

## INTRODUCTION

by Donald J. Harris

*The Economic Theory of the Leisure Class* is not, as its title might suggest, an economic analysis of the conditions which give rise to the existence of a leisure class, in the manner of Veblen's earlier work, *The Theory of the Leisure Class*. The titles are close enough but the subject matter is quite different. It would have been better to have entitled this book "A Marxist Critique of Bourgeois Economic Theory," for that is what it is. In the tradition of Marxist critiques, it is a significant contribution. But there has really been nothing in this area to compare with the monumental work of Marx himself, *Theories of Surplus Value* (or even the shorter treatise, *A Contribution to the Critique of Political Economy*). The standard attained by Marx's performance would in any case be hard to equal. That work still remains the definitive and most "systematic *résumé* of the whole complex of political economy" (in Engels' words) as it had taken shape up to Marx's time. It continues to have direct relevance as well to contemporary theory.

Bukharin's critique is more narrowly focused; its particular object is the Austrian School and the work of its chief spokesman, Eugen von Böhm-Bawerk. But Bukharin situates the ideas of this school in the broader context of marginal theory, and it is to the latter that his critique is addressed. In the process he gives a good account also of some of the essential features of Marxian economic theory through a sharp confrontation of the two theoretical systems. It is a polemical essay. Originally published in Russian in 1917 (in English in 1927), it fell out of use for some time. It is particularly appropriate that it should be made available in paperback at a time when interest is once again aroused in a confrontation of Marxian theory with that of the orthodox schools of economics.

The emergence of marginal utility theory in the late nine-

teenth century represented a revolution of sorts in economic thought. It marked a basically different approach to economic theory and analysis in comparison with the established tradition of classical political economy and the political economy of Marx which had already gained some headway. A major substantive difference lay in the approach to the theory of value where the chief distinguishing feature of the new school was its introduction of the concept of utility as the basis of a value theory.<sup>1</sup>

"The problem of value," as Bukharin indicates in this book, "has constituted a fundamental question of political economy since the earliest days of the science." (P. 59.) At an initial and preliminary level, common to all approaches to this question, the problem centers around the quantitative ratios at which commodities exchange in the market. It is a problem of the relation of commodities in exchange, or the *exchange value* of commodities. One of the purposes of a theory of value is to adduce some principle that explains this relation.<sup>2</sup> The classical economists found such a principle in the quantity of labor expended in production: commodities exchange at ratios that are determined by the quantity of labor directly and indirectly employed in producing them. This conception provided the organizing principle with which they sought to explain the major movements of the economy in regard to prices, production, distribution, and accumulation.

Starting from this conception, Marx proceeded to broaden

1. The term "marginal revolution" is sometimes used to draw attention to the concept of the margin as an element in the analytical system of this school. But this concept is ultimately less important as a distinguishing feature than that of utility. The term "neoclassical" often applied to this school is also somewhat of a misnomer because of the tenuous connection of the new system of ideas with that of the classics. Whatever the name, the system of ideas provided the foundations upon which was built the orthodox ("neoclassical") theory of today. For an exposition of the modern version, see C. E. Ferguson, *Microeconomic Theory*, rev. ed. (Homewood, Ill.: Richard D. Irwin, Inc., 1969); *The Neoclassical Theory of Production and Distribution* (New York: Cambridge University Press, 1969).

2. Most expositions of the orthodox theory, in its modern version, tend to stop at exhibiting the mechanism of operation of the market through interaction of "supply and demand" so as to bring about an "equilibrium price." But, as Bukharin points out here, "this formal aspect of the matter is less interesting than its content, the quantitative determination of the exchange process." (P. 104.)

and deepen it in a number of directions. The basis of his reformulation was the perception that the complex of exchange relations existing in the market is but a reflection of the link between the productive labor of individuals, a link which arises from the social or collective nature of the labor process: "A relation of commodities as exchange-values is nothing but a mutual relation between persons in their productive activity." Like the classical economists, he was thus concerned to explain exchange values in terms of production, labor viewed as being at the center of production. To this extent, the labor theory of value was seen as correctly incorporating the determining role of the "real relations of production." But in addition, Marx sought to bring the *social* relations of production to the forefront of the analysis, emphasizing that these relations have a definite historical character. The problem of value theory therefore becomes not only a matter of explaining quantitative exchange ratios or "prices of production" but, more fundamentally, a matter of exhibiting the nature of the social relations, the manner of their operation through the working of the economy, and the way in which they evolve over time.

