boisguillebert in France, and ending with Ricardo in Britain and Sismondi in France, is an analysis of the aspects of the commodity into two forms of labour – use-value is reduced to concrete labour or purposive productive activity, exchange-value to labour-time or homogeneous social labour. And he defines political economy in *Capital*, "… by political economy I understand the economy which since the time of W. Petty has investigated the real relations of production in bourgeois society."

"Vulgar economists"

Marx made a distinction between such men as Petty, Smith and Ricardo and their successors. He wrote of the former that they devoted their efforts "to the study of the real interrelations of bourgeois production", while the latter were "content to elucidate the semblance of the interrelations" and to act in effect as apologists for the capitalist class. He called them “vulgar economists”.

Engels had already warned in 1843 in his *Outlines of a Critique of Political Economy* (which first aroused Marx’s interest in the whole subject), “The nearer to our time the economists whom we have to judge, the more severe must our judgment become. For while Smith and Malthus found only scattered fragments, the modern economists had the whole system complete before them: the consequences had all been drawn; the contradictions came clearly enough to light, yet they did not come to examine the premises and still accepted the responsibility for the whole system. The nearer the economists come to the present time, the further they depart from honesty.”

By 1840s, *utopian socialism* arrived at its downturn *vis-à-vis* rising *political class struggle* with the advent of *Chartism* kindling *working class-consciousness*. Simultaneously, speculative philosophy was giving way to critical philosophy and Marx’s *Materialist Conception of History* decisively resolving into his *A Contribution to the Critique of Political Economy* by 1859. The foundation of Marxian theories began settling accounts with positivism. This summoned a foe into the field of battle John Stuart Mill (1806-1873), English liberal theorist and contemporary and opponent of Karl Marx, was first to call into question the *concept of value* against the *Labour Theory of Value*, the *heart* of Political Economy up to that time. Mill stepped into the shoes of Jeremy Bentham (1784-1832), the founder of *utilitarianism*, who wrote the *Introduction to the Principles of Morals*, 1789 asserting to estimate all laws, past and present, with his positivist ethics of *utility*. Mill’s *Utilitarianism* (1863), based on individual free will, portrayed value as ‘metaphysical’ and put the quantitative phenomenon of *price* and the intrinsic quality of a commodity called *utility* at the heart of economics, initiating an anti-Marxist *superficial trend*. However, he could not make headway with this project. Since, it came up against Marx's development of Political Economy in a quite different direction

Political Economy that set out to explain why people lived the way they did, what wealth was and how it was produced and distributed, where its price arose from, why there were rich and poor, what caused growth and change, etc. did not concern the positivists.

Previously though, William Petty – (1623-1687, ***Treatise of Taxes and Contributions***, 1662) – "the father of Political Economy and to some extent the founder of Statistics" (Marx, *Capital*. Vol. I, Progress, 1974, p. 259) – had discovered that *labour* is the *father* and the *earth* the *mother* of a product; and Adam Smith (1723-1790) observed that the amount of *labour* embodied in a commodity determined its *value*. David Ricardo (1772-1823), "Political Economy's last great representative" (Marx), took up to investigate the antagonism of class interests, of wages and profits, of profits and rent, but naively, because the class struggle was as yet undeveloped and Political Economy looked upon the capitalist regime as the final form of social production, instead of as a passing phase of its evolution.

Political Economy recognized the unity of two opposite *elements* in a *commodity* – *exchange* and *use*, and suffixed *value* to both. Yet, utilitarianism saw value only "in the eye of the beholder".

Marx and Engels entered into their lifelong companionship through historical and scientific studies and contributions delving deep into the core of class societies with devastating consequences for the ruling classes of the world.*

