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# Friedrich Engels and Marxist Economic Theory

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This is a review article based on W. O. Henderson's two-volume *Life of Friedrich Engels*. After a brief biographical summary, Engels's contributions to political economy are examined, and it is suggested that these are much more important than has so far been recognized (e.g., by Schumpeter). In particular, Engels's paper "Outlines of a Critique of Political Economy" announced several of the basic and least invalid themes of Marxist political economy. Later Engels, when criticizing Utopian socialism, contributed a very remarkable account of the essential functions of the competitive price mechanism.

## I

It is certainly high time for an up-to-date, full-scale life in English of Friedrich Engels. Apart from Grace Carlton's very useful study (1965), the sole major biography has been Gustav Mayer's rather fulsome two-volume work dating from 1934, only part of which has been translated into English (Mayer 1934).<sup>1</sup> As editor of Engels's writings, and with his profound knowledge of Manchester and Germany, Henderson is most impressively equipped for the task. These two volumes of *The Life of Friedrich Engels* (Henderson 1977), amounting to 800 heavily annotated pages, assemble a mass of information about Engels and the people, movements, and institutions with which he was associated.<sup>2</sup> But so much interesting but peripheral material is introduced that at times the central subject is submerged by the accumulation of background, so that the story line of Engels's life and personal development gets lost. Engels's friends and

<sup>1</sup> There has just appeared a very useful introductory pamphlet about Engels by D. McLellan (1977), who discusses briefly but perceptively Engels's historical, political, and philosophical theories.

<sup>2</sup> Unless otherwise identified, page or chapter citations in text refer to Henderson (1977).

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associates in exile (chap. 5), the socialist rivals of Marx and Engels (chap. 11), the German Social Democratic party (chap. 13), and the International Socialist Movement (chap. 14, sec. 2) are extensively explored. Appended to each volume is a number of documents (19 in all) consisting of articles, letters, and biographical notes. Assuredly, Henderson's work will last as an essential store of material which will long be resorted to by serious students. Doubtless also, Henderson will again come under fire from Marxist hagiographers, as he did with his (and Professor Chaloner's) edition of *The Condition of the Working-Class in England* (Engels 1848/1958). But this work is informed throughout by a judgment which, though at times rather cautious and noncommittal, nevertheless fairly maintains a difficult balance regarding its controversial subject.

Henderson's work encourages and facilitates a review of Engels's contributions to Marxian political economy. Such a review suggests that Engels deserves a more important and interesting place in the history of economics, Marxist or otherwise, than leading authorities, such as Schumpeter (1954), have been prepared to ascribe to him.

## II

Engels's writings on political economy date from two periods, early and late, with a large 20–30-year blank in the middle. The early period consists mainly of the 1840s, when Engels (b. 1820) was in his 20s. His severely bourgeois, industrialist, Pietist, and monarchist father intended a career in the family textile business for his eldest son. Engels, deeply attached to his mother, rebelled vehemently against his father at an early age and against all his political, social, and religious beliefs, protesting that "he would not make even the pettiest concession to a fanatical and tyrannical old man" (Carlton 1965, p. 33).

After a reluctant apprenticeship in the family firm in Barmen, and then in a firm in Bremen (1837–41), Engels departed to do his military service in Berlin (1841–42), finding time there to join up with the Young Hegelians centered round the university and to imbibe their heady, radical ideas about religion, philosophy, and politics. But the decisive influence in his conversion to communism was that of Moses Hess, "the Communist rabbi," whom he met in Cologne (1842) as one of the editors of the *Rheinische Zeitung* (another being the youthful Marx).

However, in 1842, Engels's own burgeoning political interests happened to coincide with his father's business plans. His father wanted him in the Manchester branch of his firm. Engels himself, under the influence of Hess, saw Manchester as the center of the English industrial revolution, which would soon, inevitably, be followed by a political revolution. Manchester, therefore, was the place where the politicoeconomic action was, or was soon going to be. In fact, it was in his first stay in Manchester

(1842–44) that Engels wrote, or gathered, the material for his seminal works and that Marxian political economy may be said to have been conceived. After 20 months he broke away, and it was on his way home via Paris that the fateful meeting with Marx took place (August 1844) and the life-long partnership was launched. Engels spent most of the rest of the decade as a roaming free-lance journalist and revolutionary in Belgium, France, Germany, and Switzerland.

