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The Central Problems of Marx's Economics and the Nature of Market Regulation

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Introduction

It is a matter of grave concern that the explanation of the 2007-8 financial markets crash which continues to exert the largest political influence upon the attempts being made to reform the financial system is based on the concept of deregulation. The crash was a disaster the groundwork for which was laid by the highly aggressive and utterly incompetent government restructuring of the financial sector called in the UK the 'Big Bang'. It took place whilst that sector was under the supervision of multiple regulatory agencies, against a background of legal and economic policies which gave every inducement to reckless (and much inducement to fraudulent) trade. It is by no means to exonerate private actors from their responsibility for the disaster to say that to regard the appalling government failure as an episode of deregulation is a major obstacle to the explanation of the crash and the formulation of an adequate policy for relief of the ensuing depression. I have argued this elsewhere on numerous occasions (most recently in criticism of Richard Posner's version of the concept of deregulation (Campbell 2010a; 2012)), and do not propose to do so again.

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Despite the bleak account I have just given of its influence on policy formulation, I do not think sophisticated regulatory theorists find the concept of deregulation plausible (though, of course, one has to guard against making what seems to be an accurate statement by means of mere tautology). In this chapter I wish to address a problem which I think besets such sophisticated theorists, and so those who continue to find great value in the concept of deregulation, who cannot even encounter, much less solve this problem, must part company with me. The sophisticated theorists I have in mind regard deregulation, and the idea of an in some way wholly unregulated free market that lies behind it, as the illusions at the root of the shortcomings of the neoclassical economics of market allocation. I believe these sophisticated theorists are right in this. But this dismissal of deregulation and the free market very often is taken to imply that the defining welfare claim of those economics, that market allocation is the best form of general economy, is wrong. By analysis of the theoretical implications of some divergent concepts of regulation, I hope to show that this implication by no means follows from dismissal of the concepts of deregulation and the free market. And this is as well, for I believe that market allocation, were its conditions of existence made actual, is the best form of general economy.

In my opinion, the only truly non-market concept of economic action that demands our continued attention is that of Karl Marx. By discussion of the central problems of Marx's economics, I hope to support the claim that the market economy is the best form of general economy. One of the results of this will, paradoxically enough, be to restate the kernel of sense in the concept of deregulation which evidently makes it so attractive to the theoretically vulgar. The claim that market allocation is the best form of general economy is right, but only if the market is put on a sound regulatory foundation; precisely what is ignored in the concept of deregulation. But such regulation must be regulation of what must be regarded as, in a

sense which will emerge, spontaneous economic action if the regulatory effort may possibly maximise freedom of such action.

The meaning of ‘regulation’

It now seems clear that regulation is a concept of sufficient significance that it must be regarded as, in Gallie’s (1956) famous term, ‘essentially contested’. What we try to denote by regulation is so important that it is inevitable that divergent views, ultimately reflecting different fundamental political values, will always be taken of it. Bearing this in mind, two overall concepts of regulation of application to industrialised economies may be distinguished. First, there is a very general concept of ‘economic’ regulation as ‘the establishment of the legal framework within which [legitimate] economic activity is carried out’ Coase 1977: 5). This concept embraces, but should be distinguished from, the concept, theoretically much more restricted in scope, of ‘social’ regulation as the patterning of economic activity by state intervention. The distinction between the concepts of economic and social regulation rests on the belief that the ideal typical market form of industrial economy cannot be socially regulated. The neoclassical statement of the claim to legitimacy of the market economy in the ‘first theorem of welfare economics’ is that, if the conditions for a generally competitive economy are established, an equilibrium constituting a perfectly efficient, or Pareto optimal, allocation of goods must automatically be established by a succession of voluntary, mutually beneficial exchanges which identify equilibrium by stopping when all opportunities for such exchanges are exhausted. Any state intervention, which analytically involves coercion, must prevent the establishment of a Pareto optimal equilibrium. The beautiful circularity of the first theorem lies in its being driven by voluntary exchange and working only because it is so driven.

In social regulation, the outcomes of a market activity are assessed from a viewpoint which expresses the politically determined public interest, and, if the assessment is to some degree negative, regulation intentionally designed to alter those outcomes may be advocated. Market outcomes may be altered by a coercive transfer of resources, say by taxing undesirable outcomes or providing bounties to desired ones, or replaced by an alternative form of allocative mechanism, say by taking the activity into public ownership or placing it within a public administrative framework which closely patterns its outcomes. Criticism of the operation and outcomes of a market believed to be 'generally beneficent', which was put on its modern, welfare economic footing by A.C. Pigou (2002[1952]: 128), has led to the adoption of theoretically 'piecemeal' but now extremely extensive social regulation of the market economies. When belief in the general beneficence of the market has been completely abandoned, the attempt has been made to construct communist economies which completely eliminate the market in order to establish an economy which is entirely socially regulated, or, better put, entirely planned *ab initio*.

Behind the advocacy of deregulation lies, not only the belief that a market should not be subject to social regulation because such regulation necessarily prevents the Pareto optimising allocation of goods by voluntary exchange, and so socially regulated economic action is necessarily sub-optimal, but also the belief that the market requires no regulation of any sort to exist. Although I strongly believe that a properly defined market sphere should not be socially regulated (Campbell 1999), I am certain that a fundamental mistake is being made here. The most important issue in social theory and economic policy is whether, in order to exist, a market must be subject to economic regulation. On the basis of the first concept of economic regulation we have distinguished, the very general concept of it as the establishment and maintenance of a legal framework within which legitimate economic activity may be carried out, it would seem that this must be the case. But our understanding

cannot be driven by mere definition. We must decide whether the market is in some sense natural or spontaneous form of organisation requiring no regulation, a free market as it is generally put, or whether the market requires economic regulation in order to exist.

In order to make this decision, two senses of regulation bound up in the concept of economic regulation must be distinguished. These may be called *ex ante* and *ex post* regulation. The first addresses the establishment of a framework for economic activity and the second its maintenance. Let us first consider the latter, having assumed that a market economy has been established. The question arises whether that economy is capable of what Marx called reproduction, in the sense that its operation will not of itself undermine the conditions of the market's existence. Marx, of course, did not believe this to be the case, and Twentieth Century corporate capitalist economic policy has been based on an acceptance of variations of the two fundamental reasons he gave for this belief: under-consumption (or over-production) and the concentration and centralisation of capital. Keynesian demand management has been thought necessary to counteract a structural tendency of the capitalist economies to be unable to sustain full employment (Keynes 1936). Competition policy of some sort has been thought necessary to counteract a structural tendency towards monopoly.

Pigou believed social regulation to be necessary even if competitive conditions obtained, but also that economic regulation of monopoly was necessary to ensure those conditions obtained as widely as possible (Pigou 1952: 336). To the extent that it correctly identifies structural tendencies of the market to undermine itself which it seeks to counter, this *ex post* economic regulation seeks in a sense to impose a non-market pattern. Nevertheless, such regulation should be classified as economic rather than social because the pattern is claimed to be that which would be produced by a self-reproducing market. The distinction I am trying to make underpins Keynes' at first blush strange claim that his views were 'moderately conservative' because he sought to alter the volume but not, save as was

necessary to alter volume, the direction of private investment, as he saw ‘no reason to assume that the existing system seriously misemploys the factors of production which are in use’ (Keynes 1936: 379). This was a profound criticism of Pigou because the correction of such misemployment is, of course, the entire point of Pigouvian social regulation.

Despite the fact that, particularly in regard of the ‘natural’ or ‘network’ monopolies which previously were what was denoted by the term ‘regulated industries’, the boundary between economic and social regulation has, as a practical matter, been impossible to draw, we can put to one side the plausibility or otherwise of the unarguably paradoxical concept of *ex post* economic regulation because our focus here is on the concept of *ex ante* regulation. Can a general market economy exist at all without legal regulation establishing it? I will very unfairly given its interest put the literally anarchist response to this question to one side as it is a distraction from our concerns here. The overwhelming proportion of deregulatory or free market responses to this question are not literally anarchist, though they often do confusingly seek to utilise the rhetoric of anarchism, but acknowledge the necessity of providing a legal regulatory framework which directs autonomous, self-interested action, which can, of course, take unwelcome forms, into beneficent channels by securing what von Mises (1981[1922]: 36) called a necessary ‘peacefulness’. These arguments concede the fundamental point that some economic regulation is essential, and therefore that the issue isn’t whether to regulate but how to regulate.

Actual deregulatory policy is therefore handicapped, not so much by the illusion of a free market, as by the tediously invariably minimalist view of the role of the state (Campbell 2003b: 56-57; Campbell and Klaes 2005: 278-89) - the mere prevention of force or fraud as Mill (1965[1848]: 936) said of *laissez faire* - which follows from understanding regulation in a wholly negative way, as a mere cost rather than as an institution facilitative of welfare optimising orientations of action (Campbell 1996b: 505-507). But even these minimalist

views recognise that markets are constituted of a mixture of regulation and spontaneous order, and the regulatory problem is, as it were, determining the proportion of the mixture.

The crucial point is that *ex ante* economic regulation understood on this basis is regulation of action which is in some way ontologically prior to the regulation, and has its own determining principle separate from, though obviously potentially affected by, that regulation. Hayek's outstanding statement of the position is that:

In any group of men of more than the smallest size, collaboration will always rest both on spontaneous order as well as on deliberate organisation ... It is advisable to reserve the term "society" for ... spontaneous overall order so that we may distinguish it from all the smaller organised groups which will exist within it ... Of [these] one which regularly occupies a very special position will be that which we call government. Although it is conceivable that the spontaneous order which we call society may exist without government, if the minimum of rules required for the formation of such an order is observed without an organised apparatus for their enforcement, in most circumstances ... government becomes indispensable in order to ensure that those rules are obeyed. [But] though spontaneous order and organisation will always coexist, it is still not possible to mix the two ... in any manner we like ... although we can endeavour to improve a spontaneous order by revising the general rules on which it rests, and can supplement its results by the efforts of various organisations, we cannot improve the results by specific commands that deprive its members of the possibility of using its knowledge for their purposes (Hayek 1982: 46-51).