*
1. ***Outlines of a Critique of Political Economy***, Engels, Oct-Nov 1843
2. ***Comments on James Mill***, Marx, 1844
3. ***Economic and Philosophic Manuscripts of 1844***, Marx, Apr-Aug, 1844
4. ***The Holy Family***, Marx & Engals, Sep-Nov 1844
5. ***The German Ideology***, Marx and Engels, Nov 1845 to Aug 1846
6. ***The Poverty of Philosophy***, Marx, first half of 1847
7. ***Wage Labour & Capital***, Marx, 1847
8. ***On the Question of Free Trade***, Marx, 1848
9. ***Communist Manifesto***, Marx and Engels, Dec 1847 to Jan 1848 with the formation of the *Communist League*, London, 1847, and dissolution by 1852
10. ***The Eighteenth Brumaire of Louis Bonaparte***, Marx, December 1851-March 1852
11. ***Grundrisse***, Marx, 1857
12. ***Pre-Capitalist Economic Formations***, Marx, 1858
13. ***A Contribution to the Critique of Political Economy***, Marx, 1859
14. ***Results of the Direct Production Process***, Marx, 1864
15. Inauguration of the ***International Working Men's Association*** (IWMA or the First International, Sep 28, 1864), Marx's famous address (June 20 and 27 1865 at two sittings of the General Council of the *IWMA*) later published as *Value, Price and Profit* (first published English edition in 1899 by Marx's daughter, Eleanor Marx Aveling)
16. ***Value, Price and Profit***, Marx, 1865
17. ***CAPITAL,*** Vol. I, Marx, 1867
18. The *Paris Commune* (18 March to 28 May 1871, under the influence of the Blanquists and Proudhonists though) "formed of the municipal councillors, chosen by ***universal suffrage*** in the various wards of the town, ***responsible and revocable at short terms***"
19. ***The Civil War in France*** (Marx, middle of April to end of May 1871)

Marx pointed out in *Capital*, "So far as labour is a creator of use-value, is useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature imposed necessity, without which there can be no material exchange between man and Nature, and therefore no life. …The use-values, coat, linen, &c.,

i.e., the bodies of commodities, are combinations of two elements – matter and labour. …But the value of a commodity represents human labour on the abstract." Thus, he revealed the *materialist* essence of a commodity that embodies the *dialectical* unity of *use-value* (quality – usefulness, i.e. *concrete* labour) and *value* (socially necessary, i.e. *abstract* labour) expressed through *exchange-value* (quantity – in terms another commodity) that turns into *price*.

Marx discovered the distinction between *labour-power* (energy transferred to a human organism by means of nourishing matter – a capacity or power of the living individual – the aggregate of those mental and physical capabilities existing in a human being) and *labour* (used up human energy – mental, nervous and muscular energy or, in other words, *the process of expending labour-power*). Then he analyzed that *wage*, i.e. *necessary labour* consists in the "nourishing matter" or *subsistence* to produce and reproduce labour-power which a worker actually sells to a capitalist, whereas the capitalist has then at disposal the labour – the process of expending labour-power – for a certain period of a working day determined by contract, or convention, or rule – whereby extraction of some *surplus labour* in the form of *profit* is a must. Thus, exploring deep into the core of the body of profit and finding out the *surplus value, i.e.* surplus or unpaid labour over and above the necessary or paid labour, he solved the mystery of history and laid bare the laws of motion of commodity production, distribution and accumulation, whereby the capitalist class maintains its parasitic existence.

Smith did not see beyond capitalism, hence his prediction about the "stationary state"; Ricardo concerned himself, naively though, with classes, relations and changes; finally Marx explained that changes happen via *class struggle* through *revolution/evolution* at a given stage of development when the *forces of production* outgrow the *relations of production* and bring about a *higher* form of relations.

In the United Kingdom political class struggle proceeded through rise and demise of the first working class party, the ***Chartist Party*** **(1838-1858)** with its ***Six Point Charter:*** *universal adult male suffrage (universal adult suffrage, originally), secret ballot, no property qualification for MPs, payment for MPs, equal constituencies, annual parliaments (to counter ballot-rigging and make MPs more answerable*)***. However, the Charter persisted only as an ***Idea in Petition***, suppressed yet dormant as a vital working class lesson.

*** ["*These six points … are sufficient to overthrow the whole English Constitution, Queen and Lords included*," observed Engels later]

The Idea became active in the ***Paris Commune,*** **18 March to 28 May 1871**, with the one new principle that it forged and fastened on to ***universal suffrage: elected delegates "responsible and revocable at short terms"*** (***The Civil War in France***, Marx Engels, SW. 2, p. 220). Nevertheless, it lacked socialist content and the situation too was unripe, hence the fall of the Commune. *** Historically, however, in retrospect, given objective conditions ripe, this ***bottom up elective principle*** of class-wide organization and action with a clear-cut Socialist goal could dispossess the capitalist class eventually absorbing the state's socially useful functions into Socialism's liver while dissolving all oppressive organs, making political state with its political parties – ruling or otherwise – useless and die out.