By the end of 1849, however, with the revolutionary movement on the continent in a state of collapse, Engels and the Marx family found themselves destitute refugees in England. Engels was a brilliant journalist and linguist and could probably have supported himself in much more congenial work. But to obtain financial security for himself and the Marx family, he returned for the next 20 years to the Manchester office of the family firm. He sacrificed the prime years of his life to support the rapidly growing Marx family and the writing of *Das Kapital*.

Eventually in 1869, reaching 50, Engels was able to sell out his share in the business and to retire as a wealthy man in considerable comfort, while continuing to support the Marx family with its largely bourgeois aspirations. In fact, one of the few respects in which the family was not thoroughly and admirably bourgeois in its tastes and life-style (piano and drawing lessons for the daughters, balls, seaside holidays, cures at fashionable spas, etc.) was that the *paterfamilias* himself never accepted any financial responsibility for the support of his wife and numerous offspring (legitimate and illegitimate). At any rate, in addition to his vast and essential intellectual and financial contributions, Engels also rendered Marx another remarkable service by accepting paternity of Marx's illegitimate son Freddy Demuth (b. 1851) who, incidentally, was quite disgracefully treated by both Marx and (much more strangely) Engels. But Dr. and Mrs. Marx were thus enabled to "keep up appearances," which meant so much to them. (No wonder a note of hysteria, exceptional even for Marx, is detectable in his references to Parson Malthus on population.)

Active up to his death, much of Engels's energy after his retirement from business (1869–95) went into editing Marx's voluminous manuscripts. But in prefaces and articles, Engels managed to contribute, in this second, later period, several interesting insights qualifying or supplementing Marxist economic doctrines.

### III

A review of Engels's economic writings must begin with his remarkable essay "Outlines of a Critique of Political Economy," first published in 1844 (see Henderson 1967). Schumpeter dismisses this work as "a distinctly weak performance" (1954, p. 386). By some standards this is so. The essay contains many crudities. But (1) it was written by a 23-year-old autodidact,

without formal higher education, starting simply from his own voracious reading of Smith, Ricardo, McCulloch, Say, List, and others; (2) Engels's essay preceded all of Marx's economic writings and played a vital part in turning Marx's interests from philosophy to political economy; and (3) Engels announced here what were to become two or three of the most interesting and least invalid themes of Marxist political economy (recognized as such by Schumpeter).

Of the important ideas outlined by Engels there is, first, his emphasis on periodic crises. Engels sees economic activity in a constant state of oscillation and disequilibrium. There are forces on the side of bringing supply and demand into equilibrium, but, according to Engels, this is never attained and hardly even approached. Engels maintains that economists regard this equilibrating tendency as a "law": "Economists regard this law as their chief glory. They cannot see enough of it and they study it in all possible and impossible applications. . . . Economists come along with this wonderful law of supply and demand and prove that 'one can never produce too much.' Practice replies with trade crises which reappear as regularly as the comets. . . . What are we to think of a law that can assert itself only through periodic slumps?" (Henderson 1967, pp. 165–66).

Engels makes the prediction that these crises will get worse: "Every new crisis must be more serious and more universal than the last. Every fresh slump must ruin more small capitalists and increase the workers who live only by their labour" (Henderson 1967, p. 166).

Right or wrong, here is a central theme of Marxist political economy; and if Engels and Marx grossly exaggerated instability and disequilibrium, surely Smith, Ricardo, and Mill erred somewhat in the opposite direction. Schumpeter himself stated regarding Marx's treatment of business fluctuations that "the mere perception of the existence of cyclical movements was a great achievement of the time" (1962, p. 40). This perception, as far as Marxian political economy is concerned, was largely due to the 23-year-old autodidact, Engels.

A second of Marx's major contributions, according to Schumpeter (1962, p. 34), was his prediction regarding business concentration: "To predict the advent of big business was, considering the conditions of Marx's day, an achievement in itself." This "achievement" is to be found, well before Marx developed the theme, outlined in Engels's youthful essay:

It is well known that large manufacturers and merchants enjoy great advantages over their smaller rivals and that big landowners enjoy great advantages over smallholders who are cultivating only a single acre. The result is that under normal conditions, large capital and large landed property swallow small capital and small landed property. This leads to the concentration of property. When there are depressions in industry

and agriculture this process of concentration is greatly accelerated. . . . The middle classes must increasingly disappear until the world is divided into millionaires and paupers and into large landowners and poor farm labourers. [Henderson 1967, p. 174]

Crude stuff perhaps, written before the development of the joint-stock company, but an important element in the formation of Marxist political economy. Henderson is well justified in concluding regarding these ideas of Engels: "He was one of the first to discuss the trade cycle and the existence of a pool of unemployed workers and to offer explanations for these phenomena. He saw the significance of the growth of big business at the expense of small undertakings. These topics were later discussed more thoroughly by Karl Marx, but to deal with them all in 1845 was no mean achievement" (p. 72).