The perspective here is that of viewing the production system as a whole and in perpetual historical motion. From this perspective, Marx saw capitalism as an historically specific form of commodity production; its characteristic feature is that "labour-power itself becomes a commodity" and ownership of the means of production is concentrated in the hands of a class of capitalists who are thereby able to appropriate a part of the product of labor in the form of surplus value. The Marxian theory of capitalism, developed on these foundations by Marx and subsequent writers in the Marxist tradition, constitute a distinctive theory with its own method of analysis and specific formulation of "the economic laws of motion" of capitalism.<sup>3</sup>

The marginal utility school represented a major shift, in terms of both method and substance, away from these tradi-

3. For summary treatments, see L. B. Boudin, *The Theoretical System of Karl Marx*, reprint ed. (New York: Monthly Review Press, 1967); Paul M. Sweezy, *The Theory of Capitalist Development* (New York: Monthly Review Press, 1953); John Eaton, *Political Economy: A Marxist Textbook*, rev. ed. (New York: International Publishers, 1966).

tions. For Marx and the classics, *use value* (the objective relation of commodities to human needs) was taken only as a condition for the existence of exchange value. In marginal utility theory, subjective satisfaction is made a determinant of the magnitude of exchange value; specifically, the psychological satisfaction (or utility) derived at the margin from the consumption of different commodities is regarded as determining their exchange ratios. For Marx and the classics, exchange was necessarily connected with the social division of labor in production. Some versions of marginal utility theory are set out in terms of pure exchange, *without* production, a scheme which has been likened to the economics of a prisoner-of-war camp. It is often expounded in terms of a Robinson Crusoe economy where trade is between Crusoe and himself (until Friday comes along). When production is introduced, it is the subjective *disutility* of work which enters into the determination of exchange value. The difference carries over to, and appears sharpest in, the theory of profit (or interest). Marx saw the origin of profit in an excess of the total value which the workers produce over the value of the wage goods which sustain and reproduce their labor power. This surplus is appropriated by the capitalists on account of their monopoly, as a class, of the means of production. Marginal utility theory sees profit as arising out of individuals' presumed preferences for present over future consumption.

Some of the originators and practitioners of the new ideas felt it necessary to trace their roots back to the classics. Marshall, in England, was especially prone to this; and it must be granted that there was room for making such a connection, particularly in the work of Adam Smith. Others, at a time when the European labor movement was increasingly adopting Marxism, turned to an attack on Marx. Foremost among these were Wicksteed in England, Pareto in Italy, and in Austria, Böhm-Bawerk and Wieser, the leading figures (along with Menger) of the Austrian School.<sup>4</sup> Of these efforts, Böhm-Bawerk's critique of Marx's analysis soon came to be regarded as the definitive statement from the viewpoint of marginal utility theory. The

4. In America, a similar effort was represented in O. D. Skelton, *Socialism: A Critical Analysis*, 1911; and W. J. Blake, *An American Looks at Karl Marx*, 1939.

substantive charges, directed mainly at the logical connection between labor values and prices of production in Marx's system (the so-called transformation problem) were ably refuted by Bortkiewicz and Hilferding.<sup>5</sup> Against this background, Bukharin's book could be viewed as providing what amounted to a counteroffensive from the Marxist side. It is a striking feature of this period (*circa* 1880-1920) that such a confrontation on theoretical questions should have occurred, paralleling the great social movements taking place across Europe.

Bukharin's approach in this book follows that which Marx had adopted in *Theories of Surplus Value*, which is to give an "exhaustive criticism" not only of the methodology and internal logic of the theory, viewed as a complete system of analysis, but also of the sociological and class basis which the theory reflects.

So far as the sociological criticism is concerned, it is helpful to recall Marx's general characterization of the role of "bourgeois political economy" and its relation to Marxian political economy: In the early phase of capitalist development bourgeois political economy, by championing the interests of the emerging bourgeoisie in its struggle against the pre-existing dominant class, performs a radical scientific role in exposing the true nature of commodity-producing precapitalist society. In the later phase of capitalism, however, bourgeois political economy turns to justification of the system in which the bourgeoisie has become ascendant and is threatened by the growing workers' movement. It thereby loses its scientific role, a role which is to be taken by Marxian political economy rooted in the interests of the working class. In this connection Bukharin points out that "Marxism claims its general validity precisely for the reason that it is the theoretical expression of the most advanced class, whose 'needs' of knowledge are far more audacious than those of the conservative and therefore narrow-minded mode of thought of the ruling classes in capitalist society." (P. 8.)

5. The main works in this controversy have been reprinted in a single volume and are worth reading as a supplement to the present work. See Eugen von Böhm-Bawerk and Rudolf Hilferding, *Karl Marx and the Close of His System*, ed. Paul M. Sweezy, reprint ed. (New York: Augustus Kelley, 1956). The formal solution of the "transformation problem" is by now well established. On this, see F. Seton, "The Transformation Problem," *Review of Economic Studies*, June 1957.