*** People jeered at "*impossible Communism*"! Marx alluded to, because he saw, "Working men's Paris with its Commune will be forever celebrated as the glorious harbinger of a new society." (***The Civil War in France***, SW. 2, p. 241)

Engels called it "*a new prospect ... the new weapon ... scarcely ever unsheathed". "For the full representation of labour in Parliament, as well as for the preparation of the abolition of the wages system, organization will become necessary not of separate trades, but of the working class as a body. And the sooner this is done the better*," (***Trade Unions***, written on about May 20, 1881, CW. 24, p. 388)

*** **On "People's state" and the Character of an Election:** "*The character of an election does not depend on this name but on the economic foundation, the economic interrelations of the voters, and as soon as the functions have ceased to be political, 1) government functions no longer exist; 2) the distribution of general functions has become a routine matter which entails no domination; 3) elections lose their present political character. …With collective ownership the so-called will of the people disappears and makes way for the genuine will of the co-operative*." (Marx, *Notes on Bakunin's Book Statehood and Anarchy* – written in April 1874-January 1875, CW. 24, Moscow 1989, pp. 519-20)

A superfluous class

On the one hand, unceasing intervention by Marx and Engels with their organized presence in the *International Working Men's Association* or the *First International* (September 1864) and pathfinder studies culminating in the publication of Marx's ***DAS KAPITAL***, Vol. 1 (1867) cleared the path of history by closing the role of philosophy and ideologies and opened the method of *practical* active organization towards human emancipation. The disclosure of complete *superfluity* of the capitalist class in modern society with all its businesses top to bottom becoming hired functions of the working class stripped them off their theory wrap of Political Economy. On the other, the inability of the bourgeois democratic republicanism *vis-à-vis* the newly invented *Paris Commune Principle of Democracy* and its predictable adoption and application by the next organized initiative of the self-emancipating working class put them in apprehension of a forthcoming revolution. Furthermore, by slighting the "measures proposed at the end of Section II" of *Communist Manifesto* in 1872 as "antiquated" Marx and Engels actually pointed to the one single revolutionary task of achieving Socialism since society's class divide had turned into its fetter to progress. "And here it becomes evident, that the bourgeoisie is unfit any longer to be the ruling class in society and to impose its conditions of existence upon society as an over-riding law. It is unfit to rule because it is incompetent to assure an existence to its slave within his slavery, because it cannot help letting him sink into such a state, that it has to feed him, instead of being fed by him. Society can no longer live under this bourgeoisie, in other words, its existence is no longer compatible with society." (***Communist Manifesto***, Moscow, 1977, p. 48).

However, by the beginning of 1870's application of *differential calculus* to the natural sciences gave rise to the concept of *"margin"* leading to the so-called *'marginal revolution'* in economics simply to generate hundreds of differential equations linking all various hypothetical assumptions about market conditions, money supply, choice and demand, distribution, etc. In the name of sciences. The exploiting and ruling class of society got up to live by this newly discovered *'marginal'* wit coupling with *use value* or just *utility* in their 'modern' economics too. Thus was born a skunk – the *'theory of marginal* *utility'* preaching utility as a *quantifiable* entity commensurable with *money*.

Its breeding season opened with the fall of the *Paris Commune* (28 May 1871) clearing History's course for *legal* revolution with new possibilities of revolutionary organization and action under changed circumstances giving rise to internal strife that ripped off the First International. The capitalist class made no mistake to learn their class lesson. They seized first the opportunity to vulgarize "value" with 'marginal utility' in economics.

CHAPTER TWO

Utility Theory vs. the Labour Theory of Value

The *Theory of Marginal Utility* was developed by William Stanley Jevons (1835-1882) at Manchester University (England 1871) and Léon Walras (1834-1910) in Lausanne (Switzerland, 1874) – both trained as physicists, introduced mathematical systems of analysis, founded on principles used successfully in subjects such as engineering, which remain the basis of much of so-called 'modern' economics today. Jevons had already initiated his *Brief Account of a General Mathematical Theory of Political Economy* in 1866, Published by The Journal of the Royal Statistical Society, London, XXIX (June 1866). Karl Menger (1841-1921, Austria, *Grundsätze* (Principles) 1871) lent a hand to project the subject of political economy in people's subjective attitude as reflected in relations of things instead of relations of production among people. A theory of *prices* entered as the saviour of the capitalist class with Jevons and Walras conjuring up *'economic laws'* in terms of *demand* and *supply* – rise or fall of which interacts *causing changes in prices* deviously avoiding the origin of prices in the first place.

The theory, in brief, is this: a buyer goes on buying more of a commodity as long as its price (set by the seller) remains lower than his marginal utility (utility he expects) which diminishes with every successive unit he buys ('diminishing marginal utility'). On the other side, a seller goes on selling a commodity as long as his marginal utility of money remains higher than the price. Thus, both the buyer and the seller of a commodity reach *equilibrium* when their respective marginal utilities meet at the *market price* equating demand and supply.

