

In this way, every determinist system attempts to provide an escape-hatch for its own believers, who are somehow able to escape the determinist laws that afflict everyone else. Unwittingly, these systems become in that way self-contradictory and self-refuting. In the twentieth century, Marxists such as the German sociologist Karl Mannheim attempted to elevate this escape-hatch into High Theory: that somehow, 'intellectuals' are able to 'float free', to levitate above the laws that determine all other classes.

12.5 The inner contradiction in the concept of 'class'

A 'class' is a set of entities with one identifiable thing in common. Thus there is a class of 'bald eagles' or of 'geraniums', and such a class can be widened or narrowed: e.g., the class of 'geraniums growing in New Jersey'. A 'social class' is a class of human beings with one thing in common. The number of identifiable social classes is virtually infinite. Thus: there is the 'class of people over 6 feet 4 inches in height', the 'class of people named Smith', the 'class of people weighing under 160 pounds', etc. *ad infinitum*. Some of these classes will be useful for certain types of social analysis (e.g. the 'class of people over 65 years of age with diabetes'), for medical or insurance or demographic purposes. But from our point of view, in a study of the Marxian theory of class, these classes are all worthless because there is no inherent conflict between them. In the market economy, in the international division of labour and exchange of products, there is no inherent conflict between short and tall people, people of various weights and names, etc. All classes live in harmony through the voluntary exchange of goods and services that mutually benefits them all. Furthermore, there is no reason for an individual in a free society, or in a market economy, to act on behalf of 'the interests of his class' rather than, or even as a surrogate for, his own individual interest. Will a person, when deciding at what job to work, or what investment to make, first and foremost consult his 'class interest' as the member of a 'class over 6 feet tall'? The very idea is absurd.

Is there no time, then, when social classes are in inherent conflict? Yes, there are such times, but only when some classes are privileged by state coercion, while other classes are restricted or burdened by state coercion. Ludwig von Mises perceptively used the term 'caste' to identify groups either privileged or burdened by the state, as distinguished from 'classes', which are simply groups of people on the free market in no sense in inherent conflict. The caste system in India was a classic case. The privileged or 'ruling' castes acquired power, income, and status by state coercion; the submerged or 'ruled' castes, for example, were prevented by coercion from leaving the lowly occupations of their ancestors. Other ruling and ruled 'castes' or classes are not as rigid as the Indian caste system, but still they partake of the same coercively determined status. Thus, the Brahmin caste,

privileged by the state, was in inherent conflict with the Untouchables, who were submerged as a class by the state. These castes then have conflicting class (or 'caste') interest: the Brahmins to maintain their privileges, the Untouchable or other submerged castes to break out of their burdens. The point is that, by the use of state power, each individual Brahmin has a common or 'class' interest in maintaining his privileges; while each Untouchable has a common class interest in freeing himself from oppression.

Thus, even in less rigid cases than in an absolute caste system, the class of short and tall people, or the class of people named Smith, normally living in peace and harmony, could *become* classes in inherent conflict. Suppose, for example, the state decrees a large subsidy for all people over 6 feet tall, or a special heavy tax on all those under 5 feet 5 inches. If special privileges were heaped on people named Smith, then this would be a privileged class at the expense of everyone else, and there would be an economic incentive to try to join the 'ruling class', people named Smith, as quickly as possible.

Even in such situations, as Marx in practice could not deny, there were and are individuals who, for various reasons of ideology or opportunism, fail to follow their own common class-interest. There were and are Brahmins who put the demands of justice (that is, ideas or principles) higher than their class interest, or Untouchables who, for personal interest, willingly submit to the existing order.

There is a grave inner contradiction at the heart of the Marxian system, in Marx's crucial concept of class. In the Marxian dialectic, two mighty social classes face each other in inherent conflict, the ruling and the ruled. In the first two of history's major conflicts: 'oriental despotism', and 'feudalism', the social classes are defined by Marx in what we have seen to be the libertarian, or Misesian, manner: as classes privileged or burdened by the state. Thus, in 'oriental despotism', or the 'Asiatic mode of production', the emperor and his technocratic bureaucracy run the state, and constitute its 'ruling class'. This class acquires privileges from the state, and taxes and controls the 'ruled' classes, that is, everyone else, largely the peasantry but also craftsmen and merchants. Here Marx adopts the libertarian (as we have seen advanced by James Mill) definition of a two-class system, the ruling Few who have gained control of the state, who are governing and exploiting the ruled Many. Under feudalism, a similar concept applies. The landlord class has acquired territory through war and conquest, and has settled down to oppress the peasantry and the merchants and craftsmen via coerced rents, taxes, controls and serfdom. Once again, Marx's class categories are 'caste' categories: the ruling class is such by virtue of its having gained control of the state, the main social apparatus of coercion.