Left-wing criticism of the free market

This paper is written to address what I believe is an abiding shortcoming of left-wing criticism of the market: that it fails to reproduce anything like Hayek's awareness of the inner determining principle of the action that is to be regulated by *ex ante* regulation.¹ This has emerged very clearly from the left-wing proposals for financial regulation in the wake of the crash. In one of the most theoretically penetrating exposures of the shortcomings of financial

¹ For a statement of the general position I wish to criticise by one of the most interesting at all recent contributors to Marxist social theory see Meiskins Wood (1981: 72): 'Marx's purpose ... is to stress not the dualism of the "material" and the "social" but the definition of the material by the social'.

regulation that played their part in causing that crash, Professor McVae has shown that the assumption that the market is ‘a natural – or at least naturally preferred – form of social organisation’, which leads to the general conception of regulation as ‘an essentially ancillary and subservient’ response to market failure, is unjustifiable (McVae 2005: 416, 431). McVae is right in this, and also is right to go on to argue that, rather than confining our view of regulation to what I have called social and *ex post* economic regulation, that view must include *ex ante* economic regulation: ‘the state represents the cradle within which all markets [including] sophisticated financial markets – are constituted and sustained’ (McVae 2005: 431-32). He sums up his views thus:

The so-called free market amounts to nothing more than “*a social choice for a particular kind of regulation*, not only in its negative features of [relative] nonintrusion upon private agreement, but in its positive features of enforcing those agreements ...” as well as endorsing – or at least tolerating – the often predictable outcomes of such arrangements. As a result, proponents of freer markets must argue the merits of their preferred approach in much the same way as those who support a less free market must do for theirs (McVae 2005: 432-23, quoting Rubin 1988: 1267).

Whilst I wish to stress my agreement with this rejection of the concept of the free market, I believe it contains a series of unsustainable implicit arguments. What had been described as ‘constituted and sustained’ is redescribed as ‘social choice’. But are we free to ‘choose’ social arrangements in this way? If the task of *ex ante* regulation is the channelling of the autonomously defined self-interest of economic actors, then social choice is not an entirely happy term because our choice is so constrained that, in important respects, there is no choice. If one acknowledges the autonomous definition of one’s self-interest (in the face of scarcity) as the fundamental principle of free economic action, one can regulate for a productive general economy only by facilitating market action. One could, of course, instead choose to regulate on some other basis, such as, if this term may be allowed for purposes of argument, altruism. However, if economic actors are themselves to have the freedom to define what constitutes altruism, then such altruism is indistinguishable from autonomously

defined self-interest. An economic actor may choose to commit her resources to the purchase of degrading pornography, or an improving book, or equipping a foundling's hospital. But, if it is he who chooses, then whether one calls his motivation self-interested or altruistic is irrelevant; the crucial point is not the substance of the choice but that the choice is autonomous. Whilst the concept of piecemeal social regulation turns on recognising that non-market action may well improve welfare in some defined instances, this improvement is secured by an exercise of coercion which extinguishes that autonomy, and the implicit claim in McVae's way of putting it, that one can choose a general non-market economy, is incompatible with a general recognition of freedom of choice.

If by 'freer markets' we take McVae to mean use of a market, then he is also wrong to think the choice of market and non-market organisation should be placed on the same basis. If one identifies optimal welfare with voluntary choice, an optimising general economy must take the form of a market, and the *ex ante* regulation of the general economy must seek to create a market. Arguments for creating non-market spheres must be conceptualised as piecemeal cases for social regulation by state intervention. Of course, the choice of market and non-market governance should be open and balanced in any particular case, and it is obvious that the concept of deregulation is based on a biased approach to this choice (McVae 2005: 431). But the Pigouvian conception of intervention commits, as it were, the opposite error to that involved in the concept of deregulation. Instead of no regulation being necessary, all regulation can be social regulation because all regulation is conceived of as intervention. I have argued elsewhere that the Pigouvian tradition rests on the conceptualisation of all regulation as intervention, so that the argument for necessary *ex ante* regulation is taken to justify social regulation when, indeed, the two are opposed (Campbell 1999). McVae subscribes to this conceptualisation:

it is disingenuous to depict state intervention which goes beyond the realm of correcting market failure as somehow unwarranted and in any more need of

justification than markets that operate with a bare minimum of state involvement (McVae 2005: 432).

The sophisticated question McVae thereby leaves us with is not whether markets must be based on regulation. It is whether the fact that markets must be based on regulation leaves us with an unconstrained social choice of forms of general economy; in essence, whether the necessity of *ex ante* economic regulation equates to unlimited possibilities of social regulation. I do not remotely pretend to give a full answer to this question here. What I instead propose to do is examine the outstanding attempt to give expression to this purely social view of regulation: that of Marx.

Marx has written some of the most important passages that have ever been written in the history of social theory, and amongst them I would include the following:

The economists [claim that] everyone pursues his private interest and only his private interest, and thereby unintentionally and unwittingly serves the private interests of all, the general interest [But this] abstract statement could rather lead to the conclusion that everyone mutually hinders the assertion of the interests of everyone else, and instead of a general affirmation, a general negation results from this *bellum omnium contra omnes*. The point is that the private interest is itself already a socially determined interest, which can be achieved only within the conditions of society and with the means provided by society ... It is the interest of private persons; but its content, as well as the form and means of its realisation, is given by social conditions independent of all (Marx 1958: vol. 28, 93-94).

I believe that this passage anticipates all that has of value emerged in the left-wing conceptualisation of regulation as a criticism of the free market. However, it is not on the strength of Marx's views expressed in this passage that I will dwell, but on their weakness. This understanding of the social construction of the private led Marx to give an account of capitalism the value of which one would have said it was impossible to exaggerate, were it not that the history of the Twentieth Century was in substantial part the history of its exaggeration. But it also led him to posit a communist alternative which so decoupled social possibility from the existential constraints on that possibility which capitalism recognises that, against Engels' and Marx's most profound intention, it amounted to a mere utopia. I

have made my own contribution to the analysis of this tragic failure elsewhere (Campbell 2003a; 2011). Here I intend to explore how disregard of these constraints and a consequent utopianism informed the central concepts of Marx's economics.

Early British left-wing criticism of the labour theory of value

Shaw and Keynes on Marx

A considerable part of the persuasiveness of *The General Theory of Employment, Interest and Money* lies in the way its argument is developed in relationship to the history of economic theory as a critique of 'classical economics' as Keynes understood them (Keynes 1936: 3 n.1). Keynes believed himself to be taking the term classical economics from Marx,² but whereas for Marx those economics reached their apogee in Ricardo, Keynes, writing some 50 years after Marx's death, extended this term to cover all those after Ricardo whom Keynes believed had adopted a fundamentally Ricardian approach, in which category he included Marx. He had, of course, some warrant to do this because of Marx's commitment to the labour theory of value. But whilst Marx's conception of classical political economy is based on immense learning about the history of the subject and has a precise theoretical function,³

² The term Marx (1867a: 91 n. 1) himself preponderantly used was 'classical political economy'.

³ So often criticised as dogmatic or even theological, Marx's views on the history of economics were grounded in an enormous, and enormously perceptive, scholarly effort, on the basis of which he produced his own political economy as a scrupulous immanent critique of his predecessors (Campbell 1996a). We can now see that Marx's critique of classical political economy was, at its heart, a forcing of the material into an eschatology which essentially was a Hegelian 'end of history', but this in no way detracts from Marx's objectivity, save to say that it was subject to human limits. Projected as a fourth volume of *Capital* on 'the history of the theory' (Marx 1867a: 11), Marx's commentary on political economy was made available (in a somewhat abridged form) as *Theories of Surplus Value* by Kautsky between 1905-10, Kautsky taking this material from the enormous economic manuscript which Marx wrote between 1861-63 which is now entirely available in English (Marx 1863). The *Theories* are, as it were, reconstructed in the form of a sustained narrative in Rubin (1979), a textbook Rubin prepared for a course on the history of economic thought

Keynes' classical economics is based on sometimes dreadfully slipshod scholarship and is amorphous to the point of incoherence. Though, as we shall see, Keynes' essential criticism of classical economics was that it saw the capitalist economy as capable of self-reproduction, Keynes even included Pigou amongst the classical economists, and, indeed, made Pigou's *Theory of Unemployment* the main target of his attack on those economists (Keynes 1936: ch. 2, secs. 1-2, ch. 19 appendix). Pigou did not pay any attention to involuntary unemployment even in the fourth, 1932, edition of *The Economics of Welfare* (Pigou 2002[1952]: 127),⁴ and it seems that the criticism of capitalism informing his views on economic and social regulation was, for Keynes, nullified by his not subscribing to essentially Keynes' view of unemployment. One sees the justice in Pigou's own rejection of this approach (Pigou 1936),⁵ and even more in Schumpeter's regarding Keynes' 'classical economics' as just a collective noun used to disparage those with whom Keynes disagreed (Schumpeter 1936: 792 n. 2).