This false equation conceived of a germ cell that would produce its family of ideological diseases in time.

In the political field too, now wiser and more confident capitalist class saw reason in extending their franchise about the governance of their own affairs gradually even to their would-be “grave-diggers”. They raised a *sham democracy* (or “vulgar democracy” as Marx called it in *CGP*) *usurping suffrage* as an *instrument of trickery* to *block* the powerful participatory democratic principles invented by the Paris Commune.

They knew by then that they needed watertight policing of workers’ brains besides policing their own properties and privileges to get the conditions of their continued rule over society via continuous reforms. Thus were born *‘economic sciences’*, ‘*political science’* et al.

This point onwards with many *reforms*, media *propaganda* and *school brainwashing* via the capitalist *curriculum* got going to turn workers and would-be workers (most students) subservient to the shrouded slavery i.e. wages-slavery in marriage with the sham democracy in a conspiracy of silence against Marx’s *Labour Theory of Value* and the *Paris Commune principles of democracy*.

However, their path was not yet expediently clear. Great obstacles were there with Marx and Engels still alive working in the interest of the working class:

1. ***Notes on Bakunin’s Statehood and Anarchy***, (Marx, April 1874-January 1875)
2. ***Critique of the Gotha Programme*** (Marx, 1875),
3. ***Anti-Dühring*** (Engels, 1878),

4. ***Socialism: Utopian and Scientific*** (on request of Paul Lafargue, Engels rearranged three chapters of the *Anti-Dühring* in this booklet, between January and first half of March 1880)
5. ***Karl Marx's Declaration of Principles*** (May 1880),
6. ***A Fair Day's Wages for a Fair Day's Work?*** (May 1-2), *The* ***Wages System*** (May 15-16), ***Trade Unions*** (May 20), 1881 – Engels, published in ***The Labour Standard***, respectively (May 7, 21, 28 & June 4, 1881),
7. ***A Working Men's Party*** (Engels, mid-July 1881),
8. ***The Origin of Family, Private Property and the State*** (Engels, 1884),
9. ***CAPITAL*** Vol. II, Marx, shaped and published by Engels in 1885,
10. ***Wage, Labour and Capital*** (Lectures delivered by Marx 14-30, 1847, originally published in the *Newe Rheinische Zeitung* of 5-8 and 11, 1849, published as a booklet prefaced and edited by Engels in 1891),
11. ***CAPITAL*** Vol. III, Marx, prepared for the printer and published by Engels in 1894,
12. Many brilliant correspondences of Marx and Engels with their comrades, friends, and others raising the cause for Socialism.

Karl Marx passed away on 17 March 1883, and Engels on 5 August 1895.

Of great importance was the *Democratic Federation* founded in London in June 1881, which in 1884 became the *Social Democratic Federation* (SDF). Two increasingly opposite trends began taking root inside the *working class milieu*: (1) a progressive decantation of the Marxian materialist principles in order to get revolution freed from the quagmire of reformism by precisely defining socialism, and (2) a shrewdly reactionary, confused, and hence confusing distortion, which served idealist ambitions under the cloak of Marxism. The one set out with the so-called *"impossibilist (anti-reformist) revolt"* in the SDF giving rise to the *Socialist Party of Great Britain* in June 1904 with its pathfinder contribution to political class struggle towards the emancipation of the working class from wages-slavery *en route* to human emancipation. The SPGB defined the *Object* of Socialism and the *Declaration of Principles* showing the way through to the *new* organization and movement without leaders. Having learned the lessons of history and in adherence to the 1872 caution of Marx and Engels dropping the so-called '*minimum programme'* or "*transitional measures*" as "*antiquated*", this unique Party declared its sole aim **SOCIALISM**. Nevertheless, in the mean time, *Social Democracy* started making inroad into Marx's *Materialist Conception of History* distorting its theory and practice. There arose an array of '*possibilist'* (See *Marxism & Asia*, p.5 top) groups and parties – 'possibilist' because, for them the only 'possible' way of doing things were the '*minimum* programme' or "*transitional measures*" with '*socialism'* as a remote aim. By and by, corrupting the concept of 'socialism' with '*state capitalism'* (Leninism) '*vanguardist'* leaders, so-called '*professional revolutionaries'*, i.e. self-seeking careerist 'conspiratorial' cliques rose to add ranks and give a new lease of life to capitalism by the left.