All well and good. But then, suddenly, when Marx gets to capitalism, the class categories change, without acknowledgement. Now the ruling class is

not simply defined as the class that runs the state apparatus. Now, suddenly, the original act of rule or 'exploitation' is the voluntary market wage contract, the very act of a capitalist hiring a worker and a worker agreeing to be hired. This in itself, to Marx, establishes a common 'class-interest' among capitalists, exploiting a 'common class' of workers. It is true that Marx also believed that this 'capitalist class' runs the state, but only as 'the executive committee of the ruling class', that is, of a ruling class that *previously existed* on the free market, because of the wage system. So that what Marx, as analyst of oriental despotism or feudalism, would consider ruling-class exploitation still exists under capitalism, but only as an *addendum* to the pre-existing capitalist exploitation of the workers through the wage system. Ruling-class exploitation under capitalism is unique in exercising a *double* exploitation: *first*, on the market as part of the wage contract, and *second*, the alleged exploitation by the state as executive committee of the ruling class.

It should be evident that Marx's analysis of class is by this point a mish-mash, in total disarray; two contradictory definitions of class are jammed together, unfused and unacknowledged. Why should capitalism, of all systems, be able to levy a 'double' exploitation that no other ruling class in Marx's historical schema can ever enjoy?

But the crucial point is that Marx's definition of class and class conflict under capitalism is hopelessly muddled and totally wrong. How can 'capitalists', even in the same industry let alone in the entire social system, have any thing crucial in common? Brahmins and slaves, in a caste system, certainly enjoy a common class-interest, in conflict with other castes. But what is the common 'class-interest' of the 'capitalist class'? On the contrary, capitalist firms are in continual competition and rivalry with each other. They compete for raw material, for labour, for sales and customers. They compete in price and quality, and in seeking new products and new ways to get ahead of their competitors. Marx, of course, did not deny the reality of this competition. So how can all capitalists, or even 'the steel industry', be considered a class with common interests? Again, in only one way: the steel industry only enjoys common interests if it can induce the state to create such interests through special privilege. State intervention to impose a steel tariff, or a steel cartel with restricted output and higher price, would indeed *create* a privileged 'ruling class' of steel industrialists. But no such class having common interests pre-exists on the market before such intervention comes about. Only the state can create a privileged class (or a subordinate and burdened class) by acts of intervention into the economy or society. There can be no 'capitalist ruling class' on the free market.

Similarly, there can be no 'working class' with common class-interests on the free market. Workers compete with each other, just as capitalists or entrepreneurs compete with each other. Once again, if groups of workers can

use the state to exclude other groups, they can become a ruling class as against the excluded groups. Thus, if government immigration restrictions keep out new workers, the native workers can benefit (at least in the short run) at the expense of incomes of immigrants; or if white workers can keep black workers out of skilled jobs by state coercion (as was done in South Africa), the former becomes a privileged or ruling class at the expense of the latter.

An important point here is that *any* group that can manage to control, or gain privileges from, the state can take its place among the exploiters: this can be specific groups of workers, or businessmen, or Communist Party members, or whatever. There is no reason to assume that only 'capitalists' can acquire such privileges.

In his class analysis, Marx constantly had to struggle with the fact that neither capitalists nor workers act in practice as if they are each members of monolithic, conflicting classes. On the contrary, capitalists persist in competing with each other, and workers likewise. Even in their rousing *Communist Manifesto*, Marx and Engels had to admit that 'The organization of the proletarians into a class, and consequently into a political party, is continually being upset again by the competition among the workers themselves'. Indeed.

But there are more grave problems. For Marx had his two-class analysis; the essence of each titanic struggle in history is between two great social classes: the ruling *vs* the ruled, the rising class in tune with the new material productive forces, the declining one out of tune. But it is one thing to employ a two-class ruler *vs* ruled analysis according to libertarian or Millian definitions; since there are indeed common caste interests and conflicts, this concept is here a simplification, but an important and workable one. But what are we to do in the complex, multi-class world of the capitalist market economy? How can we employ a two-class model there, either for market or political action?