By using classical economics in so wide a sense, Keynes sought to convey that the Ricardian approach was taken by both those committed to *laissez faire* and by socialists such as Marx. The former thought Ricardo's concept of capitalism was 'true and inevitable', and the latter thought it 'true and intolerable' (Keynes 1934a: 31), whereas Keynes was convinced that he himself was going to be able to advance a 'third alternative' which would lead to reforms of capitalism such as 'to justify economists taking their seat beside other scientists' (Keynes 1934a: 31). Despite it being incontrovertible that Keynes did have some

based on the *Theories* which was given in the USSR in the twenties, Rubín being purged in 1930, subsequently horribly treated, and killed probably in 1937.

⁴ Keynes scathingly criticises this in *The General Theory* (Keynes 1936: 5 n. 1). Pigou lived until 1959 but after 1932 never revised *The Economics of Welfare*. He provided eight new appendices for a 1952 'fifth edition' which was otherwise a reprint of the fourth edition, but did not address *The General Theory* even in one of the appendices (Pigou 2002[1952]: lxx). Pigou had, of course, done this in other work, most substantially Pigou (1941; 1949; 1950).

⁵ Pigou did not retract from this criticism of the method of Keynes' approach when, in later years, he reached a more sympathetic view of its substance: Pigou (1950).

vague conception of a post-capitalist society in which ‘the economic problem’ had been solved (Keynes 1931: 325), the reason his conception of classical economics is so vague is that he has to push his predecessors into one of two defective camps in order to set up the opposition he conceived it was to be his great achievement to resolve by identifying a suitable reform of capitalism. He thereby takes his place in the very large but by no means exhausted litany of British social theorists and politicians who believe they have found the third way; social democracy’s equally tedious parallel to dialectical materialism’s reduction of the dialectic to what Hegel had called a ‘monotonous formalism’ (1977[1807]: 30).

Of Marx, Keynes could not have had a lower estimation. He was really quite fecund in framing unpleasant comments about Marx, perhaps reaching his low point when he turned a phrase taken from Trotsky’s (1973[1925]: 90) famous diatribe – this word isn’t strong enough - against Fabianism back against Marx: ‘together with theological literature, perhaps the most useless, and in any case the most boring form of verbal creation’ (Keynes 1951: 67). The enormous influence, which he fully acknowledged (Keynes 1934b), of ‘a doctrine so illogical and so dull’ as Marx’s (Keynes 1931: 285) was, Keynes (1934b) freely admitted, something he could not explain, and his opinion of *Capital* was that it was ‘an obsolete economic textbook, which I know to be not only scientifically erroneous, but without interest or application for the modern world’ (Keynes 1931: 258), its ‘contemporary *economic* value [being] nil’ (Keynes 1934b, original emphasis).

Keynes criticism of the Ricardian approach in *The General Theory* was not, of course, directed at Ricardo’s theory of value as such but at Ricardo’s acceptance of Say’s Law, which ruled out the possibility of the shortfall of effective demand in the capitalist economy which it was Keynes’ aim to establish. And, this being the case, Keynes’ treatment of Marx in *The General Theory* lacked, as Schumpeter pointed out in his review, *verecundum*, in the sense of a lack of proper respect (Schumpeter 1936: 792 n. 2). Keynes was aware that Marx had

maintained the possibility of under-consumption against the Ricardian ‘orthodoxy’, but gives Marx little or no credit for this in the review of under-consumption theories in *The General Theory*, where Marx is barely mentioned. Schumpeter was right to find Keynes’ classing Marx with Silvio Gesell⁶ and Major Douglas (Keynes 1936: 32) offensive (Schumpeter 1936: 792 n. 2). There are, in fact, grounds on which Keynes can be criticised for maintaining contradictory views of Marx’s achievement as a theorist of under-consumption.⁷ But I do not want to pursue this as, for what my own opinion is worth,⁸ I believe that it is questionable whether Keynes, despite claiming to have done so (Keynes 1934b), had read *Capital* with attention, but that it is not questionable that he did not remotely appreciate the value of the profound social theoretical context in which Marx situated his critique of Ricardo’s attachment to Say’s Law. As Joan Robinson rightly said, Keynes did ‘not touch at all upon the major questions with which Marx was concerned’ (1948: 145), and this denied him a valuable resource for his own thinking.⁹ Even by the standards of what was possible in the

⁶ Keynes (1936: 355) said, indeed, that Gesell had much more to teach us than Marx, and even seems to come close to allowing that Gesell anticipated his (Keynes’) own ‘third alternative’ (Keynes 1936: 379).

⁷ Keynes gave the principal credit for taking up a non-Ricardian position prior to himself to Malthus, and in his essay on Malthus in *Essays in Biography* he described Marx’s views relating to ‘effective demand’ as ‘closely akin’ to Malthus and so ‘by no means without interest’ (Keynes 1951: 91 n. 1).

⁸ I have followed up all the references to Marx and related topics in the index to KCW, and read all the commentaries on Keynes’ direct discussion of Marx that I have been able to identify, certainly amounting to dozens. The former was not worth the effort. And almost all of the latter actually do not do as they claim but rather compare arguments in Marx and Keynes which they, often plausibly, regard as functionally equivalent. This can be interesting, but it is not intellectual history. Behrens (1985) is an excellent example of this combination of questionable intellectual history combined with comments on substantive economic theory which are not without interest.

⁹ Though Robinson would, of course, have largely agreed with Keynes (1935) when he told Shaw he was writing a book ‘which will largely revolutionise ... the way the world thinks about economic problems’, she effectively ridiculed his belief that, as part of this, ‘the Ricardian foundations of Marxism will be knocked away’. ‘[S]tarting from Marx’, Robinson observed (1966: 96), ‘would have saved [Keynes] a lot of trouble’, Robinson is right to here

1930s, when the understanding of *Capital* was extremely handicapped by the unavailability of many other crucial texts, Keynes' treatment of Marx was just not good enough, and it does not have substantial theoretical interest.

Nevertheless, I want to argue that, to the extent that Keynes' low estimation of Marx was based on a dismissal of the labour theory, then it was correct, for this fundamental aspect of Marx's economics is wholly wrong. This was, of course, the belief that had informed almost all British left-wing opinion on the matter since George Bernard Shaw, in his self-appointed capacity as the economist of the early Fabian Society (Shaw 1948: 215), abandoned his prior attachment to the labour theory and stated the Fabian understanding of value in marginalist terms in what became the enormously influential *Fabian Essays* (Shaw 1889: 12-17). Shaw seems to have had a sort of apotheosis upon giving proper consideration to the brilliant criticism of volume one of *Capital* by P.H. Wicksteed (1933[1884]), whose work combined important commentary on the marginalism of particularly Jevons with an abiding concern for economic and social reform that made him sympathetic to socialism. Shaw never seems to have resiled from a very positive opinion of volume one of *Capital* (Shaw 1930: 168)¹⁰ but his revised opinion of Marx's theory of value was as low as that of Keynes. He called it a 'blunder' (Shaw, 1948: 228), one of a number of 'clumsy' 'muddlements' (Shaw 1916: 217), and he even included Marx, together with Henry George

claim that it is highly instructive in this respect to assess the strengths of Kalecki's independent statement of a position comparable to that set out in *The General Theory*, but informed by an infinitely more profound understanding of Marx: Kalecki (1990ff:vol. 1, pt. 5).

¹⁰ The book to which I have referred as a source for this article of Shaw's – Ellis, *Bernard Shaw and Karl Marx* - very conveniently brings together almost all the principal documents necessary to understand the development of Shaw's views on Marx leading up to *Essays in Fabian Socialism*, but it is hard to obtain and in all other cases I have given references which are more accessible.

and John Ruskin, in a demeaning trilogy of ‘great propagandist amateurs of political economy’ (Shaw 1916: 219).

Shaw’s opinion is preposterous but it was at least undoubtedly based on reading the first volume of *Capital*. Having first read it in French as a member of what became a Fabian reading group (Pease 2006[1916]: 58; Shaw 1934), he wrote a review after it appeared in English in 1887 which deprecated the attachment to the labour theory whilst applauding what he saw, in a sort of depiction of volume one as a socialist *Hard Times*, as its justified revolutionary sentiment (Shaw 1930). That Shaw’s views cannot repay theoretical scrutiny does not detract from their very considerable political significance;¹¹ indeed it is an important aspect of that significance. After the remarkable success of *Essays in Fabian Socialism*, Engels felt that Shaw’s views were sufficiently important to spend an, admittedly contemptuous, line or two on them in his Preface to the first, German edition of volume three of *Capital* (Engels 1894: 13). That Marx’s influence on the British left-wing politics was confined to being merely a source of rhetoric¹² was demonstrated during the early history of the Labour Party by the ‘Marxism’ of Shaw’s economics being a mere patina, just as it was demonstrated at the time leading up to the creation of the universal welfare state by Orwell,

¹¹ In an admirable display of tact, when contributing to a commemoration of Shaw’s ninetieth birthday, Maurice Dobb (1946), unquestionably then the leading British Marxist economist, managed to write a piece on Shaw’s economics which celebrated his polemical socialism, which he (Dobb) attributed to Marx’s continuing influence, without saying anything whatsoever about the substance of those economics!

¹² H.M. Hyndman’s economic and sociological thought is, in my opinion (which was not entirely that of Engels and Marx themselves), an interesting contribution to Marxism, but, of course, politics of Hyndman’s sort were just those pushed to one side by the success of Fabianism.

who was almost completely ignorant of Marx,¹³ then having the reputation of being capable of ‘breathtaking Marxist paradoxes and epigrams’ (Rees 1961: 147).¹⁴

Wicksteed on Marx

I cannot hope to add to the substance of Wicksteed’s critique of the economics of the labour theory, the essence of which I will merely restate in a way which sets up my subsequent argument. I do hope, however, to add political and legal dimensions to the economic critique of that theory, and the point I wish to make is that it can have an appeal only if one has an authoritarian view of how economic goods should be allocated. Given the existential conditions of economic action, if one wishes the allocation of economic goods to be based on freedom of choice, one *must* use a market to allocate those goods. The reasons that Marx was able to adopt the labour theory are that market allocation obviously is open to enormous criticism, and that he did not recognise that its complete rejection inevitably would have authoritarian results.