Third, an emphasis on technological change and its implications had been held to be one of the most significant contributions of Marxist political economy, as contrasted with classical orthodoxy (or what Jevons was to call the Ricardo–Mill economics). The youthful Engels's ponderous sarcasm at the expense of the orthodoxy of his time was not entirely unjustified: "Economists regard land, capital and labour as the conditions of wealth and that is all. Science is no concern of the economists. What does it matter to the economists that they have received the gifts of science through the work of men like Berthollet, Davy, Liebig, Watt and Cartwright? And have not the advances in Science greatly increased production?" (Henderson 1967, p. 159).

Engels proceeds to counter Malthus:

The amount of land is limited. That is agreed. The labour force which can be used on this land increases as the population grows. Let us even assume that the increase in the yield of crops brought about by the expansion of the labour force does not always rise in proportion to the increased labour force. Even so there is another factor to be considered. This is the advance of scientific knowledge. And this of course is ignored by the economists. The progress of scientific knowledge is as unceasing and at least as rapid as the growth of population. . . . Population grows in proportion to the size of the last generation. Scientific knowledge advances in proportion to the knowledge bequeathed to it by the previous generation. And this progress, under the most ordinary conditions, is also in geometrical progression. What is impossible to science? [Henderson 1967, p. 173]

However, as the last sentence indicates, Engels by no means confined himself to a valid and valuable emphasis on scientific and technological progress as a factor in economic development; he went on to indulge, as

we shall see, in the wildest Utopian fantasies about how technological change would abolish scarcity and so lay the essential foundations for communism.

But Engels's interest in the economic roles of science and technology led him to what might have been a fruitful point about factors and the cost of production. Engels insists that there is a third separate factor in addition to land and labor (including capital as stored-up labor): "There is a third element that economists ignore. That is the mental element of thought and invention *which is different from the physical element of sheer labour*" (Henderson 1967, p. 159, italics added). This distinction of Engels is certainly fatal to the fundamental Marxian concept of homogeneous labor power as the sole human source of value. It even suggests the idea of innovation as a vital agent earning remuneration. Of course such dangerous thoughts would have undermined from the start the whole development of the Marxian system. No wonder, decades later, in his last years, Engels refused permission for an English translation of his youthful "Outline" as "not only full of mistakes but actual howlers" (Carlton 1965, p. 219).

This brings us to the centerpiece of Marxist economic theory to which, to his credit, Engels did not contribute. This is the Marxian ideological pseudosocial theory of value and exploitation—described as "incantations" even by so enthusiastic a Marxist as Professor Joan Robinson (1966, p. 22). In fact, perpetrating another "howler," Engels pointed to the obvious inadequacy of the labor-cost theory: "Imagine someone making an utterly useless article with great exertion and at great expense. And suppose that no one wants this article. Do production costs represent the 'value' of such a commodity? 'Of course not,' says the economist. 'Who will want to buy it?' So we suddenly have both Say's despised utility but (with the idea of buying) competition as well" (Henderson 1967, p. 156).

Engels then goes for a Marshallian "both blades of the scissors" approach, including both the elements (cost and utility) so exclusively stressed on the one hand by Ricardo and on the other by Say: "The value of an article includes both the factors which contending economists have so rudely and so unsuccessfully attempted to separate" (Henderson 1967, p. 157). But again, from the standpoint of what was subsequently to emerge as dogmatic Marxian orthodoxy, these were dangerous thoughts, or "howlers."

#### IV

The second of Engels's sociopolitical/economic works dating from this early period in the 1940s is his well-known book *The Condition of the Working-Class in England* (1845/1958). Again, Schumpeter's description of this work as "a creditable piece of factual research" (1954, p. 386 n.) is uncharacteristically less than adequate. The leading German historical

economist Bruno Hildebrand, though severely critical of Engels's interpretations of English statistics, concluded a 70-page review with the verdict that Engels was "the most gifted and knowledgeable German writer on social problems" (p. 64). After every appropriate reservation, this is not bad for a 24-year-old autodidact.