And there is no question that Marx is committed to the two-class model: capitalists *vs* proletarians. All other classes fade away, so that the mighty, exploited immiserated class can and will rise up as a monolith to overthrow 'the capitalist class'. As Marx and Engels say in the *Communist Manifesto*: 'Our epoch, the epoch of the bourgeoisie, possesses, however, this distinctive feature: it has simplified the class antagonisms: Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: Bourgeoisie and Proletariat'.¹³

But in practice, in analysing recent history or current events, Marx and Engels were forced to talk about many classes and groups, and their interactions – thereby implicitly but definitely betraying their own absurd two-class model. And so we have the problem that Marx's two classes are far from

monoliths, that their members compete with each other constantly and collaborate very rarely, and also that in capitalist society in particular it is impossible to analyse historical action by squeezing all human actors into two classes.

In practice, however, Marx and other Marxists happily use a multi-class model in analysing historical events: 'steel capital', 'textile capital', 'armament capital', 'finance capital', etc. But they do not seem to realize that while they are being far more realistic than when prating about 'capitalists' vs 'workers' as two-class monoliths, they are totally betraying the Marxian dialectic itself. No inevitable revolution, for example, will ever follow from multi-class squabbling – certainly not Marx's cherished proletarian one.

Marx himself, and Marxists generally, have devoted many millions of words to the concept and use of the term 'class'. Yet in all his writings, Marx never once defined it. For if he had attempted a definition, the stark inner contradiction in the concept, the slippage between state creation and mere market action, would have become starkly clear, and something would have had to give.

Thus, in Marx's theoretical *magnum opus*, *Capital*, there is no attempt at a definition of class. Only an incomplete Volume I was published in Marx's lifetime (1867), at which point he had substantially finished working on the book. After Marx's death in 1883, Engels worked up, edited and published the remaining manuscript in two further volumes (1885, 1894).¹⁴ Only in the famous very last chapter of the third volume does Marx finally arrive at an attempt to define what he and Engels had been talking and writing about for four decades. It is an unfinished chapter of startling brevity – five short paragraphs. In this chapter, 'Classes', Marx begins with the classical Ricardian triad: that the sources of income in the market economy are wages, profits and rents, and that the receivers of such income constitute the 'three big classes of modern society' – labourers, capitalists and landlords.¹⁵ So far, so good. But then Marx adds that even England, 'the most highly and classically developed' capitalist country, contains 'middle and intermediate strata [which] even here obliterate lines of demarcation everywhere'. But, he quickly hastens to assure his readers that this problem is irrelevant, since the concentration and polarization of classes is proceeding apace.

Marx then begins the third paragraph of this seemingly climactic chapter. 'The first question to be answered is this: What constitutes a class?' Indeed. He then adds that the reply to this question 'follows naturally' from the reply to a second, related question: 'What makes wage-labourers, capitalists, and landlords constitute the three great social classes?' We are now primed for the answer, first to the latter Ricardian question and then to the first, critical query, 'What constitutes a class?'

On the second question, Marx states that 'at first glance' the identity of incomes with their sources constitutes the answer. After all, workers earn

wages from their labour, capitalists make profits from their capital, and landlords obtain rent from their land. But Marx quickly warns us that this simple answer will not do. For:

However, from that standpoint, physicians and officials, e.g., would also constitute two classes, for they belong to two distinct social groups, the members of each of these groups receiving their revenues from one and the same source. The same would also be true of the infinite fragmentation of interest and rank into which the division of social labour splits labourers as well as capitalists and landlords – the latter, e.g. into owners of vineyards, farm owners, owners of forests, mine owners and owners of fisheries.

Precisely. Marx has said it very well; his cherished two-class monolith model (or three-class, if we throw in the allegedly declining ‘feudal remnant’ – the landlord class) lies totally in ruins.¹⁶

Thus Marxian class theory, and therefore Marxism, lay destroyed by its creator’s own hand. But if it is always darkest before the dawn, if the suffering of the oppressed class is greatest just before the apocalyptic revolutionary moment, we would expect Karl Marx to step in and triumphantly save the day. How does he do it? How does the drama unfold? In one of the great anti-climactic moments in the history of social thought, the manuscript ends with the lines we have just quoted. There is just a cryptic footnote from Engels: ‘Here the manuscript breaks off’.

The way Engels puts it implies that the Master was struck down just as his pen was ready to wield the Answer that would rescue the crumbling Marxian theory of class and place it on solid foundations. But we know this was not true, for the ‘breaking off’ occurred 16 years before Marx’s death. Marx had ample time for his dramatic and conclusive answer. Why didn’t he pursue it? We can only conclude that he couldn’t, that he was stopped, that he realized that there *was* no answer, and that Marxism would henceforth have to rely on repetition and bluster to carry it through.