¹³ We now have the direct testimony of Orwell’s first wife confirming that Orwell had read nothing of Marx prior to 1937, ie until after he had written part 2 of *The Road to Wigan Pier*, and that when hand his wife did read him ‘a little’, they conceived a ‘strong ... personal dislike of the man’ (Blair 1938: 72). In addition to the immensity, which defies belief, of the effort he made to pull all of Orwell’s extant writings into the *Complete Works*, Dr. Peter Davidson, the editor of those *Works*, took commensurate pains to provide supplementary material which would make the Orwell’s social and political context understandable to a contemporary audience. He rescues countless figures from obscurity in order to flesh out that context. We are indebted to him for an edition which, in addition to its literary and theoretical value, is itself an important historical document. Nothing, then, can show how little Marx had any significance for that context than the incredible fact that, with all his knowledge of Orwell’s thought and its background, Dr. Davidson (2006: viii) evidently believed that Marx was Russian!

¹⁴ See further Crick (1980: 201-2) and Davidson (2006: viii). I have no doubt that Orwell’s ‘marxism’ was in fact entirely taken from the pastiche of the materialist conception of history to be found in many of H.G. Wells’ fictional and non-fictional writings such as *The Outline of History* and *The Shape of Things to Come* (Orwell 1941b: 539).

There are certain immediate objections to the labour theory of value which Marx saw and with which he sought to deal early in the account of that theory in part one of volume one (Marx 1867a: 50-51), and I shall focus on one of them. If the value of a commodity was a matter only of the labour needed to produce it, then any product of labour should, within the capitalist mode of production, have a value and, therefore, ultimately a price. But capitalism is, as is any mode of production, a form of human interaction with nature, which is a matter of the production of use-values. Commodities are use-values produced for exchange, but they will exchange only if they are 'social use-values' which have a use-value for the buyer: 'nothing can have a use-value without being an object of utility. If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value' (Marx 1967a: 51).

Marx is able to maintain a very strong separation between use-value and exchange-value in respect of goods which were produced for sale which do not find a buyer because no buyer finds them useful. Being unsold, these goods do not have a value because they have, to put it this way, failed to become commodities, and Marx's logical apparatus for strongly distinguishing use-value and exchange-value as two separate factors of a commodity (and deriving from this the two-fold nature of the labour process) can deal with this. A commodity which cannot be sold has no value, regardless of how much labour time is embedded in it. But, certainly with the hindsight provided by the success of the marginal revolution, it is unarguable that this highly restricted view of the influence of use-value on price is quite wrong. It turns on distinguishing a class of 'failed' commodities on which use-value has a determining effect, from the class of commodities as such, which are exchanged, and the value, and therefore ultimately the price, of which is to be determined, Marx claims, by labour inputs alone.

But it is not possible to draw this line between the products of labour which do find a buyer and those which do not, for the value of a good which is able to be sold also is a function of both supply and demand. The same factors of supply and demand which Marx acknowledges will, in an, as it were, on/off manner, prevent some goods having a value at all also enter into the determination of the value of most goods, their respective roles having to be analysed, as it was Wicksteed's main aim to argue, at the margin. These factors from the outset reflect both the production cost of the good's supply and the effective demand for it, which the rational capitalist will seek to predict. And, at a further level of analysis, prediction of demand also enters into the amount of investment in research and development which itself enters into the determination of the technological conditions of production cost. Marx's, in itself correct, acceptance that demand determines the zero value of goods that do not sell is simply not consistent with treating the value of goods that do sell as determined only by labour inputs. Wicksteed therefore is right to say that Marx does not show that abstract labour is the only property common to commodities but rather that, if I may modify Wicksteed's term, abstractly *useful* labour is that property (Wicksteed 1933[1884]: 712).

Marx, of course, fully acknowledged the role of demand in the determination of price, and he tried to account for this by solving what has come to be known as 'the transformation problem' in part 2 of volume 3 of *Capital*. But the essence of the transformation problem is that price is but a derivation from value, and the capitalist process of its derivation, generally competitive supply and demand, is but a mechanism, and, indeed, a very imperfectly working mechanism, for accomplishing the social task of allocating labour. I can say nothing here about the, as it were, technical economics of the transformation problem, for my former belief that I understood those economics has been replaced by a belief that they are incomprehensible, and, though the last thing that this means is that they are without interest, this is not the place to explore this, for I now believe this is a matter only of the history of

economic theory. Marx's fundamental economic concepts are so weak that it must be said that the dismissive British left-wing attitude towards them taken by the later Shaw and by Keynes is, ultimately, justified. However, I do feel I can say something of interest about the political and legal aspects of Marx's economic thought which have continued to exert enormous influence on left-wing thought, and to this I now turn.

The critique of capitalism in light of the labour theory

Why did Marx find his erroneous formulation of the distinction between use and exchange-value so plausible that he thought it the key to his contribution to economics (Marx 1867b: 407)? I believe he did so because this formulation seemed to locate the superiority of state governance of economic issues within the scientific analysis of capitalism. It was the crux of the economic statement of scientific socialism. We can see this from the way that three defining features of the Marxist, and the more generally left-wing, attitude towards capitalist commodity production have followed from Marx's treatment of value: a wholly tendentious view of decisions about which commodities are to be produced; a wholly critical view of competition; and an overwhelming bias in the evaluation of market and state governance.

Supply and demand

The politically as well as economically interesting thing about Marx's treatment of value is that it removes demand from the determination of the value of a commodity:

[o]n a given basis of labour productivity the production of a certain quantity of articles in every particular sphere of production requires a definite quantity of social labour time ... this proportion ... has no inner relation to the usefulness of these articles or the special nature of their use values' (Marx 1894: 185).

This gives rise to a completely unbalanced view of how decisions to produce commodities are made. At the fundamental level of value, with demand negated, these decisions are just matters of labour inputs, which are, under capitalism, decisions made by the capitalist as 'a

leader of industry' (Marx 1894: 337). In Marx's account, this is a matter of exploitation in the sense of pursuit of maximum surplus value as 'the direct aim and determining motive of production' (Marx 1894: 867):

capitalist production is itself indifferent to the particular use-value, and distinctive features of any commodity it produces. In every sphere of production it is only concerned with producing surplus value (Marx 1894: 194).

On this is built the critique of capitalism as a 'restless, never-ending process of profit-making alone' (Marx 1867a: 164) which has as its only commandment, as Marx unforgettably put it: '[a]ccumulate, accumulate! That is Moses and the Prophets' (Marx 1867a: 591). The identification of the 'the historical tendency of capitalist accumulation' which will end with the 'expropriators' being 'expropriated' (Marx 1867a: 750), follows. The point I wish to make is not about immiseration (Marx 1867a: ch. 20) or even exploitation as such, but about the way that, given Marx's treatment of use-value, the pursuit of surplus value is the only real determinant of production decisions.

Now, as Marx put it in what is now known as the *Grundrisse*, the notebooks he compiled between 1857-8 which are the most complete statement of the immense work on political economy he then envisaged, of which *Capital*, even after the work of Engels, is but part, capital 'creates a particular surplus value ... because it cannot create an infinite one at once' (Marx 1858: 260). Concerned only with accumulation, capital would prefer an infinite, instant surplus, but it cannot create one because the 'fact that the production of use values, or goods, is carried on under the control of a capitalist and on his behalf does not alter the general character of that production' (Marx 1867a: 187). Capitalism is but a mode of humankind's relationship with nature. Accumulation must, Marx shows us, proceed through the circuit of M-C-M': the 'general formula for capital' of money (investment of constant and variable capital), commodity (production and sale of use-values) and greater money (amortised investment of constant and variable capital and surplus value) (Marx 1867a: ch.

4). The structural principle may be surplus value, but the production of saleable commodities is essential, for ‘commodities are not paid for twice over, once on account of their use-value and again on account of their value’ (Marx 1867a: 170). The capitalist actually must have:

two objects in view: in the first place, he wants to produce a use-value that has a value in exchange, that is to say, an article destined to be sold, a commodity; and, secondly, he desires to produce a commodity whose value shall be greater than the sum of the values used in its production ... His aim is to produce not only a use value but a commodity also; not only use value, but value [and] surplus value (Marx 1867a: 196).

We read Marx now because he is the principal source of the idea that the capitalist, as a ‘personification of capital’ (Marx 1885: 122) and its ‘economic categories’ (Marx 1867a: 10), is solely motivated by the pursuit of what he knows as profit. Intimately tied to this are the ideas that this pursuit by no means necessarily coincides with, and indeed in Marx’s view structurally conflicts with, both the well-being of labour and the conservation of the natural environment. In *Capital*, the latter theme is far less well developed than the former,¹⁵ but it is equally central to Marx’s critique of capitalism,¹⁶ being equally rooted in the brilliant philosophical anthropology (Marx 1844: 270-82) underpinning Marx’s account of the labour process. But, leaving it aside that this understanding of ‘the law of motion’ of capitalism is an

¹⁵ If I may quote some passages illustrative of these less well known of Marx’s views: ‘all progress in capitalist agriculture is progress in the art, not only of robbing the labourer, but of robbing the soil; all progress in increasing the fertility of the soil for a time is a progress towards ruining the lasting sources of that fertility’ (Marx 1867a: 507), and: ‘[I]arge-scale industry and large-scale mechanised agriculture work together. If originally distinguished by the fact that the former lays waste and destroys principally labour-power, hence the natural force of human beings, whereas the latter more directly exhausts the natural vitality of the soil, they join hands in the further course of development in that the industrial system in the countryside also enervates the labourers, and industry and commerce on their part supply agriculture with the means for exhausting the soil’ (Marx 1894: 800).

