A while back *Ramparts* magazine asked on its cover, “Capitalism in One Country?” The United States of course is not the world’s only capitalist society but by the criteria of population and land area, more of the world is Marxist than capitalist. The United States is probably the most conservative of industrial societies, and its economists predictably the least susceptible to Marxist doctrine. Even here the signs of change are visible. The Union for Radical Political Economy (URPE) enrolls several thousand, mostly younger, economists. Although the ideology of URPE is diffuse, its members tend to concentrate upon class, power, and imperialism frequently in explicitly Marxist terms. It is another sign of rising interest in Marxism that the latest edition of Paul Samuelson’s *Economics* devotes seventeen pages to Marxist theory, considerably more than in earlier editions, including a remarkable appendix which in nine pages anatomizes the pure theory of Marxist economics.

The relation between conventional and Marxist economics in this country has usually been less a matter of hostility than of pursuit of contrasting interests. Marxists concern themselves with capitalist evolution, the anatomy of crisis, the state of class warfare, the distribution of income, wealth, and power, and the shape of economic concentration. Non-Marxists consider that such matters, save for aspects of the final pair, are the concern of historians and sociologists. They, for their part, prefer to concentrate upon price and income theory, where the profession speaks with unique authority.

Generations of intellectuals have been attracted to Marxism by the majestic breadth of its basic vision, even when they have rejected some Marxist premises and prophecies. Marxism is at once philosophy, sociology, history, and eco-
nomics. Among economists, Old Leftists rely upon the labor theory of value and the tendencies predicated upon its categories. New Leftists have rediscovered the young, humanistic, prescientific Marx who notably in *The Economic and Philosophic Manuscripts of 1844* powerfully analyzed the disastrous effects of factories upon the human beings herded inside them.

Alienation has been the focus of neo-Marxists like Herbert Marcuse and Erich Fromm. Marx stressed the separation of workers from their products, daily labors, and fellow laborers. In Marx's words,

... labor is external [italics in original] to the worker, i.e., it does not belong to his essential being... his work, therefore, ... does not affirm himself but denies himself, does not make him feel content but unhappy, does not develop freely his physical and mental energy but mortifies his body and ruins his mind... He is at home when he is not working, and when he is working, he is not at home... As a result, therefore, man... only feels himself freely active in his animal functions—eating, drinking, procreating... What is animal becomes human and what is human becomes animal.12

Alienation deprived the worker of the artisan's mastery of his production, the symbiosis between tools and objects. The objects now exerted power over workers, not the reverse. As a consequence, factory operatives were alienated from their own efforts: "This relation is the relation of the worker to his own activity as an alien activity not belonging to him."13 Finally, the fragmentation into meaningless bits of factory operations separated an individual from his species. Division of labor prevented the artisan from participating in cooperation with other men and women in
the creation of a universe of objects friendly to human aspirations.

Modern factories are less inhumane than their nineteenth-century predecessors. Hours are shorter, union grievance procedures afford a measure of protection against the arbitrary acts of foremen, vacations are now granted, and pensions are paid to the survivors of the factory. It is accordingly all the more remarkable that sensitive, novelistic accounts of life in the auto factory, like Harvey Swados’ *On the Line* and numerous journalistic descriptions of the Lordstown revolt against General Motors’ attempt to turn out one hundred Vegas per hour, all read like revisions of an original Marxist statement whose essential features have been proven accurate.

Karl Marx and his scarcely less original collaborator Friedrich Engels were scholars, polemicists, historians, journalists, refugees, and revolutionaries. Not the least of Marxism’s durable influence is its blend of thought and action, theory and practice. Here, resisting other temptations, I shall focus upon Marx’s economics. Since the economics are embedded in history and philosophy, something inevitably must first be said about dialectical materialism and the philosophy of Hegel.

As an economist, Marx owed and acknowledged a substantial debt to David Ricardo, Adam Smith’s greatest and most pessimistic critic and disciple. Writing in the immediate aftermath of the Napoleonic wars, Ricardo was dismayed by inflation, currency disturbances, the size of the English national debt, the disarray of English international trade, and, above all, by the danger that population would grow far more swiftly than the supply of food to feed the
new mouths. Ricardo had swallowed Malthus whole: people threatened to increase in number geometrically—$1, 4, 8, 16, 32, 64, 128, 256, 512$, and so on. The produce of the soil at best might enlarge itself arithmetically: $1, 2, 3, 4, 5, 6, 7, 8$, and so on. These were the famous ratios which depressed two generations of English classical economists.