12.6 The origin of the concept of class

We have seen above that James Mill, in the early decades of the nineteenth century, worked out a simple but cogent and effective two-class theory of class; the ruling class that ran the state, and the remainder of society, who constituted the ruled. At about the same time, during the Restoration period in France after the fall of Napoleon in 1814, a group of *laissez-faire* libertarian theorists were working out a far more sophisticated version of the same model, a model that contained a historical and sociological dimension absent in James Mill. This group were the spiritual and physical descendants of the ideologues of the Napoleonic era, and the major link was J.B. Say. Say was the inspirer and elder statesman of this Restoration group, which was led by

his son-in-law Charles Comte (François Charles Louis Comte, 1782–1837) and Charles Dunoyer (Barthélemy Charles Pierre Joseph Dunoyer, 1786–1862). An important follower of Comte and Dunoyer was the young Augustin Thierry (1795–1856), soon to become the most notable of French historians. At the beginning of the Restoration and until 1820, Comte and Dunoyer founded and edited *Le Censeur* followed by *Le Censeur Européen*, periodicals that became the centre for the new *laissez-faire* movement.

Like Mill, Comte and Dunoyer defined conflicting classes as those who gained control of the state apparatus as against those who were controlled by the state. But they also pointed out that history had been a history of such class (or ‘caste’) struggles. Under oriental despotism, the emperor and his bureaucracy constituted the ruling class; in early Europe, conquering tribes settled down among the conquered to constitute a state with a ruling class; historically, then, another component of such a ruling class is that, at least initially, it was of a different ethnic group from the ruled. In this way, ethnic oppression reinforced political-economic class oppression by the state.

But to Comte and Dunoyer, the new element, the factor that would bring about the inevitable emergence and triumph of a classless (in the sense of ‘casteless’) society, was what they called *industrielisme*. The emergence of an industrial society required an international free market economy to enable it to work; hence Comte and Dunoyer saw it as inevitable that a free market economy would spread throughout Europe and eventually the world, dissolving the ruling classes, and bringing about a libertarian region and world, a world free of the oppression of the state. Thus the state, in this vision, would wither away, to be dissolved into the market exchange economy, and in the explicit language of Comte and Dunoyer, ‘the government of men would be replaced by the administration of things’.

Thus Comte and Dunoyer saw the world as being split into the productive classes (workers, entrepreneurs, producers of all kinds), crippled and oppressed by the ‘non-productive’ classes, using the state to levy tribute upon the producers. The ‘non-producers’ were, in particular, politicians, government officials, and *rentiers* living off government bonds, as well as subsidized businessmen or receivers of government privilege. The ‘peak of perfection’, which Comte and Dunoyer saw as eventually arriving, ‘would be reached if all the world worked, and no one governed’.

In their analysis, Comte and Dunoyer went beyond their mentor, J.B. Say, with his blessing, to add the historical, sociological, and political philosophic dimensions to the strictly economic.

The Comte–Dunoyer movement were firm and militant believers in individual liberty and in property rights. Thus Dunoyer’s attack on egalitarianism: ‘Equality would be the reversal of that fundamental law of humanity and of society’ which provides that the income and the position of each man

'depends above all on his conduct, and is proportionate to the activity, the intelligence and the morality and the persistence of his efforts'. And on liberty, Dunoyer wrote that for 40 years, 'I have defended the same principles: liberty in everything, in religion, in philosophy, in literature, industry, in politics. And by liberty I mean the triumph of individuality...'.¹⁷

The worm in the apple, the way in which libertarian social class analysis got transmuted into a mixture of itself and its opposite, was provided by a garrulous French aristocrat Henri, Comte de Saint-Simon (Claude Henri de Rouvroy, Comte de Saint-Simon 1760–1825). Saint-Simon, a hopelessly muddled thinker, was not aided in his existential confusion by his penchant for picking up ideas orally, at salons, instead of by systematic reading.¹⁸ For a while, during the *Censeur* period, Saint-Simon, who had picked up the Comte–Dunoyer ideas at salons, was what could best be described as a fellow-traveller of theirs, and pushed their ideas in his own periodical, *l'Industrie* (1816–18). After that, however, Saint-Simon grew increasingly authoritarian and hostile to *laissez-faire* liberalism. Having imbibed libertarian class analysis from Comte and Dunoyer, he characteristically got the concepts confused, and introduced the fateful and unacknowledged contradiction: between conflicting classes in the sense of those who govern, or are governed by, the state *versus* employers *vis-à-vis* wage earners on the free market. The Marxian jumble was Saint-Simon's dubious contribution to social thought. After Saint-Simon's death in 1825, his disciple Olinde Rodrigues, an engineer and son of a bureaucrat, joined by Enfantin and Bazard, founded the Saint-Simonian journal *Le Producteur* which, followed by conferences and tracts for the remainder of the 1820s, converted their deceased master's confused social philosophy into a militant proposal for a totalitarian socialist system. This system was to be run by what the Saint-Simonians considered the true class representatives of *industrielisme*: an alliance of engineers and other technocratic intellectuals with investment bankers, coordinated and led by a banker-dominated central bank.