¹⁶ ‘From the standpoint of a higher economic form of society, private ownership of the globe by single individuals will appear quite as absurd as private ownership of one man by another. Even a whole society, a nation, or even all simultaneously existing societies taken together, are not owners of the globe. They are only its possessors, its usufructuaries, and, like *boni patres familias*, they must hand it down to succeeding generations in an improved condition’ (Marx 1894: 763).

abstraction from the real motivations of the capitalist which cannot be, and was not intended to be, regarded as an empirically accurate account of (Victorian) business ethics, that understanding completely eliminates the worker as consumer. The capitalist is entirely focused on profit, but as he must produce saleable use-values in order to realise a profit, he must, as we have seen, take production decisions in light of anticipated demand,¹⁷ and in the capitalist economy demand ultimately is a matter of consumer choice. However, Marx gave so little weight to the role of demand that I am unaware of any substantial consideration of the role of the consumer anywhere in his work.

The tone of the very many but sporadic comments he does make on consumption is summed up in *The Communist Manifesto*, where Engels and he describe the process thus: ‘No sooner is the exploitation of the labourer by the manufacturer [in the production process] at an end, and he receives his wages in cash, than he is *set upon* by the other portions of the bourgeoisie, the landlord, the shopkeeper, the pawnbroker, etc’ (Marx and Engels 1848: 491, emphasis added). What on the face of it is overwhelming counter-evidence to my claim that Marx fails to consider consumption, the treatment of circulation in volume two of *Capital*, is extraordinary. It is foolish to deny that volume two is of a historical importance greater than all save few other contributions to social theory, but nevertheless this is an awkward thing to say as the book is barely readable largely because it hardly addresses its real subject matter. Circulation is entirely described at a structural-functionalist level (though the system involves contradictions which will bring about its collapse) and the fundamental process of circulation,

¹⁷ An important sentence in the chapter of volume one on the fetishism of commodities reads: ‘The division of a product into a useful thing and a value becomes practically important only when exchange has acquired such an extension that useful articles are produced for the purpose of being exchanged, and their character as values has therefore to be taken into account, beforehand, during production’ (Marx 1867a: 84). Indeed, but the likelihood of the article to exchange at all, and the price it will command in exchange, is from the outset a function of demand, and this also has to be taken into account beforehand.

sale of consumer goods, has no autonomous role! In what is the most outright implausible part of *Capital*, Marx treats the extensive facilitation of buying and selling that is central to capitalism as a mere expenditure on unproductive labour, one of the '*faux frais*' or incidental expenses of production which, though necessary, must be distinguished from the creation of value (Marx 1885: 135). So recondite is most of volume two and so weak is this concept of *faux frais* of production that one cannot but feel that Engels would have done better just to make available the reproduction schemas which appear as chapters 17-21, which are essential to the structure of *Capital* as a whole,¹⁸ largely omitting other material which he himself feared would have a difficult reception (Engels 1885: 296).

To the extent it is right to say it features at all, consumer choice features in *Capital* in the analysis of the value of labour power, and this is the point at which Marx's economics, and Marxism, broke down. The value of labour power is the cost of its reproduction, a matter of keeping alive the labourer and his dependents and enabling him to procreate, and the thrust of volume one that so attracted Shaw is the way it shows the capitalist driving this down to its minimum. But this is where Marxism surrendered all hope of purchase on the political aspiration of members of the western working classes, because it simply cannot come to terms with the value of the material wealth and the freedom to choose those classes enjoy in a market economy. The working classes are consumers, but, from Marx's perspective, this is of no interest. All he is interested in is the reproduction of labour power, which he thinks can be regarded as a technical matter of labour inputs into the production of necessaries, and that this is actually a matter of labourers *qua* consumers choosing goods is irrelevant to him:

The individual consumption of the labourer [is] a factor of the production and reproduction of capital [but the] fact that the labourer consumes his means of subsistence for his own purposes, and not to please the capitalist, has no bearing

¹⁸ There is essential material on the reproduction of constant capital elsewhere in volume two, but this, in my opinion, can be merged with material now in volume three.

on the matter. The consumption of food by a beast of burden is none the less a necessary factor in the process of production because the beast enjoys what it eats (Marx 1867a: 572).

That the labourer has ‘his own purposes’ ‘would seem’, Marx concedes in volume three, to mean ‘that there is on the side of demand a certain magnitude of definite social wants which require for their satisfaction a definite quantity of a commodity on the market’. ‘But’, he goes on to say:

quantitatively the definite social needs are very elastic and changing. Their fixedness is only apparent. If the means of subsistence were cheaper, or money wages higher, the labourers would buy more of them, and a greater “social need” would arise for them, leaving aside the paupers etc, whose “demand” is below the narrowest limits of their physical wants ... We must never forget that the demand for productive consumption is ... a demand of the capitalist, whose essential purpose is the production of surplus value, so that he produces a particular commodity to this sole end (Marx 1894: 187).

This complete reduction of the choices of the consumer to the will of the capitalist has been disastrous for Marxism. No one has ever more insisted upon the achievement of the bourgeoisie, which, ‘historically, has played a most revolutionary part’ (Marx and Engels 1848: 486), than Engels and Marx, and they saw that in one sense this achievement – the great civilising influence of capitalism (Marx 1858: 336) - has been precisely the overcoming of ‘universal mediocrity’ (Marx 1867a: 749)¹⁹ by expansion of the wants of the common person rather than merely those of an elite (Marx and Engels 1848: 488). But Marx was unable to find a proper place for this in his economics, where it features only as ‘the historical and moral element’ of the value of labour power (Marx 1867a: 181), the significance of which is never properly linked to the development of conscious working class political struggle, even though that struggle is essentially about just this. It is not that Marx failed to see the potential political value of this struggle (Marx 1865: 145). It is that he gave no intrinsic value to the expansion of individual choice of employment or of goods for

¹⁹ Marx takes this phrase from the French socialist economist Constantin Pecqueur.

consumption. Struggle over these by organised labour was, Marx felt, a limitation on working class consciousness (Marx 1865: 148-49). Its value was to 'school' the working class into the eventual abandonment of such choice under socialism and communism (Marx 1866: 191-92),²⁰ and it was criticised as mere 'trade union consciousness' by Lenin who, in most of his thought, did not believe the schooling would be effective (Lenin 1960ff[1902]: 17-18).

But when Smith told us, ninety one years before the publication of volume one, that 'the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages' (Smith 1776: 24), he captured the essential, positive feature of capitalism in a way with which Marx, and Marxism, were never able to come to terms. In the Western societies which were to be communism's natural home, workers have far more to lose than their chains, and this was emphatically the case, not merely at the time of the death of Engels, but even when he and Marx made the resounding claim that chains were all the working class had to lose (Marx and Engels 1848: 519).

And at least Engels and Marx could point to horrible poverty when taking a negative view of the capitalist achievement which Smith, and they themselves when looking at the issue in broad historical terms, viewed so positively.²¹ But, after the establishment of the

²⁰ David McLellan includes a very instructive fragment on this theme, which he entitles 'On Trade Unions', in *Karl Marx: Selected Writings* (Marx 2000[1869]). It is not to be found in the *Collected Works* because it is not a piece by Marx as such but a report of an interview with him by the interviewer. The interview is available only in German and McLellan translated this fragment himself. I will not go further into the provenance of this fragment save to say there are good reasons to think it does express Marx's views.

²¹ Engels' and Marx's early indictments of poverty, of which *The Condition of the Working Class in England in 1844* (Engels 1845) and *Wage-labour and Capital* (Marx 1849) are the centrepieces, were directed at the consequences of the process of capital formation that gave rise to industrialisation which Marx called primitive accumulation. They do not have a part in the theory of developed capitalism. *Capital* volume one (Marx 1867a) and *Value, Price and*

welfare state began the process which now makes the very concept of poverty difficult to apply to the liberal democratic societies, the typical Western Marxist attitude to the expansion of mass wants has been a scathing cultural critique of consumerist false consciousness which reached self-parodying heights of condescension in Adorno, whose typical disparagement of common enjoyments as mass deception (Adorno and Horkheimer 1979[1947]: 120-67) would be upsettingly authoritarian were it not that it is expressed in a way which so fails to understand those enjoyments as to often render his criticism preposterous.²² Adorno was, for example, scathing about horoscopes (Adorno 1994[1974]), but he seemed to believe that most who read them literally believe them. It was not really until Baran and Sweezy (1966, ch. 7) reconceptualised the *faux frais* of production as what they called ‘the sales effort’ that Marxism managed to say something of real interest about the economics of consumer choice, but even then the stress was almost completely on the manipulation of the consumer.

One of the principal contributions to Marxist value theory after Marx was Nikolai Bukharin’s (1972[1927]) response to the founding Austrian economist Eugen von Böhm-Bawerk’s (1975[1896]) criticism of Marx. Though written after volume three appeared and focusing on the transformation problem, Böhm-Bawerk’s criticism essentially turns on the point made by Wicksteed, albeit stated from a significantly different theoretical position. As economics, Bukharin’s response is based on acceptance of the labour theory and ultimately is a failure for the reasons we have seen, and a failure of great significance as it was at the heart of the belief that bourgeois categories were of no relevance to economic calculation by Bolshevism in power which led to the catastrophe of War Communism (Bukharin

Profit (Marx 1865) are directed at capitalism after what Marx called the real subsumption of labour to capital had taken place.