This is the broad framework which informs the present work. Since a brief summary cannot adequately represent the underlying conception of the social origins of theory, the reader is referred to Bukharin's *Historical Materialism*, where the analytical basis of his position is more systematically developed. One may note also that the conception involved here differs sharply from that of, say, Schumpeter (in *History of Economic Analysis*). The latter, while recognizing that ideology (or "vision") enters into economic theory and social science in general ("In fact it enters on the very ground floor . . ."), nevertheless viewed economic theory as advancing independently through continual refinement and elaboration of techniques of analysis.<sup>6</sup>

Within his chosen framework, Bukharin seeks to characterize the specific form that marginal utility theory takes and its basis in the concrete conditions of the time. His central thesis is that the new theory is the ideological expression of a particular class, the class of rentiers who have been "eliminated from the process of production" and are interested solely in disposing of their income from holdings of securities and bonds—who have become, simply, "coupon-cutters." He argues that the unhistorical character of the theory, its starting from consumption, and its preoccupation with individual psychology derives from the objective position and interest of this class in contemporary capitalism. The outline of the thesis is sharply drawn and Bukharin is careful to indicate that it is "merely an *outline* . . . ignoring all subsidiary factors." (P. 177, n. 14.) It has roots in the work of Werner Sombart, the well-known historian of capitalism. Some commentators have tried to dismiss the thesis offhandedly.<sup>7</sup> Others grant, for instance, that "it has a certain force."<sup>8</sup> The thesis, as presented, can perhaps be faulted for giving too mechanical an interpretation of the relation between economic

6. For a useful critique of this view see R. L. Meek, *Economics and Ideology and Other Essays* (London: Chapman & Hall, 1967), pp. 196-209; and M. H. Dobb, *Theories of Value and Distribution Since Adam Smith: Ideology and Economics* (Cambridge: Cambridge University Press, forthcoming).

7. See Erich Roll, *A History of Economic Thought*, 3d ed. (Englewood Cliffs: Prentice-Hall, 1956), pp. 369-70.

8. Mark Blaug, *Economic Theory in Retrospect*, rev. ed. (Homewood, Ill.: Richard D. Irwin, Inc., 1968), p. 306.

theory and ideology where a dialectical interpretation is called for. But no one, to my knowledge, has so far attempted an examination of it through a more detailed analysis of the historical facts. It remains a potentially fruitful area of research with direct relevance to current interest in the nature of scientific revolutions in the social sciences.

The criticism of the logic and method of subjective value theory is set out in terms of a direct confrontation with the Marxian system on each and every issue so that the line of demarcation between them is clearly drawn. The discussion relies in part on arguments earlier put forward by Stolzman, Hilferding, and Bortkiewicz (who are properly acknowledged) and is to that extent not entirely original. Bukharin scores the familiar points against particular elements of the theory, for instance, that utility is not measurable, that Böhm-Bawerk's concept of an "average period of production" is "nonsensical," that the theory is static, and so on. Such criticisms of the technical apparatus of the theory have no doubt been better stated elsewhere. The student who has been trained in the techniques of the modern version of the theory can also readily recognize certain weaknesses in Bukharin's presentation, such as an apparent confusion between marginal and total utility, and a misconception of the meaning of interdependent markets. But these are matters that were not well understood at the time, even by exponents of the theory. Besides, as Bukharin emphasizes, they are matters of lesser importance. What is crucial is "the point of departure of the . . . theory, its ignoring the social-historical character of economic phenomena." (P. 73.) This criticism is applied with particular force to the treatment, or lack of it, of the problem of capital, the formation of demand, and the process of economic evolution. In anticipation of developments in mathematical economics, Bukharin notes pointedly: "The unhistorical character of the objectivism of the 'mathematicians' and the 'Anglo-Americans' causes them to accept a purely mechanical view which in reality does not recognize society at all, but only a congeries of moving objects." (Pp. 185-86, n. 52.)