In short, in contrast to communist socialism, which was at least ostensibly egalitarian, Saint-Simonianism was frankly élitist, to be run by the 'good' and allegedly modern classes. Thus the Saint-Simonians, who were the first users of the word 'socialism', repudiated capitalists and entrepreneurs, on behalf of their favoured bankers and intellectual classes, representing the worker–producers. It is perhaps not coincidental that, of the two maximum co-leaders of Saint-Simonianism, Enfantin and Bazard, Barthélemy Prosper Enfantin was the son of a banker, was trained as a banker and engineer, and had been a mathematics student of Olinde Rodrigues. Nor is it surprising that Saint-Simonianism appealed hugely to the investment bankers, the *Producteur* being financed by the prominent banker, Jacques Laffitte. The Saint-Simonian culture reached the peak of its remarkable influence in France from 1830–32,

after which the dual popes of this political-religious cult, Enfantin and Saint-Amand Bazard (1791–1832) had a fiery split on the free love question on which every disciple was required to take immediate sides. Unfortunately, the destructive split between the two popes came too late, and the Saint-Simonian socialist movement had already become astoundingly influential throughout Europe. In France, artists and writers became Saint-Simonians, including George Sand, Balzac, Hugo, and Eugène Sue, while in music Berlioz attempted to apply Saint-Simonian principles by composing a *Song on the Installation of Railroads*, and Franz Liszt played the piano at Saint-Simonian meetings.

In England, the reactionary romantic pantheist Thomas Carlyle took to Saint-Simonian socialism immediately, and became its leading spokesman in England, going so far as to translate and attempting to publish the master's final work, *The New Christianity*, in which he foreshadowed the development of his movement into the cult of a new religion. Of more lasting importance was the deep influence that Saint-Simonianism had on John Stuart Mill. For it was the Saint-Simonians who were initially and largely responsible for Mill's quasi-conversion from his father's hard-core free market views to semi-socialism. In his *Autobiography*, Mill explains that he read every Saint-Simonian tract and how it was 'partly by their writings that [his] eyes were opened to the very limited and temporary value of the old political economy, which assumes private property and inheritance as indefeasible facts and freedom of production and exchange as the *dernier mot* of social improvement'. Indeed, in a letter to a leading French Saint-Simonian, Gustave d'Eichtal, a friend of Rodrigues, Mill went so far as to concede that some form of Saint-Simonian socialism 'is likely to be the final and permanent condition of our race', although he differed with them in believing that it would take a long time for mankind to become capable of achieving that happy state.¹⁹

There is no country, however, that took to Saint-Simonianism with more gusto than Germany. In the early 1830s, Saint-Simonianism 'went like wild-fire through the German literary world'.²⁰ Its enthusiastic adepts included the eminent political writer, Friedrich Buchholz and the famous poet Heinrich Heine, while the Young German school of poets became Saint-Simonian adepts. But the most important influence of Saint-Simonianism in Germany was on the Young Hegelians, Young German poets such as T. Mundt and G. Kuehne were Hegelian university lecturers on philosophy. More directly, Saint-Simonianism exercised a formative influence on Marx. In the first place, Marx's home town of Trier had been part of the German Rhineland occupied by France for two decades of the French revolutionary wars. Hence the town had become greatly susceptible to French intellectual influences. As a result, Trier was rife with Saint-Simonian agitation when Marx was a

young adolescent; so much so that the archbishop felt obliged to condemn Saint-Simonian doctrines from the pulpit. Ludwig Gall, former secretary to the Trier city council, was a prominent and prolific Saint-Simonian writer. There is little doubt that Marx read Gall's writings.