²² Adorno, to my mind unconvincingly, responded to criticisms like the one I am making of him here in Adorno (1991[1967]). For an interestingly contrasting, in my opinion more balanced, criticism of the culture industry see Hoggart (2009: pt. 20), and for a humane and sensible perspective on the underlying issues see Orwell (1941a).

1979[1920]).²³ Bukharin's thinking allows us a clear insight into the attitude to consumer choice which underpins the Marxist concept of value.

With Evgeny Preobrazhensky, in 1919 Bukharin published *The ABC of Communism*, a sort of popular handbook of Bolshevism which arguably was Bolshevism's principal general theoretical statement²⁴ until it was suppressed and its authors executed during the purges of the late 30s. Writing of the exploitation of labour power, Bukharin and Preobrazhensky commented upon the following 'very interesting characteristic of capitalist society', that it:

Does not itself produce the things which are necessary and useful to it; instead of this, the capitalist class compels the workers to produce those things for which more will be paid, those things from which the capitalists derive the largest profit. Whisky, for example, is a very harmful substance, and alcoholic liquors in general ought to be produced only for technical purposes and for their use in medicine. But throughout the world capitalists produce alcohol with all their might. Why? Because to ply the people with drink is extremely profitable (Bukharin and Preobrazhensky 1966[1919]: 32).

Does one really think that alcohol is produced for recreational purposes only because it is profitable? One could go on to ask why it is profitable, but surely the point that demand representing voluntary choice plays an essential economic role even in this case, where manipulation of the consumer is a particularly serious issue, is not worth debate. It really does show the singular distortion of the understanding of market economics to which the labour theory gives rise that such a belief could ever be entertained.

Though hardly able to be maintained with the fanatic consistency of Bolshevism, the belief that production is solely governed by the pursuit of profit, and with it a corollary core

²³ To his immense credit, Bukharin was to the forefront of those who was able to see what was happening under War Communism and who introduced the New Economic Policy. To the extent that rational motivation played a part in these events, it would seem that Bukharin's having become identified with moderation in economic policy, ie right-deviation, was the reason that Stalin, once having determined upon the collectivisation of agriculture, had him tried and executed.

²⁴ Its main rival for this title was Bukharin's own *Historical Materialism* (Bukharin 1969[1921]). But, addressed at a rather higher level audience than the *ABC*, this book more blatantly displays the shortcomings of what was to become diamat.

tendency ‘to deprecate the value of free consumers’ choice for no better reason than that it has been used as a hypocritical defence of the unregulated price scramble’ (Jay 1996[1947]: 255),²⁵ remains central to left-wing thought in the liberal democratic countries.²⁶ As we have seen, Shaw was able to maintain an impassioned critique of exploitation as unconstrained profit-seeking after rejecting the labour theory, and he identified ‘the drink traffic’ as ‘the most popular branch of commercial enterprise’ because ‘[i]t yields high profits’ (Shaw 1932: 183). To concede this degree of prominence to the drink traffic might reflect that fact that Shaw was, it seems as a reaction to his father’s drunkenness, himself teetotal, but, of course, the significance of Shaw’s views is that they were representative. And as alcohol sales are beset by very serious problems, his concern would, of course, be perfectly legitimate if it were balanced; but it was not. Shaw gives no weight to the value of the recreational consumption of alcohol or, much more importantly, to the autonomous choice to consume, which is viewed merely as an obstacle to be overcome, so far as possible.

Shaw threw his weight behind the Fabian Society’s campaign to establish ‘a municipalised drink traffic which should check drinking at the point of excess’ (Shaw 1932: 183). It perhaps follows from the gradualism of Fabianism that Trotsky so despised that this

²⁵ I do not know of any other similar statement of the positive case for (as opposed to resigned acceptance of) consumer choice by a leading Labour Party figure as that put forward by Jay in *The Socialist Case* (Jay 1996[1947]: 256-67).

²⁶ In a recent example which one would scarcely find credible if one did not situate it within this aspect of left-wing thought, the distinguished political theorist Colin Crouch (2011: 26-27) has tried to explain the sale of iPads as the result of ‘a firm [finding] that it could make them, and [setting] about generating a demand by clever marketing ... the role of consumers in all this was passive’. To say this is not merely to fail to understand product innovation. It is to fail to understand why the common citizen of the advanced capitalist societies thinks those societies are fundamentally legitimate, and to condemn one’s criticisms of them to irrelevance.

aspiration, which does, of course, contemplate some recreational consumption,²⁷ is not so insane as Bukharin and Preobrazhensky's envisaging the end of drinking in Russia, but there is an underlying repulsive authoritarianism to both. The Fabian policy was designed to be distinct from prohibition, but only because the main proponent of that policy, the Society's Secretary, E.R. Pease, had reluctantly concluded, after a review of the principally American experience, that 'prohibition cannot be enforced when enacted' (Fabian Society 1898: 4).²⁸ But even this degree of compromise was to no avail. Reviewing the campaign in the history of the Society which he published in 1916, after more than twenty years of great Fabian influence, Pease was sorrowfully obliged to conclude that this was 'one of the few causes taken up by the Society which have made but little progress in popular favour' (Pease 2006[1916]: 134). Though paternalist attempts to reduce the consumption of alcohol are a perennial feature of health policy,²⁹ in liberal democracies, it seems, there are effective limits to what authoritarian virtue can achieve.

²⁷ Shaw (1932: 184) even believed that the municipalisation policy might so diminish brewers' and publicans' profits that, hilariously, drinking would have to be subsidised from the rates!

²⁸ Tracts adopted as policy documents by the Society were not published under their author's name but Pease is identified as the author in Pease (2006[1916]: 234). The American evidence was provided by numerous local and State prohibitions. The Volstead Act lay 20 years into the future.

²⁹ As it happens, Shaw's views are now exercising a considerable influence on alcohol policy, albeit in an indirect way. He expressed those views in terms of identifying what would now be called the negative externalities, calling for corrective taxation, of recreational alcohol consumption, and this example was used by Pigou in the argument by which he made the externality (though he did not use that term) one of the foundations of modern welfare economics: Pigou (2002[1952] 186). Essentially this argument is now being used to justify taxes claimed to be levied on 'binge drinking', regardless of the fact that city and town centre binge drinking has been caused by changes to the economic and social regulation of alcohol sales since the 1990s: Campbell (2005).

Competition

Overemphasis on the capitalist influence on production and concomitant disregard of consumer choice implies a second characteristic feature of the left-wing attitude to capitalist production, which is to see competition merely as the creation of chaos. In the 'Preface' to *A Contribution to the Critique of Political Economy*, Marx (1989: 264) makes generous reference to an article on economics the young Engels published in 1843, in a periodical Marx then edited, which had a most important influence on the formation of Marx's economic thought and is referred to a number of times in volume one (Marx 1867a: 86 n. 1, 162 n. 1, 174 n. 3, 628 n. 2). The burden of Engels' article is that competition is 'a permanently unhealthy state of affairs', a state of 'perpetual fluctuation' generating 'trade crises' which 'have arrived just as regularly as the great plagues did in the past, and ... have brought in their train more misery and more immorality' (Engels 1844: 433). Marx never departed from this wholly negative view of competition, and in a sense saw his mature economics as a refutation of 'the assertion that free competition is equivalent to the ultimate form of development of the productive forces, and hence of human freedom':

once the illusory view of competition as the alleged absolute form of free individuality begins to vanish, this is proof that the conditions of competition, ie of production based upon capital, are already felt to be and thought of as *barriers*, and therefore already *are* barriers, and to a constantly increasing degree (Marx 1858: vol. 29, 40).

This stance towards competition posed Marx a great problem, not merely because he had to account for the competitive determination of prices, but because he believed that capitalism had yielded miraculous wealth through a form of social organisation of labour which generated the historically unprecedented possibility of understanding that organisation. Capitalism constituted 'an epoch in the development of the human race' (Marx 1867a: 85), the 'epoch of history that directly precedes the conscious reconstruction of human society' (Marx 1894: 92), by making that reconstruction possible. It is not easy for Marx to utterly

damn and fulsomely praise capitalist competition simultaneously: ‘On the one hand, Marx is telling you in *Das Kapital* that a certain “historic” development, indispensable for the progress of the race, could only have been carried out by capitalism; and, on the other hand, he is filling you with fury against the wickedness of the people who have performed it’ (Wilson 1940: 295). Marx’s mature conception of the relationship between value and price is a profound attempt to show that, beneath the chaos of competition, lies the social organisation of labour which it has been the fundamental historical achievement of capitalism to reveal, albeit in the inadequate form of value:

if society wants to satisfy some want and have an article produced for this purpose, it must pay for it ... society buys this article by devoting a portion of the available labour time to its production. Therefore, society buys it with a definite quantity of its disposable labour time. That part of society which through the division of labour happens to employ its labour in producing this particular article, must receive an equivalent in social labour which incorporated in articles which satisfy its own wants. However, there exists an accidental rather than a necessary connection between the total amount of social labour applied to a social article, ie between the volume which the production of this article occupies in total production, on the one hand, and the volume whereby society seeks to satisfy the want gratified by the article in question on the other ... if this commodity has been produced in excess of the existing social needs, then so much of the social labour time has been squandered and the mass of the commodity comes to represent a much smaller quantity of social labour in the market than is actually represented in it ... For this reason, these commodities must be sold below their market value, and a portion of them may even be altogether unsaleable. The reverse applies if the quantity of social labour expended in the production of a certain kind of commodity is too small to meet the social demand for that commodity. But if the quantity of social labour expended in the production of a certain article corresponds to the social demand for that article ... then the commodity is sold at its market value. The exchange ... of commodities at their values is the rational state of affairs (Marx 1894: 185-86).