In October 1884, the magazine '**Today***'* published an attack against Marx's labour theory of value by the Reverend Philip H. Wicksteed. In January 1885, they published "*A Jevonian Criticism of Marx*" written by George Bernard Shaw ('Fabian Socialist') declaring, "*I put myself into Mr. Wicksteed's hands and became a convinced Jevonian*". In April 1885, Wicksteed wrote a 'Rejoinder' (for a socialist refutation see the *Socialist Studies*, No. 19, pp. 9-14). Readers must note that Marx abusers got hold of the English readership to prejudice Marx's ***Capital*** prior to being there a published English translation of it. The International Library edition of Volume 1 was published in London in 1886 and the Kerr edition in Chicago in 1906.

By the time of publication of the third volume of *Capital* in 1894 economists had begun picking up points only where the capitalists' practical interests had to be defended, faithfully reflecting the clash of interests of the dominant cliques, while carefully shunning all attempts to think about the totality of social relationships, lest such deliberations might jeopardize the existence of their 'economic sciences'. In piling up their "models" – well exceeding the number of economists vying each other on most questions – while chatting about total relationships, the only total they went thriving on is arduously added irreconcilable fragments. Blocking principles and closing investigations, their 'economic sciences' became miserably eclectic and syncretic. Some analysts call it the 'psychological school' something like 'economic astrology'.

So it was high time for them to rise to their masters' cause. There arrived Alfred Marshall (1842-1924) writing the *Principles of Economics*, 1890, Vilfredo Pareto (1848-1923) *The New Theories of Economics*, 1890, and an aggressive Austrian, Eugen Böhm-Bawerk (1851-1914) blissfully pounding his idealist economic nail into a frightening coffin of the spectre of Communism / Socialism with his piece – *"Karl Marx and the Close of His System"* (written 1896 and published in London, T. F. Unwin, 1898) following publication of Vol. III of ***DAS CAPITAL*** in 1894. A decade previously in 1884, in his *Capital and Interest*, Böhm-Bawerk linked doubt with the first volume of *Capital*, and in 1900 he reproduced a substance of his case in the second edition of his *Capital and Interest* (German edition). He believed he had proved Marx's economic predictions unsustainable, and boastfully declared that the publication of the third volume of *Capital* had launched "the beginning of the end of the labour theory of value". He wanted to measure *value* of commodities according to their *utilities* by scaling *satisfaction*.

As if one could scale love. Could anybody ever quantify a *quality* (utility) anyway? Utility-utopians claim they could, using money as the measure. But, what is money in the first place? Isn't it just a *relation* appearing with a commodity having quite a different utility placed in exchange against others? Utilities exchange not in their own terms but in terms of their opposites – *exchange values*. How the exchange value of a commodity beginning with elementary or accidental *polarity* of *relative* and *equivalent* forms transformed via the *general* form into the *money* form – the *universal equivalent* of all exchange values – is, however, a matter of history. Thus, with the marketing of the *'marginal utility theory'* an *anti-historical*, therefore, *anti-social* theoretical aggression against human intelligence and knowledge of social relativity got going to protect the interest of the superfluous capitalist class.

Illusion of Competitive General Equilibrium and Optimality

Walrasian general equilibrium or 'competitive general equilibrium' constructed with marginal self-defeating moulds, such as, diminishing marginal productivity, diminishing returns to scale etc. – is, by definition, a travesty of reality, a contradiction in terms, firstly because 'competition' and 'equilibrium' cancel one another, and competitive free-market ideal with numerous small firms is nonsense. Small – 'the beautiful' sprats are always ready kills for the ocean sharks. With periodic cyclical boom-and-slump growth and accumulation under constant coercion of competition for markets, 'free will' or 'free-market ideal' is the frame of *unfreedom* – an illusory fallacy – since the market was born mirror image of private property – the original *monopoly* that gave rise to *competition* of furious private interests for more destructive monopolization of necessity. So the 'diminishing returns to scale' or 'diminishing marginal productivity' [John Bates Clark (1847-1938) "Marginalist Revolution" – "Marginal Productivity Theory of Distribution, 1889"] (cf. Marx's "falling rate of profit") has to be *countered*. Employers do it through the absolute and relative lengthening of the working day and constant technological development, constant *centralization* with big capitals swallowing the smaller ones, and *concentration* via measures *raising the rate of exploitation* that works behind the back of the labourer. "If the productivity of labour grows, the same use-value will be produced in less time," explained Marx in *A Contribution to the Critique of Political Economy*. The popular belief that competition is 'good' and monopoly is 'bad' is misleading. For, they constitute merely the reverse sides of the self-same coin – private property, only the abolition of which will free society from the both and return the humanity its lost *co-operation* in entirety – the "equilibrium" in the sense of *social progress in harmony with nature*.