Another powerful influence on Marx was one of his favourite teachers at the University of Berlin, Eduard Gans, one of Hegel's favourite disciples, who taught criminal law. Gans was both a Hegelian and a Saint-Simonian, and the interpenetration of the two doctrines in Germany deeply shaped the views of the Young Hegelians, of whom Marx became a leader. As Billington notes, 'The entire phenomenon of left Hegelianism has indeed been described as "nothing more than a Hegelianized Saint-Simonianism or a Saint-Simonianized Hegelianism".'²¹ Steeped in Saint-Simon as well as Hegel, Marx found the concept of class struggle, as strained through the defective lenses of the Saint-Simonians, ready to hand and suited for incorporation into his own Grand Design. In addition to the class struggle between proletarians and capitalists, Marx also adopted the Saint-Simonian version of industry and its embodiment (among the Saint-Simonians and in Marx, the workers) as inevitably victorious, along with the future goal of history as the withering away of the state and the 'replacement of the government of men by the administration of things'. There was, of course, a crucial difference between this abortive concept and its original. Among Comte and Dunoyer, the utopian state was to be a purely free society of individual property-holders and free market exchangers; for Marx it was to be a communal collective 'self' ownership of all goods by 'man', with no extant division of labour, specialization, money or exchange.

Marx himself has testified to a particularly powerful Saint-Simonian influence over him, as conveyed by his beloved mentor, surrogate father, and future father-in-law, Baron Ludwig von Westphalen. Towards the end of his life, Marx told his close friend and admirer, the Russian liberal aristocrat Maxim Kovalevsky, that he had imbibed Saint-Simonianism from von Westphalen, who was apparently an ardent admirer of Saint-Simonian doctrine.

We have already seen that in the *Communist Manifesto*, Marx and Engels slipped into the original libertarian, rather than the Saint-Simonian-Marxian theory of class, confusing the state-privileged with capitalists who hire workers on the market. In a penetrating discussion, Professor Ralph Raico has pointed out that the term 'bourgeois' as used on the Continent provided the basis for that confusion. As Raico notes:

When Marx says that the *bourgeoisie* is the main exploiting and parasitic class in modern society, '*bourgeoisie*' may be understood in two different ways. In England and the United States, it has tended to suggest the class of capitalists and entrepreneurs who make their living by buying and selling on the (more or less)

free market...On the Continent, however, the term '*bourgeoisie*' has no such necessary connection with the market: it can just as easily mean the class of 'civil servants' and *rentiers* off the public debt as the class of businessmen involved in the process of social production.²²

Raico goes on to state that the systematic exploitation of other classes by bureaucrats and public debt-holders 'was a commonplace of 19th century social thought'; Tocqueville, for example, denounces the 'middle class' rule under the '*bourgeois* monarchy' of Louis Phillippe (1830–48) as follows: 'It settled into every office, prodigiously increased the number of offices, and made a habit of living off the public Treasury almost as much as from its own industry.'²³

But this is far from all. Professor Raico shows that, in analysing specific historical events, particularly in contemporary French history, Marx and Engels kept slipping into the state-bound two-class, libertarian-type analysis. Thus, consider Marx's *Eighteenth Brumaire of Louis Bonaparte* (1852), analysing the events leading up to Bonaparte's *coup* of 2 December 1851, which Marx himself portrayed as a 'demonstration how the *class struggle* in France created circumstances and relationships that made it possible for a grotesque mediocrity to play a hero's part'. In the *Eighteenth Brumaire*, Marx writes indignantly of:

This executive power, with its enormous bureaucracy and military organization, with its ingenious state machinery, embracing wide strata, with a host of officials numbering half a million, this appalling parasitic body, which enmeshes the body of French society like a net and chokes all its pores, sprang up in the days of the absolute monarchy...Every *common* interest was straightway severed from society, counterpoised to it as a higher general *interest*, snatched from the activity of society's members themselves and made an object of government activity, from a bridge, a schoolhouse and the communal property of a village community to the railways, the national wealth and the national university of France... All revolutions perfected this machine instead of smashing it. The parties that contended in turn regarded the possession of this huge state edifice as the principal spoils of the victor... [U]nder the second Bonaparte...the state seems to have made itself completely independent. As against civil society, the state machine has consolidated its position...²⁴

Not only is Marx using here a two-class state-bound analysis of class conflict, but he foreshadows the libertarian development of the idea of the state as an anti-social instrument, as in Herbert Spencer and in Franz Oppenheimer, and even Albert Jay Nock's advanced twentieth century libertarian analysis of 'state power' as being an interest inherently opposed to, and exploitative of, 'social power'.

Fine. But *where* in all of this are the capitalists and their use of the state as their 'executive committee' to redouble their exploitation of the proletariat?