It was housing conditions in Manchester, aggravated by a large Irish immigration, that received young Engels's special attention. Here again, support is sought from the orthodox classicals. He cites Nassau Senior on housing, who recommended a considerable role for government with regard to housing, and according to whom the new industrial towns "have been erected by small speculators with an utter disregard to everything except immediate profit" (Henderson 1967, p. 51). (Under "everything," Senior was presumably including what have come to be called "externalities.") It was in his survey of housing in Manchester that Engels developed what was to become Marx's most effective, empirically based method, or source. Henderson observes: "A comparison between Engels's book and certain sections of the first volume of *Das Kapital*—for example Marx's discussion of the working day—shows how much Marx owed to his friend's book. It was from Engels that Marx learned how to make effective use of evidence collected by parliamentary commissions, by the Registrar General, and by factory inspectors to gain a real insight into the workings of the industrial economy . . ." (p. 73).

It is from the broader aspects of the economic and political development of England that Engels's book derives much of its interest today. When he first went to England, Engels at once found there what his preconceived ideas had told him he would find. These ideas were derived from Moses Hess, who had just published an article with the ominous title, "On an Impending Catastrophe in England," in which he remarked:

England, where distress has reached frightful proportions, is heading for a catastrophe sooner than had been expected. And no one can foretell the consequences that this catastrophe will have not only for Great Britain but also for the Continent. . . . Industry has passed from the hands of the people to the machines of the capitalists. Commerce—formerly operated on a modest scale by many small merchants—is now concentrated more and more in the hands of capitalists and adventurers (i.e. swindlers). The land has fallen into the grasp of a few aristocratic families owing to the working of the laws of inheritance. In fact a few great families expand and control ever greater amounts of capital. . . . [Hess 1842; as translated by Henderson, pp. 21, 39]

Certainly these seem exaggeratedly catastrophic forebodings, markedly proto-Marxist in tendency. A profound and perhaps much more accurate comment on the political setting of "the industrial revolution" in England



was supplied in a very interesting anonymous review article on Engels's work in the *Allgemeine Preussische Zeitung*, which Henderson has translated and appended among the documents (pp. 311 ff.). The Prussian reviewer, after remarking that "the author appears to be a young man in a hurry," makes a fundamental point regarding the political conditions in which industrial development was taking place in England. The reviewer rejects Engels's argument that it was industrialism as such that was responsible for the condition of the working class in England, so violently denounced by Engels (and Moses Hess)—it is the workers' lack of political power which is the vital element:

*The industrial revolution* has taken place within the framework of an aristocratic constitution. . . .

Why should industry plunge the workers into poverty and distress and turn them into a proletariat? Certainly not because industry, as such, brings distress in its wake. If that were true then industry would be an evil whereas in fact it benefits humanity. The unsatisfactory condition of the workers can be explained by the fact that when modern industry began to grow in England the impact of the new type of economy was felt by a society in which it was already inevitable that the workers should fall upon evil days. . . .

A small group of wealthy persons have been able to gain control over all effective political power. It is most unfortunate that this autocratic power has not been checked in any way by the higher authority of the monarchy. In a country with such a constitution the worker is in an utterly helpless situation. [Pp. 312, 316, italics added]

Of course, as Adam Smith had observed, in labor markets there tended to be a strong element of monopsony, with trade unions prohibited. In fact, the reviewer goes on to observe how Engels "shows how this situation conforms to the doctrines enunciated by the well known economist Adam Smith. There is much that is new and interesting in Engels's discussion of the failure to establish a balance between the competition among the workers themselves and the competition (among the employers) to secure the services of workers. The first (competition among the workers) has always been stronger than the second (competition among employers for labour) and this has happened despite the continual expansion of industry and the ever increasing demand for labour" (p. 321).

It was only after the reform of 1867 (coincidentally, of course, the year of the publication of *Das Kapital*) that the political power of propertyless workers gradually began to develop, together with the removal, and in due course reversal, of the general imbalance in labor markets and the rise to power of trade unions. There was a wide difference, sometimes for-

gotten, between the political conditions and distribution of political power under which the market economy was developed in England, as contrasted with the United States. It has recently been observed regarding the United States: "At the beginning of the nineteenth century, the natural rights justification for property was entirely compatible with a decentralized market economy. Under these circumstances, it was still possible to believe that those who engaged in market transactions possessed relatively equal bargaining power and that the results of the market system would produce a reliable distribution of rewards according to the ability and energy of those who participated. Indeed, the market was thought to be the most powerful institutional expression of the ideal of equality of opportunity" (Horwitz 1976, p. 629).