Today many economists would claim that controversy over some of these issues has long ago been put to rest. There is an

element of truth in this claim. Value as a category distinct from market price is hardly mentioned these days. The concept of utility as a measurable quantity has been demoted in favor of "revealed preference." As long as "factors of production" are paid according to their "marginal products," it cannot be that profit constitutes exploitation. And so on. The truth is that the main line of recent developments in economics has been in the direction of increasing formalization of theory such as to make of it essentially an elaboration of the problem of rational choice—a problem supposed to be of universal significance—and so, at the same time, to empty it of any real economic content. By a happy coincidence, the central theorems also turn out to provide an ideological justification for laissez-faire capitalism. But the substantive theoretical issues have merely been suppressed. This is readily apparent from their re-emergence in recent controversies on the theory of capital and growth and in recent discussions of the solution of Marx's "transformation problem" and of Ricardo's "invariable standard of value."<sup>9</sup> To this one might add what is perhaps the most telling criticism made by Bukharin:

... the latest theory of the bourgeois scholars fails precisely in the most important fundamental questions of our day. The enormous and speedy accumulation of capital, its concentration and centralisation, the uncommonly rapid progress in technology, and finally, the regular recurrence of industrial crises ... all these things are a "book with seven seals" ... And just where the philosophy of the learned bourgeois ceases, the Marxian theory comes into its own, to such an extent, in fact, that mutilated fragments of the Marxian doctrine are accepted as the last word of wisdom even by the bitterest enemies of Marxism. (P. 57.)

Nikolai I. Bukharin (1880-1938) is commonly acknowledged

9. For a review of these controversies, see Joan Robinson, "Capital Theory Up to Date," *Canadian Journal of Economics*, May 1970, and the papers collected in G. C. Harcourt and N. F. Laing, eds., *Capital and Growth: Theory* (Baltimore: Penguin, 1971). The paper by Bharadwaj in this collection clarifies the nature of the solution proposed by Sraffa to Ricardo's problem. Discussion of Marx's "transformation problem" has been revived recently by Samuelson in *Journal of Economic Literature*, June 1971.

to have been one of the most brilliant theoreticians in the Bolshevik movement and an outstanding figure in the history of Marxism. Born in Russia, he studied economics at Moscow University and (during four years of exile in Europe and America) at the universities of Vienna and Lausanne (Switzerland), in Sweden and Norway, and in the New York Public Library. While still a student, he joined the Bolshevik movement and was thrice arrested for his revolutionary activities. His political activities continued in exile and so did his arrests. Upon returning to Russia in April 1917, he worked closely with Lenin and participated in planning and carrying out the October Revolution. After the victory of the Bolsheviks he assumed many high offices in the Party—he became a member of the Politbureau in 1919—and in other organizations. In these various capacities he came to exercise great influence within both the Party and the Comintern. Under Stalin's regime, however, he lost most of his important positions. Eventually, he was among those who were arrested and brought to trial on charges of treason and he was executed on March 15, 1938.

At the peak of his career Bukharin was regarded as the foremost theoretician and authority on Marxism in the Party.<sup>10</sup> Lenin is supposed to have called him "the most valuable and biggest theoretician."<sup>11</sup> He was a prolific writer. There are more than five hundred items of published work in his name. Only a few have been translated into English, and these are the works for which he is now most widely known.<sup>12</sup>

10. His contribution to the evolution of Communist revolutionary thought is reviewed in Sidney Heitman, "Between Lenin and Stalin: Nikolai Bukharin," in Leopold Labedz, ed., *Revisionism* (New York: Praeger, 1962).

11. Lenin's estimate was qualified, however, by the remark that "Bukharin's views can only with the very greatest doubt be regarded as fully Marxian, for there is something scholastic in him (as he has never learned and, I think, never fully understood the dialectic)." Quoted by Heitman, *ibid.*, p. 79.

12. These works are available in reprint editions: *Imperialism and World Economy* (New York: Howard Fertig, Inc., 1966); *The ABC of Communism* (Baltimore: Penguin Books, 1966); *Historical Materialism* (Ann Arbor: University of Michigan Press, 1969); *Economics of the Transformation Period* (New York: Bergman Publishers, 1971); *Imperialism and the Accumulation of Capital* (New York: Monthly Review Press, 1972). For a comprehensive bibliography, see Sidney Heitman, *Nikolai I. Bukharin: A Bibliography* (Stanford: Hoover Institution, 1969).

In *Imperialism and World Economy* (1918) he formulated a revision of Marx's theory of capitalist development and set out his own theory of imperialism. This was written in 1914-1915, a year before Lenin's own *Imperialism*, and is credited with having been a major influence on Lenin's formulation.

*The ABC of Communism* (1919), written with E. Preobrazhensky and used as a standard textbook in the twenties, is a clear and comprehensive statement of the principles of Marxism-Leninism and the practical problems of building socialism in the context of the Russian experience.

*Historical Materialism: A System of Sociology* (1921) is his major philosophical work. In it he set out a system of sociological analysis in the framework of historical and dialectical materialism and sought to meet the sociological criticisms of Marxism.

A translation of his *Economics of the Transformation Period* has recently become available; and his *Imperialism and the Accumulation of Capital* (combined with Rosa Luxemburg's *The Accumulation of Capital—An Anti-Critique*) is being published in the fall by Monthly Review Press.

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