In the free-market ideal supply equals demand on every market, for every seller brings with him a buyer – so goes the dogma of Jean Baptiste Say (1767-1832, *Letters to Malthus on Political Economy*, 1821). Since all markets clear by such a definition, this applies to the labour market too. With the number of workers supplying their labour-power equalling the number of employments offered in demand by the employers, economy has no unemployment, and full equilibrium prevails. Hence, any reallocation of resources by governments will break 'equilibrium', for, according to Pareto optimality criterion, you cannot make one better off without making another worse off. Thus, governments need not bother about futile and counterproductive economic policies.

Capitalist Economy is *not* Democratic

Economics is all about the *real life,* and economic laws work *objectively,* irrespective of the subjective wills of the players involved. The economy under capitalism – certainly the global one, no matter what its form – free market, state controlled, or so-called 'mixed' – remains *exploitative, deceptive* and *dictatorial*. Intellectually or otherwise, you could never get 'free' or 'democratic' economies under capitalism. As long as the class division of society exists, not all 'rights' taken together constitute an iota of economic democracy. Workers must always work diligently disciplined, obedient, and subordinated under a hierarchy of high command.

Mathematical Make-up

"Vulgar economics" animated with so-called 'marginal revolution' having systematic mathematical makeup, introduced by Jevons and Walras and carried forward by their successors, reappeared as 'modern' – refined and scientific – to the popular misconception that mathematics (formal logic) equals science. More obscure, more complex and more unintelligible you make a subject, more awesome, hence revered, it becomes to the gullible under this *culture of faith*. So the more mathematical your pieces are the more elevated you get to eminence with all half-intellectuals of the officialdom all over the world.

The systematic use of mathematics in economics was declared as early as in 1874 by the Danish economic association as 'officially invalid', and lately complained about even by one Keynesian Joan Robinson in the 1950s as "economics hiding behind 'thickets of algebra', is just to conceal its hideous intent on deception and cruelty *against* the Labour Theory of Value. Now, therefore, when Paul Ormarod declares "The Death of

Economics", in reality, he speaks of the death of so-called 'modern' economics, and in no way of Marxian Economics – the only economic science that lives to date and shall live until the death of capitalism, in spite of and against the will of the great fraternity of Marx abusers.

Ormarod is justified in describing economists as "anti-social reincarnations of Ebenezer Scrooge". For, "self-interest pervades modern economics" – "to an economist … there is no such thing as society, only the individuals who constitute it."

CHAPTER THREE

The Ideology of Four Factors of Production

'Modern' economics starts duping our young in the formative years in high schools and colleges with its *ideology* of four factors of production: *land*, *labour*, *capita*l and *enterprise* (organization). With workers under capital's command, such ideological *confusion* of the so-called *factors of production* (the term employed instead of *forces of production*) with the *relation of production* became necessary to fortify the anachronistic hence anti-social existence of the capitalist class *against* Marx's exposure on their complete superfluity. By driving out all remnants of science transmitted from the political economy, they made it 'modern', no doubt! Without posing capital as a thing and capitalists as 'captains of industry' you cannot justify their doing/undoing whatever top down about affairs of production and distribution they own and control.

American economist John Bates Clark (1847-1938) – a pseudo-'opponent' of Eugen von Böhm-Bawerk (1851-1914) – yet a proponent of the 'Marginalist Revolution' – wrote some morsels: *Production Function, Marginal productivity – (i) Law of Diminishing Returns, (ii) Law of Variable Proportions, Marginal Productivity Theory of Distribution*, to drag wages tied to labour-productivity in order that profit could remain certain. A superficial observer might agree with him. Nevertheless, you cannot. Because of the inner dynamic of self-expansion of value, **V = c + v + s**, where '**V**' equals Value, '**c**' equals constant capital, '**v**' equals variable capital and '**s**' equals surplus value. This works through the collectively of all various individual capitalist enterprises (sharing out '**s**' as rent, interest, industrial

& commercial profits, philanthropy, taxes and subscriptions) operating under constant coercion of competition for individual shares of the gross profit i.e., the money name of surplus value '**s**'. However this process works under the *law* that its rate has a *tendency to fall*, because of continuous rise in the *constant* components of capital (*instruments of labour* and *material of labour*) in relation to the *variable* component of capital (*labour power* represented via wage fund). Alternatively, the fall occurs because of the rise in the *organic composition of capital* i.e., **c/v** and the *technical composition of capital* i.e., **c/(c + v)**. Therefore, *to offset the tendency* capitalists constantly look for reforms resorting to deceptive measures for raising the rate of exploitation.