Where, in fact, are capitalists and proletariat *at all*? As Raico points out, there is a delicious irony here. For sophisticated libertarian analysts speak not only of state power, but also of various groups in history – Asiatic bureaucratic despotism, feudal landlords, Communist Parties, or whatever – who have managed to gain control of the state and use its coercive apparatus of exploitative rule over the rest of society. Thus, as Raico notes, the Marxian analysis ‘here completely ignores the massive use of state-power by *segments of the capitalist class*, and limits itself to the exploitative activities of those directly in control of the state apparatus’. Why Marx and Engels ‘should care to whitewash the capitalists in this way’, Raico concludes ironically, ‘I cannot say’.²⁵

Marx repeated a similar analysis 20 years later in his *The Civil War in France* (1871) on the rise and fall of the Paris Commune. That Commune, he wrote, aimed at restoring ‘to the social body all the forces hitherto absorbed by the State parasite feeding upon, and clogging the free movement of society’. In particular, the Commune was able to succeed, at least for a while, ‘by destroying the two greatest sources of [government] expenditure – the standing army and State functionarism’.

Finally, Engels in his 1891 preface to the *Civil War in France*, applied this same libertarian, and very un-Marxian, analysis to the existing political situation in the United States:

Nowhere do ‘politicians’ form a more separate and powerful section [class?] of the nation than precisely in North America. There, each of the two major parties which alternately succeed each other in power is itself in turn controlled by people who make a business of politics... It is in America that we see best how there takes place this process of the state power making itself independent in relation to society... we find two great gangs of political speculators, who alternately take possession of the state power and exploit it by the most corrupt means and for the most corrupt ends – the nation is powerless against these two great cartels of politicians who are ostensibly its servants, but in reality dominate and plunder it.²⁶

Professor Raico concludes his analysis as follows:

It seems, therefore, that there are *two* theories of the state (as well as, correspondingly, two theories of exploitation) within Marxism: there is the customarily discussed and very familiar one [and the one which Marx himself proclaimed], of the state as the instrument of the ruling class (and the concomitant theory which locates exploitation within the production process); and there is the theory of the state which pits it against ‘society’ and ‘nation’ (two surprising and significant terms to find in this context...). Moreover, it would seem suggestive that it is this *second* theory that predominates in those writings of Marx which, because of their nuanced and sophisticated treatment of concrete and immediate political reality, many commentators have found to be the best expositions of the Marxian historical analysis.²⁷

12.7 The legacy of Ricardo

As Karl Marx plunged into the economics of capitalism that would occupy the rest of his life, he found ready at hand a marvellous weapon: Ricardian economics. In contrast to J.B. Say and the French tradition, Ricardo concentrated not on market exchange and its inevitable focus on individual actors and enchargers benefiting from exchange, but on 'production' followed by 'distribution' of income as a distinct and separate process. Ricardo's main focus was on how this social income from production is 'distributed'. Whereas Say or Turgot looked at individual factors of production and how their income emerges from production and exchange, Ricardo focused only on entire, allegedly homogeneous, 'classes' of producers: workers earning wages, capitalists earning 'profits' and landlords acquiring rent. As von Mises pointed out: 'On the market there are always only single individuals...Even Marx had to make a point of explaining that as purchases and sales are made only between single individuals, it is not admissible to look to them for relations between social classes'.²⁸

For Ricardo, then, tautologically, *given* total production, which was mysteriously *there* and not explained, more of the fixed total pie obtained by one class must mean less for other classes. There are, as we remember, no entrepreneurs in Ricardo, because the Ricardians had their eyes firmly fixed on long-run equilibrium, which is supposed to describe living reality, and in such equilibrium, devoid of change or uncertainty, there is no room for entrepreneurship. Thus, for Ricardo, the conditions were already there for a class-struggle theory of the capitalist economy.

Not only that. For the delighted Marx found that Ricardian doctrine was, in effect, a quantity of labour theory of value. Utility dropped out, and since only reproducible goods and not non-reproducible goods such as Rembrandt paintings were considered explainable, only the cost of production was considered a determinant of the embodied value of goods. And since Ricardo finessed 'rent' as allegedly not a part of cost, the only possible cost except labour hours was profit (interest) or cost of capital, and this was so small as to be readily neglected. Besides, profits are allegedly only a declining residual after the payment of wages, which are doomed to keep rising in money but not in real terms as population continues to press upon the food supply.

In the gloomy Ricardian perspective, there are two logical paths towards a call for change in the *status quo*. For Marx the labour theory of value, the view that labour is the sole producer of value, meant that the capitalist's return, profit, constituted the exploitative extraction of 'surplus value' from the workers. The workers produce all value, but the capitalists are able somehow to coerce the workers into accepting wages that are below the full product. In fact, adopting the Malthusian-Ricardian view of population, the workers are paid a subsistence wage, while the capitalists extract the remain-

der of the workers' product as their surplus value, or profit. To the old Malthusian problem: wouldn't the same problem of overpopulation foil a socialist economy? the Marxian answer was that such an iron law of wages (to adopt the term of Lassalle) would not apply under socialism.