It was never easy to believe this as regards England for much of the earlier part of the nineteenth century, with the distribution of the franchise and political power as they then were. In Britain the market economy was imposed under a very restricted franchise, with strict property qualifications (Hutchison 1966). This may have had serious and lasting results, as contrasted with countries where it was introduced under different political or electoral conditions.

## V

The third work of Engels from this early period, partly on political economy, is his essay entitled "The Principles of Communism" (written in November 1847), of which Henderson supplies an English translation. Engels's essay, in the form of a catechism, can be described as a first draft of the Communist manifesto (put together by Marx and Engels a few weeks later). But Engels's "Principles" contains one highly significant theme, omitted from the *Manifesto*, regarding the organization of the future Communist economy, which will emerge after the rapidly approaching collapse of capitalism. Not that Engels is at all clear about the workings of the Communist economy. He does not get beyond the airiest generalizations and gestures. But he is highly revealing regarding the underlying assumptions. Subsequently, Engels was to proclaim as "the task of economic science," with the capitalist economy moving toward its collapse, "to uncover amid the changes of the economic transition the elements of the future new organisation of production and exchange which will remove the previous malfunctioning [of the capitalist economy]" (Engels 1928, p. 153).

This proclaimed "task of economic science" was never seriously attempted by Marx. It never seemed irresponsible to Engels and Marx to seek not merely reforms but the total and violent destruction of an economic order (which they admitted was producing much economic growth and freedom) without giving more than the slightest serious thought as to how an

alternative could or would be organized. It would be difficult to argue that Engels was notably less irresponsible than his comrades. But he had, as Wilhelm Liebknecht put it, “a clear bright mind,” and he was apt boyishly to blurt out that surely the king might be getting rather cold without any clothes on. Marx considered it more politic to keep quiet or to indulge in obfuscatory, abstract jargon. If, in fact, Marx was less optimistic or Utopian than Engels, he was never ready to face the problems of “the future new organisation of production and exchange.”

At any rate, Engels, in “The Principles of Communism,” reveals the economic and technical assumption on which the Communist economy must rest. This is no less than that of a degree of technological progress which has brought the abolition of scarcity and of the division of labor with its alienating effects: “Private property can be abolished only when the economy is capable of producing the volume of goods needed to satisfy everyone’s requirements. . . . *The new rate of industrial growth will produce enough goods to satisfy all the demands of society. . . . Society will achieve an output sufficient for the needs of all members. . . . The main results of the abolition of private property will be . . . the ending of the system by which one man’s requirements can be satisfied only at the expense of someone else*” (pp. 372–76, italics added).

This technological progress will not be based on or require more specialized skills, but quite the opposite: “At present machinery has led to the division of labour and has turned one man into a peasant, a second into a shoemaker, a third into a factory worker, and a fourth into a speculator on the stock exchange. All this will be swept away. Education in the future will enable young people to appreciate the whole process of production and will give them the training necessary to exercise one skill after another according to the varying needs of society and their own inclinations” (p. 375).

This particular Utopian fantasy had been developed 2 years previously by Engels and Marx in an extraordinary passage in *The German Ideology*. There they explain how with private property and the division of labor:

Each man has a particular exclusive sphere of activity, which is forced upon him and from which he cannot escape. He is a hunter, a fisherman, a shepherd, or a critical critic, and must remain so if he does not want to lose his means of livelihood; while in a communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd, or critic. [Freedman 1962, p. 234]

With the complete removal of virtually all forms of scarcity, including the need for specialization and the division of labor, it is difficult to conceive what if any function would remain to be performed by any type of economic organization, either based on markets or on state controls. In such an economic and technological Utopia—established, as Engels and Marx insist, worldwide—the state indeed could and would “wither away,” and, of course, markets and prices would wither away also. But Engels felt bound to admit that the millennium would not be attainable “immediately.” He felt that he had to insert at least the thin end of the “transition” wedge—the abolition of all private property and simultaneously of scarcity could not be done “with one blow”: “It would not be possible *immediately* to expand the existing forces of production to such an extent that enough goods could be made to satisfy all the needs of the community” (p. 371, italics added). In the transition, at least, “industry will have to be run by society as a whole for everybody’s benefit. It must be operated by all members of society in accordance with a common plan. . . . Private property will also have to be abolished and it must be replaced by the sharing of all products in accordance with an agreed plan” (pp. 369–70). These vacuous phrases are never filled out with any substance. On the other hand, the *Manifesto* insists quite bluntly that initially, or in the “transition,” the proletariat will proceed “to centralise all instruments of production in the hands of the state.”