I used to believe in the truth of this passage implicitly, and I write this chapter to try to recover the immense kernel of sense in it. But I now believe that it is drastically mistaken and that I can see why. For Marx, the choices of consumers are merely noise. There is an underlying, rational, social allocation of goods, or of expenditure of labour, which competition merely masks: ‘to say that a commodity has a use-value is merely to say that it

satisfies some social want' (Marx 1894: 183). This is profoundly true, but it is also profoundly wrong. For in the market economies want is posited in the form of individual consumers' demands, and whilst this ultimately is social want, its being individual want rather than directly social (collective) want is the basis of freedom in the economic sphere. The idea of market competition as a necessary, indeed the only possible, procedure for the discovery of consumers' wants is not fundamentally an 'informational' problem of coordination (though this problem is, of course, of the first importance), but rests on a belief that an optimal economy should and must be driven by those wants, that is to say, by consumer sovereignty as a goal. Pareto efficiency emphatically is not a claim that that a market economy efficiently produces a particular set of socially approved goods. It is a claim that in that economy goods are allocated through the autonomous choices of economic actors. In principle, these cannot be second-guessed by a state bestowing patterned social approval. In a market economy, the form that social approval takes is the neutral endorsement of voluntarily agreed contracts expressive of freedom of choice. In a most important sense, the virtue of the market economy is that in it want is not social.

Engels and Marx simply did not conceive of the economic problem in this way. The invisible hand, or rather the existential limits on economic action it, undeniably most unsatisfactorily, expresses, had no ultimate significance for them. It underpinned a system of freedom, but a merely capitalist freedom (Marx 1858: vol. 29, 37-40), and when it was replaced by the plan, those limits would be eliminated. That want is ultimately social for them means that its adequate form of expression is not through individual but collective choice. In the passage I have just quoted, it is 'society' which 'wants to satisfy some want' and 'must pay ... by devoting a portion of the available labour time' to its satisfaction. This use of 'society' may well be the most significant instance of what Whitehead (1926: 72) called 'the fallacy of misplaced concreteness' in modern social thought. For, in modern

conditions, the institution to which one must actually refer when one uses ‘society’ in this way is the state, for ‘when the collectivist abolishes the market place, all he really does is ... locate it in the brains of his planning board’ (Lippmann (2005[1937]: 175).

Planning

In his 1843 essay, Engels postulates the following alternative to the chaos of competition:

If the producers as such knew how much the consumers required; if they were to organise production; if they were to share it out amongst themselves; then the fluctuations of competition and its tendency to crisis would be impossible. Carry on production consciously as human beings – not as dispersed atoms without consciousness of your species – and you have to overcome all these artificial and untenable antitheses. But as long as you continue to produce in the present unconscious, thoughtless manner, at the mercy of chance – for just so long will trade crises remain (Engels 1844: 434).

A passage in a 1868 letter Marx sent to Ludwig Kugelmann shows just how much this criticism of the unconsciousness of capitalist competition, first taken onboard around 1844 and wonderfully expressed in what we now have as the *Economic and Philosophical Manuscripts*, was central to Marx’s mature economic thought: ‘[t]he point of bourgeois society is precisely that, *a priori*, no conscious social regulation of production takes place. What is reasonable and necessary by nature asserts itself only as a blindly operating average’ (Marx 1868: 69). And, as with the young Engels, the alternative to the ‘blindly operating average’ put forward by the mature Marx is ‘conscious social regulation’. In volume one, Marx asks us, ‘by way of a change’ from conceiving of economic life in capitalist terms, to:

picture to ourselves ... a community of free individuals, carrying on their work with the means of production in common, in which the labour power of all the different individuals is consciously applied as the combined labour power of the community ... The total product of our community is a social product. One portion serves as a fresh means of production and remains social. But another portion is consumed by the members as means of subsistence. A distribution of this portion amongst them is consequently necessary ... apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community ... The social relations of the individual producers, with regard both to their labour and to its products, are in this case perfectly simple and intelligible ... The life-

process of society ... based on material production, does not strip off its mystical veil until it is treated as production by freely associated men, and is consciously regulated by them in accordance with a settled plan (Marx 1867a: 89-90).

As I have discussed elsewhere (Campbell 2003a), Engels and Marx actually seem to have believed that fully developed communism would be a form of organisation of labour that would overcome scarcity. In the resultant state of bliss, labour is entirely 'free', all competition over resources is meaningless, and so the movement towards communism can be conceived as a process of the state ultimately 'withering away' (Engels 1878: 268), for without scarcity, arguably there will be no conflict and so no need for a state. In the socialism (Marx 1850: 127) which is the transitional stage between capitalism and communism (Marx 1875: 85-87), 'necessary' labour must still be performed under the plan, but neither Engels nor Marx say anything of remotely sufficient detail about how the plan would be devised and implemented, and, in particular, how 'necessary', as distinguished from 'free', labour would be organised by 'the associated producers' so that it was carried out 'under conditions most favourable to, and worthy of, their human nature' (Marx 1894: 807). In what little they do say, one cannot really see any difference between the capitalist and socialist organisation of labour, save that, without the mediation of voluntary choice of employment, the latter is bound to be worse than the former.³⁰

In conceiving of planning in this blissful way, Engels and Marx seem to have had no concept of the costs of hierarchical order. Their views are therefore not of the slightest value when dealing with the problems of planning; quite the opposite in fact. The catastrophe of

³⁰ '[C]onscious rational cultivation of the soil as eternal communal property, an inalienable condition for the existence and reproduction of a chain of successive generations of the human race' (Marx 1894: 799), equally was to solve the ecological problems Marx, as we have seen (text accompanying n. 15 above), identified as concomitants of capitalist production. It hardly needs saying that the environmental impact of actually existing communism has been authoritatively described as 'ecocide' (Feshbach and Friendly Jr. 1992).

actually existing communism was, in my view, an inevitable consequence of trying to put their views into practice; though nothing like this was, of course, any part of their intention. They cannot, however, be relieved of responsibility for the consequences of their views, not least because Michael Bakunin, towards whose views on this vital point they displayed an unjustified assumption of superiority, predicted those consequences with perfect accuracy, telling us in 1873 that ‘the pseudo-popular state will be nothing but the highly despotic government of the masses by a new and very small aristocracy of real or pretended scholars’ (Bakunin 1990[1873]: 178-79).

The point I wish to make is that it is only if one is possessed of the ‘peculiar idea that a fundamental change in the whole universe will go hand in hand with the proper organisation of human relations’ (Schmidt 1971[1962]: 163) that Marx’s treatment of use-value makes any sense, and no-one should be so possessed. If all that is causing the economic problem is adherence to outmoded capitalist relations of production, then clearing them away leads to perfect freedom. But if scarcity is an existential condition, then in some way the problems facing capitalism will face socialism and communism, or any conceivable mode of production. Marx had a perception of the ‘constraints’ within which humankind acts (Marx 1846: 96-97) as acute as, say, Durkheim, but he thought these constraints were confined to the human prehistory which capitalism draws to a close (Marx 1859: 263-64) and would not apply under communism (Marx and Engels 1846: 81). The extremely attractive and still in part very instructive philosophical anthropology of the young Engels and Marx, in which communism does away with the division of labour (Marx and Engels 1846: 47), clearly remained central to their mature thought (Marx 1875: 86-87). But we must now concede that this is not merely a most implausible but an ultimately incomprehensible vision – Kolakowski (1978: vol. 3, 530) concludes his great intellectual history of Marxism by calling it ‘farcical’ - which it was dreadfully unwise to seek to actualise, and that the philosophic

anthropology of the Adam Smith of *The Theory of Moral Sentiments* and *The Wealth of Nations* must form the basis of our social aspiration.

If this is allowed, one cannot conceive of the plan as a fundamental general improvement on the market. I myself believe that any conceivable optimising economy will be a mixed one, for in some very important instances allocation by the market is so poor as to be unacceptable in affluent societies, and an allocation by the state is preferable. This is the case for social regulation. But it should be a hard case to make, because analytically it involves coercion. The claim to legitimacy of such regulation is that social choice by means of representative democratic political procedure yields, in appropriate instances, so superior a welfare outcome to that produced by the market that legal coercion is justified. Even leaving aside the implications of the fact that utterly slovenly welfare cases now are common or even typical in a universal welfare state that has normalised undemocratic and illiberal coercion (Campbell 2010b: 507-22), if we pose the issue in terms of choice of the best general economy, then, if one wishes to give priority to the freedom of individual economic actors, the market economy *must* be chosen. If one believes collective choice implemented through state coercion will normally produce a superior outcome because it is better that an elite tells the mass what to do rather than that the mass make up their own minds, then one will think differently. But what one cannot think is that this latter path does not require normalised coercion now or will set us on a course in which the state ultimately withers away. The lesson of the Twentieth Century is that the opposite is the case. I have tried to argue that Marx's argument for the plan can work only if one puts relatively little value on individual freedom, and that what appear to be technical dimensions of Marx's economics articulate this inevitably authoritarian, and as it turned out actually totalitarian, value position. Of course, Engels' and Marx's own commitment to freedom was undoubted. But freedom conceived of as the planned determination of correct production (in the absence of existential scarcity) is,

as Kolakowski said, farcical, and attempts to realise it have inevitably had dreadful consequences.