Nevertheless, you have to justify your moves. Typically, **Alfred Marshall** (1842-1924) and **J. B. Clark** in 1890 envisaged that the psychological and individual incentive impel capitalists to 'save', which explain the entire problem of the accumulation of capital. However, you could ask do they 'save' from nowhere!

'Risk and Uncertainty'

This prompted "The Chicago School" to send another vulgar economist **Frank H. Knight** (1885-1972) on the battlefield with his dissertation – "Risk, Uncertainty and Profit" (1921) – making a distinction between "risk" (randomness with knowable probabilities) and "uncertainty" (randomness with unknowable probabilities). Thus, he gave a role to the entrepreneur in his theory of profit. Profit for him is a "reward of risk-taking", not the "insurable risk" that is "ascertainable, either by calculation *a priori* or by the application of statistical methods to past experience", but "but only of a unique kind of risk, which is not susceptible of measurement". Astrological economics, of course!

This recruit in the global profit-ministry attributed profit to ‘enterprise’ and ‘organization’ for taking ‘risk and uncertainty’. As though, risk and uncertainty are ingredients of surplus value – the phenomenal form of which is profit. Moreover, historically, who took up the ‘risk’ and entered the ‘dark wood’ of ‘uncertainty’ in the first place? Dante’s *Inferno* captures the plight of the wage-slaves to perfection: Virgil, Dante’s companion on his tour to Hell, makes it clear that there is only one way he can escape: “Thou must take another road,” he replied when he saw Virgil weeping, “if thou wouldst escape from this savage place.” (cited in *The Death of Economics* by Paul Ormarod). Doesn’t Virgil personify the forerunners of Robert Tressel’s “Ragged Trousered Philanthropists”, wherein one socialist Owen tries to persuade his fellow workers that they must take another road – the only road of Socialism? In Antiquity, the *social division of labour*, i.e., “the assassination of a people” (D. Urquhart, “Familiar Words” cited by Marx in *Capital*), coupled with *private property* i.e., social alienation, turned original *social* surpluses as *social* wealth into the *private* wealth of the master classes, which via pre-capitalist conquests and plunders eventually gave rise to the *embryo* of capital. Accumulated social labour of the past further augmented by slaves and serfs ultimately became *capital* with the advent of wage-labour. Presently, advances appearing as made by the capitalists are in fact previously made advances by the working class in the form of profits. Today you become a capitalist not by dint of your hard-acquired, self-earned and self-owned capital, but by borrowing *debt-capital* from banks, which go gathering society’s savings – small and big. Therefore, the ideology about capitalists taking ‘risk and uncertainty’ is merely a fraud.

A question please: Does ‘risk’ – no matter ‘insurable’ or ‘uncertain’ – contribute to production anyway? ‘Risk’ as to “gain or loss” is not a factor of production, but a consequence of distribution of the total profit i.e. surplus value among various contending factions of the capitalists. The “profit”, however, comes out of the surplus or *unpaid labour* of the working class. “Profit” they produce must, if they are to remain wage-slaves. Thus, “gain or loss” is a question of exchange on the market for realizing and sharing profits produced in production.

Now observe that there was, is, and will be, production without exchange, but no exchange without production. Moreover, even if one likes to talk about ‘risk’ at all, the employed workers took it in the first place by advancing their surpluses to society. What it implies is simple; a society of *associated producers* produces things as products and accumulates as wealth for use, but not commodities for exchange with “gain or loss”.

Knight went as far as to view all factors as capital to a greater or lesser degree and his ‘public choice’ view of political behaviour got going with some billets of the ‘modern’ Chicago School. The Chicago School pedigree with Knight, Friedman, Stigler and company revisited *laissez-faire* for ‘individual freedom’.

However, if slavery exists, can slaves be ‘free’ anyway?

Only two factors or, more appropriately, forces of production

An economic anatomy of any product shows just two factors: *land* (earth) and *labour*. As mentioned above, William Petty had correctly put it, “labour is its father and the earth its mother” (Marx, *Capital*, vol. I, Progress, 1974, p.50).