Never has there been a wider contrast or more extreme contradiction between short-term, “transitional” aims and methods requiring the creation of vast bureaucratic vested interests and, on the other hand, what was professed to be the long-term objective of the “withering away” of the state. Here is the central moral and intellectual irresponsibility of Engels and Marx, a lineal intellectual descendant of which is the attack on both markets and bureaucracy by today’s “new left.”

It must be emphasized that the Utopian, millennialist fantasies regarding the wonders of technological progress and the disappearance of scarcity and of the alienation brought about by the division of labor were essential for the Engels–Marx ideology; they provided the emotional driving force. Much of the Engels–Marx theorizing might be more or less acceptable, or at least arguable in positive neutral terms, that is, regarded as an assessment of social and economic trends to be accepted, maybe with pessimistic resignation and regret, on the assumption that the costs of the vast historic process, as envisaged by Marx and Engels, were very probably going to exceed the benefits. (This, in fact, was to some extent Schumpeter’s attitude.) But naive progressivism and the powerful charge of extreme Utopian and millennialist fantasy have been essential to Marxism as a mass political creed, and this was derived, though usually inexplicitly, from the underlying eschatological fantasies regarding the economic Utopia which was just around the next corner. The proximity of Utopia

justified both the persecution and mass murder of those who continued to obstruct its arrival, together with the extreme harshness of what was claimed to be the short-term “transition” (now, of course, 60 years long in Russia). Engels was later to claim as a forerunner the religious revolutionary Thomas Müntzer in the Peasants’ War of the early sixteenth century. This parallel certainly possesses some validity, as Professor Norman Cohn has observed: “Müntzer was a *propheta* obsessed by eschatological phantasies which he attempted to translate into reality by exploiting social discontent. Perhaps after all it is a sound instinct that has led Marxists to claim him for their own” (1972, p. 251). Nowhere in Marxian literature is this obsession with “eschatological phantasies” more frankly and clearly revealed than in Engels’s draft, “The Principles of Communism.” Moreover, for both Engels and Marx the day of judgment was very near at hand.

It must be emphasized that for Engels and Marx the replacement of “capitalism” and a revolution in economic organization were not some distant possibilities in the remote future. For Engels and Marx the “revolution” was constantly just around the next corner, with the next downturn in the economy.

Decade after decade, through the heyday of Victorian capitalism, Engels and Marx were predicting an early revolution. As Henderson observes (p. 21), “within a few days of Engels arriving in England,” in the autumn of 1842, “He asserted that a workers’ revolution in England was inevitable. Events proved him to be wrong. For years Engels waited for the fulfilment of his gloomy prophecy and for years he waited in vain.”

In 1844 some strikes took place, with a certain amount of violence. For Engels, “They prove conclusively that the decisive battle between the proletariat and the bourgeois is approaching” (p. 59). Again, as Henderson tells us, “In April 1848 Engels was so confident of the success of the Chartists, that he bet his brother-in-law ‘any sum’ that the Chartist leader Harney would be Prime Minister in a couple of months” (p. 277).

Indeed, when Engels in 1850, in order to support himself and the Marx family, with the greatest reluctance and repugnance accepted a post in his father’s Manchester office, it was in the lively expectation that at any moment he would be set free by the outbreak of “the revolution.” In the crisis of 1857, with bank failures in New York: “Engels once more felt certain that the capitalist system was at last on the verge of collapse. But capitalism survived and there were no revolutions in England or on the Continent. Only a year later Engels had to recognise that in Manchester ‘business is very good indeed.’ Many years afterwards Engels admitted that in the 1850s and 1860s the British economy, far from being on the verge of collapse had been passing through a phase of ‘unparalleled expansion.’ Engels’s gloomy but mistaken prophecies in the 1850s were shared by Marx who confidently anticipated a world wide economic collapse in 1851, 1852, 1853 and 1855” (p. 200).