Oddly, neither Marx nor his critics ever realized that there is one place in the economy where the Marxian theory of exploitation and surplus value *does* apply: not to the capitalist-worker relation in the market, but to the relation of master and slave under slavery. Since the masters own the slaves, they indeed only pay them their subsistence wage: enough to live on and reproduce, while the masters pocket the surplus of the slaves' marginal product over their cost of subsistence. This surplus value extracted from the slave constitutes the profits of the masters from slave-ownership. In the free society, in contrast, the workers, owning their own bodies and their own labour, pocket their full marginal product (discounted, as an Austrian would add, by the interest return the labourers freely and willingly pay to the capitalists for advancing them the value of their production now rather than wait until after the product is produced and sold).

Yet, such is the process of capitalization in the market that, in a system of slavery in the midst of a general market economy (as in the American South), the surplus value will be capitalized (by bidding up the value, and therefore the selling or buying price of the slaves). The long-run tendency will be for the business of slavery to yield a return equal to that of any other industry. The surplus profits will be bid away into the general rate of return on capital.

To return to Marx, he also found very handy the Smithian concept (not, to the latter's credit, much employed by Ricardo) that only *material commodities*, and not immaterial services, constitute production or value. Material goods are frozen labour, whereas immaterial labour services are, in Marxian terms, 'non-productive'. In this area, Marx took a giant step backwards from Ricardo to Adam Smith. All this, however, fitted neatly into Marxian philosophical materialism.

Marx also found that Ricardo had already treated all labour as homogeneous, with any differences in quality simply weighted by some sort of index to reduce them to quantity of labour hours.

One logical path for a radical Ricardian, clearly, was to call for the expropriation of surplus value, and the establishment of a system in which the labourers earn the full value of their product. As we shall see shortly, this was the path taken by the 'Ricardian socialist' writers in Britain. But there was another, more logical path. After all, the Ricardians could and did say that capital earned profits from their supplying workers with capital goods, with 'frozen labour'. Such a service is clear, otherwise the workers would not have had to rely on capitalists for money while working on the product. Marx's reply, that capital goods, being frozen labour, should be owned by the workers

misses the point that *something*, some service must have been added by the capitalists – which, as we have already seen, was essentially savings and, if we may put it that way, who were advancing the workers' 'frozen time'.

A very different radical path, much more Ricardian and indeed already trod by James Mill, was to concentrate on the other possible bugbear class in the Ricardian system: the landlords – they who simply extract a return for no service, for simply sitting on the 'original and indestructible powers of the soil'. Furthermore, in their own vision of historical laws, the orthodox Ricardians saw the capitalists losing profit, the workers static at subsistence level, and the social product increasingly eaten up by the parasitic landlord class. The nationalization of land rent, then, the 'pre-Henry Georgist' route, was taken by other disciples, including the last of the consistent, radical Ricardians, Henry George.

But how has Marx managed to dispose of the land question that so agitated Ricardo and Mill? First of all, Marx was the great prophet of man as labourer; in his version of Hegelianism, man *created* nature, indeed the entire universe. Since land is man's creature, there is no room for worry about land or land-created value. Labour is all. Second, land as the basis for technology, the economy, and the social system, was the key to the feudal system, but feudalism was part of the dying 'pre-capitalist' pre-industrial order, a reactionary remnant unworthy of attention. Basically, then, Marx simply assimilated land into 'capital', and returns on land into profits. Thus land – the annoying superfluous third class of factors – can drop out and make way for the mighty two-class polarization and final struggle between the capitalists and the proletariat.

12.8 Ricardian socialism

Marx was hardly the first person to arrive at radical proletarian conclusions from the Ricardian system and the labour theory of value. Mediating between Ricardo and Marx were the 'Ricardian socialists', who greatly influenced Marx, but whose influence has been depreciated by Marxists – including Marx himself – who like to think that the master's unique genius in arriving at neo-Ricardian socialism had no predecessors.

The first Ricardian socialist was William Thompson (1775–1833), a well-to-do Irish landlord from County Cork. Thompson's prolix and repetitious work, *An Inquiry into the Principles of the Distribution of Wealth*, published in 1824, went into three editions in the next half-century. An extreme Benthamite utilitarian, Thompson in his *Inquiry* also simply declared that 'labour is the *sole* parent of wealth'. Neither utility, pleasure, or scarcity had anything to do with it. From this flat assertion, the labour theory of value swiftly followed. As Alexander Gray puts it, with his characteristic wit, 'it should be obvious that if the definition selected gives in advance an assur-