Capital and enterprise are not elements of a product. Capital is not a thing, but a relation of production whereby dead labour sucks living labour like a vampire. *Capital is value that expands*. It assumes the universal form of *money* and relates to wage-labour that produces products as commodities congealing more value than the value workers receive in wages. This process we call *self-expanding value*. [Read “emergence of money” in Marx’s *A Contribution to the Critique of Political Economy*, pp.50-51]

Money merely represents value (social labour) which in itself is not capital. In fact, it came into existence with social division of labour, private property and exchange. Beside other functions, money also functions as capital only under capitalism. Enterprise that personifies the process did play a functional, but *not* factorial, role in the formative stage of capital. Even now, with a *globalized banking* system, spreading tentacles deep into the remotest rural end points too aided with propaganda upholding competitive life process, creates desire among many workers to escape their plight of wage-slavery via self-employment (self-exploitation), hard work and eventually employing wage-slaves to try for a chance using *debt capital* at hand. Nevertheless, when gigantic *multinational* companies have come to dominate the global market, numerous petty enterprises are born only to be killed in the labour room except a few evasions. Moreover, all functions top to bottom for capital’s continued existence being hired functions of workers, entrepreneurship is practically redundant in the *organization* of social division of labour. Organization of the humans has always existed. Human nature being gregarious owing to their natural survivalist exigencies, the human species evolved organized since the beginning. However, organization passed through changing formations and relations – primitive communistic, slavery, feudalism, and capitalism, in consequence of eventful development of forces of production.

“Within co-operative society” (Marx) of “associated producers” under democratically controlled universal ownership with *production for use* that is Socialism, you do not have to measure ‘risk and uncertainty’ about production for profit.

We see, therefore, that ‘modern economics’ or simply ‘economics’ hides value behind utility with the poster – ‘freedom of choice’, production behind distribution and consumption, supply behind demand, class interests behind competitive general equilibrium, cooperation behind monopoly/competition saga confusing the real forces of production with the hypothetical – the objective behind the subjective, and the entire behind mathematics turning once again the dialectical and historical materialist foundation of human activity upside down.

The proponents of “*vulgar economics*” since before Marx’s days and afterwards – Thomas R. Malthus (1766-1834, *An Essay on the Principles of Population*, 1798), Jean-Baptiste Say (1767-1832, *Letters to Malthus on Political Economy*, 1821), James Mill (1773-1836), Nassau William Senior (1790-1864, *Three Lectures on the Rate of Wages*, 1830), John Ramsay McCulloc (1789-1864), Frederic Bastiat (1801-1860), John Stuart Mill (1806-1873), William Stanley Jevons (1835-1882), Léon Walras (1834-1910), Alfred Marshall (1842-1924), Philips H. Wicksteed (1844-1927), John Bates Clark (1847-1938), Vilfredo Pareto (1848-1923), Eugen von Böhm-Bawerk (1851-1914), Frank H. Knight (1885-1972, Chicago, dissertation – *Risk, Uncertainty and Profit*, 1921), John Maynard Keynes (1883-1946, state interventionist – ‘welfare state’), Milton Friedman (1912 – monetarist, Chicago School), Paul A. Samuelson (1915 – neo-Keynesian and Paretian revivalist), Walt Rostow (1916-2003), Kenneth Arrow (1921-) neo-Walrasian, and others –

‘modern economics’, ‘economics’ and ‘welfare economics’, these days ‘*reforms’* once again going ‘*private’* from the ‘*public*’ – had and has only one goal in common – attack *labour theory of value.* The real purpose has been to devalue the science of economics with their ‘*economic sciences’* that glorifies capitalism by dwelling in the superficial layers and adducing the appearance of phenomena as their essence.

Onwards, apologists of capitalism go telling us that Marxian analysis has become ‘obsolete’, ‘desolate’, ‘irrelevant in the present situation’ and suchlike. There were manoeuvres to wipe out words – “classes”, “contradiction”, “exploitation”, “plunder”, “oppression” etc., but all in vain. Your will cannot kill which is not a product of your will.

Yet, the irony is that nobody actually ever needs to visit the vulgar economists save the Socialists to amuse themselves with the farce and some professors and teachers to lecture students about their brain-dead ‘economic sciences’ concocted by ‘eminent economists’. None would have bothered knowing even their names had they not set theirs against the one name Karl Marx. Marx’s *Labour Theory of Value* – which measures value of commodities according to the *socially necessary labour* expended to produce them, his scientific distinction between *labour* and *labour power* to solve the enigma of *surplus value* or profit, and discovery of the causes of periodic cycles of accumulation and destruction of capital by capital with resultant all round misery – lives to draw visitors anew – friends and foes alike, but again for opposite purposes, no doubt.