Similarly, in France, in 1851, “Just as Marx and Engels expected that the next trade slump would herald the collapse of capitalism in England, so they were convinced that Napoleon III’s next failure at home or abroad would see the building of the barricades in Paris” (p. 465). It has, in fact, been estimated of Marx and Engels that “in thirty years they foresaw forty revolutions, none of which took place” (Payne 1968, p. 338).

Of course Engels and Marx never, until they were nearly 60, and scarcely then, made any revisions in their theories consequent upon the repeated empirical falsification of their predictions. It would also, naturally, be quite erroneous to suppose, because Engels and Marx for decades on end believed that the demise of capitalism, which they so desired, was only months away, that they therefore felt any intellectual or moral obligation to give some thought to the kind of economic organization which would, or could, follow. The Utopian vacuities blurted out by Engels are as far as they got. But Engels certainly reveals a great deal regarding their basic assumptions, which were, however, all cut out by Marx from the *Manifesto*, which ends with much haughty and sarcastic denunciation of Utopian socialism. More than a quarter of a century later Engels, in another denunciation of Utopian socialism, had some further penetrating insights to offer.

## VI

Of outstanding interest among Engels’s intellectual contributions to political economy in the later period, after his retirement from business in 1869, is his preface to the first German edition (1884) of Marx’s *The Poverty of Philosophy*.<sup>3</sup> This is a document which should be (but never has been) given the most prominent place in the literature of Marxist political economy. On the lines, just noted, of the concluding paragraphs of *The Communist Manifesto*, Engels in his preface has the effrontery to attack, for Utopian naiveté, some of the socialist rivals of himself and Marx, such as Proudhon, John Gray, and Rodbertus, especially the last named. In outlining how his socialist economy would work, Rodbertus had propounded a system of labor money which would be paid out to workers in accordance with the amount of labor they had contributed to production. Denouncing, witheringly, this “childishly naive” labor-money Utopia, Engels explains: “Since for every paper certificate a corresponding object of value has been delivered, and no object of value is given out except against a corresponding paper certificate, the sum total of paper certificates must always be covered by the sum total of objects of value. The calculation works out without any remainder, it agrees down to a second of labour time, and no *Regierungs-Hauptkassen-Rentamts-Kalkulator*, however grey in the service, could prove the slightest error in the reckoning. What more could one want?” (n.d., p. 19).

<sup>3</sup> I referred to this preface by Engels in a short review in *Economica* (Hutchison 1957).

Engels then goes on to blurt out, with masterly insight, just what “more” one could want, or what is required for the guidance of production. In doing so he recognizes the essential role of the competitive market mechanism:

To desire in a society of producers who exchange their commodities, to establish the determination of value by labour time, *by forbidding competition to establish this determination of value through pressure on prices in the only way in which it can be established*, is therefore merely to prove that, at least in this sphere, one has adopted the usual Utopian disdain of economic laws.

Secondly, competition, by bringing into operation the laws of value of commodity production in a society of producers who exchange their commodities, precisely thereby brings about the only organization and arrangement of social production which is possible in the circumstances. *Only through the undervaluation and overvaluation of products is it forcibly brought home to the individual commodity producers what things and what quantity of them society requires or does not require.* But it is just this sole regulator that the Utopia in which Rodbertus also shares would abolish. And if we have to ask what guarantee we have that the necessary quantity and not more of each product will be produced, that we shall not go hungry in regard to corn and meat while we are choked in beet sugar and drowned in potato spirit, that we shall not lack trousers to cover our nakedness while trouser buttons flood us in millions—Rodbertus triumphantly shows us his famous calculation, according to which the correct certificate has been handed out for every superfluous pound of sugar, for every unsold barrel of spirit, for every unusable trouser button, a calculation which “works out” exactly, and according to which “all claims will be satisfied and the liquidation correctly brought about.” And anyone who does not believe this can apply to the governmental chief revenue office accountant, X, in Pomerania, who has supervised the calculation and found it correct and who, as one who has never yet been found guilty of a mistake in his cash account, is thoroughly trustworthy. . . . *If now competition is to be forbidden to make the individual producers aware, by the rise or fall of prices, how the world market stands, then their eyes are completely blinded.* [Engels, n.d., pp. 21–22, italics added]