It thankfully has so far proven to not be possible for communism to win power in the liberal democratic societies. Liberal democratic constraints seem to give sufficient economic and political weight to the wants and views of the common citizen to prevent this. But left-wing criticism of the market economy is in principle coercive, and whilst this by no means entails it always being illegitimate, it will be illegitimate so long as it comes to terms with the wants and views of the common citizen only by a grudging compromise with the way of the world. I hope to have shown why the market should be given a central, positive place in left-wing thought. But, I wish to argue by way of a conclusion, the reason it is worth the effort to try to argue this to the left is that the intellectual traffic should not be one-way.

Conclusion: The form of value

Wicksteed by no means shared Keynes' overall opinion of Marx, and he was at pains to acknowledge the 'extreme importance' of the 'latter portion' of volume one, the only volume available to him, though he could not see that it stood 'in any logical connection with the abstract reasoning of the early chapters' (Wicksteed 1933[1884]: 724). Unlike Shaw, Wicksteed had a clear understanding of the importance of, not merely Marx's social concern, but of his theoretical views on the concentration and centralisation of capital, and wished to recover them after criticising the value theory. It is implicit in my own position that I do not think Marx properly established the connection between part one of volume one and the rest of *Capital*, but I believe I can see what he was trying to do in that part, and, what is more, I believe he did it to an extent which demands our attention. Whereas Wicksteed wished to explain price in the sense of explaining why commodities exchanged at various rates, Marx fundamentally wished to explain why, under capitalism, human beings' general relationship

with nature took the specific form of the production of commodities. The dimension of *Capital* that escapes Wicksteed is the identification of capitalism as a specific mode of production located in a general conception of history as a succession of specific forms of humankind's general relationship with nature. We now have access to a 'general introduction' Marx (1857: 17-37) drafted to *A Contribution to the Critique of Classical Political Economy* which could have served a similar purpose in regard to *Capital*, and this makes the concept of material progress which gives Marx's views their sense much more clear than emerges from either book. Marx's (1859: 261) decision not to publish it, whilst based on commendable reasons arising from his pronounced concern with the presentation of his work,³¹ now seems regrettable. The Preface to *A Contribution* is but a much briefer and in this sense poorer substitute. One wishes the Preface and this general introduction had preceded part one of volume one.

There is a difference of magnitude of intellectual ambition between what Marx and Wicksteed intended to do. Wicksteed, as it were, attempted to develop a technique (albeit a technique institutionalising liberal political values); Marx attempted to explain the nature of a specific mode of production:

bourgeois political economists ... imprisoned in capitalist preconceptions ... are admittedly able to see how production is carried on *within* the capital relation, but not how this *relation* is itself produced (Marx 1863: 466).

What is at issue here is, not merely the difference between, as Schumpeter (1949: 203-204) put it in an essay on *The Communist Manifesto*, 'economics' and 'economic sociology', but between an economic technique and an economic sociology which articulates a general conception of human progress and a philosophic anthropology of labour which, though both

³¹ The examination that is now possible of Marx's writings leading up to the publication of volume one shows that he struggled desperately to make his argument clear, and we must conclude that he failed, as even Engels (1858: 304) hinted at the time in a wry comment to Marx about the shortcomings of *A Contribution to the Critique of Political Economy*.

are profoundly wrong, are amongst the most important reflections on their immense subjects ever made. Bukharin tried to point this out by distinguishing ‘objective’ from ‘subjective’ economics in his response to Böhm-Bawerk to which I have referred (Bukharin 1972[1927]: ch. 1), and it is the basis of the distinction Lange, in perhaps the best statement of Marxist economics informed by practical experience, drew between ‘praxiology’ and ‘political economy’ (Lange 1963[1959]: vol. 1, ch. 5).

If Wicksteed is right about the technique, Marx is right about the mode of production and its historical context, and this has an immediate implication for Wicksteed’s critique of the labour theory. Wicksteed believed that the superiority of the marginal analysis was evidenced in the generality of its application. It not only ‘fits all the complicated phenomena of our commercial societies like a glove’, but:

all the while shows that these phenomena are but the specially conditioned manifestations of the ultimate and universal facts of industry, and find their analogues in the economy of a self-supplying patriarchal community or of Robinson Crusoe’s island (Wicksteed 1933[1884]: 722).

Now, in an important sense, Marx must agree with this for, as we have seen, he thought that capitalism had created the possibility of a proper understanding of economic action. But, in an equally important sense, this passage expresses the main way in which Wicksteed’s understanding of the labour theory is defective.

Robinson Crusoe is at the heart of a joke Marx makes at Ricardo’s expense in *A Contribution to the Critique of Classical Political Economy*, and repeats in volume one. In *On Protection to Agriculture*, Ricardo had contrasted the economics which will hold ‘as long as society is constituted as it now is’ to that which might apply to ‘Mr Owen’s parallelograms’ (Ricardo 1822: 222), by which he meant, of course, Robert Owen’s ‘new towns’, which were set out on a grid pattern. Marx regarded this passage as testimony to the poverty of Ricardo’s ability to conceive of society in any way other than as presently constituted. It is not so much that Ricardo can see no alternative to capitalism, but that all the alternatives look capitalist to him.

When, in *The Principles of Political Economy and Taxation*, Ricardo elaborated on Smith's (1776: 65) description of the economics of the 'early and rude state of society' in order to illustrate his analysis of the magnitude of value by descriptions of the economic conduct of primitive hunters and fishermen (Ricardo 1817: vol. 1, ch. 1, sec. 3), one finds, as Marx (1859: 300) amusingly observes, that these primitives calculate the value of their tools and labours as if 'in accordance with the annuity tables in use on the London Stock Exchange in 1817'. Other than Owen's parallelograms, Marx observes, bourgeois society is the only society Ricardo seems to have been able to countenance; so that even his Robinsonian primitives are capitalists.

That Ricardo could not even conceive of non-capitalist forms of economic calculation and organisation has the direct consequence that in his political economy the form of value is nowhere examined. Value is regarded as *the* principle of economic life and, therefore, neither requires nor indeed permits social investigation. This is an explanatory limit which is set by regarding capitalist production not as a historically specific but as the general mode of production. This belief, which amounts to thinking that the commodity is the natural and only possible form of a good, is the reified understanding of capitalist production which Marx calls commodity fetishism. Even Ricardo, Marx (1867a: 87 n. 1) concludes, has his Robinson Crusoe stories.

In my opinion, Marx's critique of capitalism is the most powerful of the criticisms of the taking of the market to be 'a natural – or at least naturally preferred – form of social organisation' which we have seen McVae reject. But the possibility one detects in McVae's argument, that this criticism seems to lead to a complete disregard of the existential conditions of economic action to which the market is able to respond with a general economy based on voluntary exchange, certainly is given full expression in Marx. Logically, of course, that this is the case with Marx does not necessarily mean it is the case with all left-wing critiques of the market, but Marx's significance is precisely, in my opinion, that he gives the

best expression to the utopian principle that, as a matter of fact, is characteristic of such critique. In Marx, this principle is called communism.

As I have said, it seems that in the liberal democracies regulation cannot take a communist form. But this does not mean that left-wing advocacy of social regulation cannot be based on a communist principle, and I believe that overwhelmingly it has been. Social regulation may be piecemeal, but that is only because it is continuously forced to acknowledge a refractory way of the world it cannot understand but would do away with if it could, even though this world is the world of autonomous economic actors' voluntary choices, which should be celebrated as a sphere of freedom. Support of that freedom requires a profound critique of the actually existing capitalist economy's failure to actualise the voluntariness of choice. But left-wing thinking about regulation and the market has failed properly to acknowledge the way capitalism has, as Marx acknowledged, constituted a positive epoch in the development of civilization a positive role, and this has very seriously undermined that thinking's evaluation of the market.

Capitalism is a social form; but, as Marx, albeit inconsistently and inadequately, acknowledged, it is not only a social form but also, as a mode of production, a form of relationship with nature. Marx never came to terms with the strength of the market as a social form of relationship with nature which, *mirabile dictu*, is based, as a general economy, on individual voluntary choice and therefore on freedom. Identifying the horrors of Victorian capitalism and thereby some of the grave shortcomings of the market economy, Marx believed himself to be at liberty to posit a superior alternative which ultimately was based on disregard of the existential constraint of scarcity, and so posited bliss as the ultimate standard for critique of market arrangements, which standard the market does not satisfy. The wonderfully attractive motif of Marx's philosophic anthropology is unlimited freedom to choose the social arrangements within which we realize our 'species being' (Marx 1844: 275-

77); but this freedom is not vouchsafed to humanity. We must conclude that, if Marx gives us a far greater insight into the social nature of capitalism than Smith, it is, nevertheless, Smith's conception of the possibilities of regulation that has proven infinitely the more wise:

The man of system ... seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces on a chessboard. He does not consider that the pieces upon the chessboard have no other principle of motion besides that which the hand impresses on them; but that, in the great chessboard of human society, every single piece has a principle of motion of its own, altogether from that which the legislature might chuse to impress upon it. If these two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder (Smith 1759: 234-35).³²

³² Hayek (1982: 35) quotes this passage as an epigraph to ch. 2 of vol. 1 of *Law, Liberty and Legislation*. It says a great deal about the liberal cast of Orwell's socialism that, wholly independently of Smith, who he appears never to have read, he made a similar use of the chessboard to criticise those socialists, of whom he cites Shaw as an example, who are possessed of 'a hypertrophied sense of order' (Orwell 1937: 166). Orwell had become a socialist because he believed that socialism would 'preserve and even enlarge the atmosphere of liberalism' (Orwell 1940: 110) and in a sense never gave up this idea, though the pessimistic strain of his later work was based on his thinking it had become merely an unrealistic hope.

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