Mises and Hayek could hardly have made the point more forcefully. What is most extraordinary is the combination of penetrating critical insight regarding the vital function of the competitive price mechanism as applied to the Utopian notions of Rodbertus together with the totally uncritical, purblind complacency regarding his own and Marx’s Utopian

assumptions (as he himself had earlier revealed them in his “Principles of Communism” in such irresponsible vacuities as “the joint and planned exploitation of the forces of production by society as a whole”) (p. 376). The hordes of infallible Prussian officials and “the Prussian State Socialism,” for relying on which Engels so castigates Rodbertus, would inevitably be required (and, of course, have been deployed) many times over for Engels’s and Marx’s own Utopian “planning.” Surely no one in the whole of intellectual history can have looked a major, pressing intellectual and practical problem so clearly and piercingly in the face and then so blithely and confidently passed on without a word. But Marx, like most subsequent Marxists, never even looked the problem in the face. Similarly, never have what were first proclaimed as short-term, transitional measures—the centralization of all production in the hands of the state—been so diametrically at variance with, and contradictory of, the professed long-term goal: “the withering away of the state.” Here lies the central intellectual and moral irresponsibility of Engels and Marx. Engels renders us the service, so far largely unrecognized, of revealing this irresponsibility in an especially crass form.

## VII

Unlike Marx, Engels in his later years did make some references to Jevons and Menger and to the development of marginal utility analysis. Henderson quotes a letter of 1890 by Engels criticizing the Fabians and their belief in “the rotten vulgarised economics of Jevons, which is so vulgarised that one can make anything out of it—even socialism” (pp. 681 and 742, n. 146).

If any meaning can be ascribed to “vulgarised” here—apart from “non-Marxist”—it can only be something like “general,” “empirically empty,” and/or “politically neutral,” implying that if the appropriate political assumptions regarding utility and egalitarianism are fed into the Jevonian analysis, appropriate political conclusions can be derived.

In his preface to volume 3 of *Capital*, Engels repeats that the same conclusions as those reached by Marx regarding what he called the “exploitation” of workers can be reached on the basis of the monopoly analysis developed by the neoclassicals.

Engels recognized that the “vulgar” (i.e., non-Marxist) economist Wilhelm Lexis, by assuming monopolistic conditions in product markets and monopsony in labor markets, had reached what “amounts in practice to the same thing as the Marxian theory of surplus value” (1959, p. 10). In fact, “this theory is merely a paraphrase of the Marxian,” so that Lexis is really “a Marxist disguised as a vulgar economist.” This somewhat grudging admission by Engels seems to refute the accusation, repeated with such parrot-like monotony by vulgar Marxist economists, that the



“neoclassical” analysis was inherently “apologetic.” In fact, of course, “neoclassical” analysis is much better equipped to deal with monopolistic and monopsonistic processes than classical and Marxian analysis.

In his later years Engels showed himself to be an alert observer of changing economic institutions. Like Marshall and J. B. Clark, he notes the rise of trusts and cartels, and also of joint-stock companies “whose business is managed for them by paid employees” (p. 679). He observes, too, Britain’s declining relative position. He shows himself ready also to qualify basic Marxian doctrines such as the economic interpretation of history, and expresses acute distaste for the kind of followers whom his, and Marx’s, teachings were increasingly attracting. He writes in letters of 1890:

Marx and I are ourselves to blame for the fact that the younger people sometimes lay more stress on the economic side than is due to it. We had to emphasize the main principle *vis-a-vis* our adversaries, who denied it, and we had not always the time, the place or the opportunity to give their due to the other elements involved in the interaction. . . . I cannot exempt many of the more recent Marxists from this reproach, for the most amazing rubbish has been produced in this quarter, too. . . . There has been a students’ revolt in the German Party. For the past 2–3 years, a crowd of students, literary men and other young de-classed bourgeois has rushed into the Party, arriving just in time to occupy most of the editorial positions on the new Journals. . . . All these gentlemen go in for Marxism, but of the kind you were familiar with in France ten years ago, and of which Marx said: “All I know is that I’m no Marxist!” And of these gentlemen he would probably have said what Heine said of his imitators: “I sowed dragons, and reaped fleas.” [Pp. 611, 645]

Since 1890 the flea population has certainly multiplied with Malthusian profusion. But whatever political successes it may have achieved—in the Russia of Stalin and his successors and in Cambodia today, for example—it has certainly remained intellectually in a state of acute impoverishment.

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