Not expecting the national product to rise very rapidly, fearing that even if it did population pressure would preclude improvement in average living standards, Ricardo sketched a society in which distribution rather than growth was the crucial economic issue. Capitalists, wage earners, and landlords quarreled over the division of a social product inadequate to their needs and expectations. The only winners were the landowners. Land, a fixed resource, became increasingly scarce and valuable as population increased. Accordingly, rent was fated to rise as a share of national income, so long as it was left in the possession of private landlords. Wages could not fall below subsistence. Once they reached that level, the only way rents could continue to rise was for profits to drop. In this dour system, entrepreneurs, England’s most dynamic class, were fated to be increasingly disheartened by ever-shrinking profits. Landlords, a completely useless set of monopolists, were rewarded more and more lavishly by the pure accident of inheritance. Workers were condemned to a marginal existence on scant wages. Nature and human sexual drives had constructed this trap. The only possible exit from it was voluntary limitation of population.

Although Marx rejected Malthusian population theories, he adopted and adapted Ricardian notions of class conflict. Merging landlords and capitalists, Marx reduced the contestants to two: proletarians and bourgeoisie—workers and
capitalists. On Ricardian foundations, he erected a more complex and dogmatic theory of value. And, starting with Ricardo’s burgeoning uneasiness about the harmful effects of machinery upon the laboring class, Marx developed a thundering indictment of technology’s damage to its servants.

Ricardo possessed a powerful, but ill-educated intellect. He wrote as though English property relationships were permanent and universal and as though Benthamite philosophy completed the human exploration of behavior and motive. Ricardian socialists, but never Ricardo himself, favored public ownership of land or confiscatory taxes on rents. Ricardo sighed but left landowners in undisturbed possession of their property. Whatever he borrowed from Ricardo, Marx also extended and generalized.

Like Adam Smith, Marx was a trained philosopher. Smith’s masters were Locke and Hume. The product of a German education, Marx, a student of Hegelian doctrine, developed in dialectical materialism a unified explanation of how changes in both human affairs and the physical universe occur. Change meant development and improvement, for, in his own fashion, Marx was as optimistic as Adam Smith or a French philosophe of the eighteenth century. History moved in stages, each higher and thus more complex than its predecessor. Any initial situation—historical, physical, mathematical, or conceptual—was a “thesis”; its successor was an “antithesis”; and a third term a “synthesis.” Each synthesis was a new beginning, the initial term of a new triad, rather than a conclusion, for no historical form, social order, political arrangement, or intellectual doctrine was fixed for all time. Each contained within itself the seeds of change and transformation.

History was seen to operate through the mechanisms of class struggle. As capitalism succeeded feudalism and the
bourgeoisie displaced lords and knights, so in due time socialism would supplant capitalism, and proletarians would eject property owners. In their day even the feudal lords were agents of progress, of liberation from slavery. So it has been with the bourgeoisie. As Marx and Engels freely concluded The Communist Manifesto, in the nineteenth century, the capitalists invented “revolutionary instruments of production.” They created world markets and “more massive and more colossal productive forces than have all preceding generations together.”

Three rules firmly governed the process of dialectical change. The unity of opposites pointed to the necessary coexistence of disparate and hostile elements within social structures and systems of thought. In the capitalist order, bourgeoisie and proletarians temporarily cooperate as well as oppose each other. History is never static because social and economic forms of the utmost superficial stability actually are coalitions of unfriendly neighbors who are predestined to come into ultimate, open conflict. No society is monolithic. No political system is free from the tensions of internal contradiction.

A second rule, the negation of negation, put the conflicting forces into motion. Capitalism negated a feudalism which, in its centuries of hegemony, struck its subjects as indestructible—the Thousand Year Reich of the era. Capitalism may also appear eternal, but like the historical forms which preceded bourgeois domination, it is actually transitory. Phenomena are negated by their opposites. Often extraordinary subtlety of historical analysis is required to ascertain just what an opposite is. In 1917 Leon Trotsky theorized that Alexander Kerensky’s bourgeois democratic revolution, an appropriate opposite, was as the next stage in Russia’s evolution a negation of czarist tyranny. Lenin,
arguing otherwise, led a second revolution premised upon the opposition between czarism and the small industrial working class then in Russia.

The third and last rule related quantity to quality. If heat were applied to water in a kettle, one of Engels' examples, at first the only noticeable result is hotter water. Eventually, however, when the water's temperature reaches 212 degrees Fahrenheit at sea level, a qualitative transformation occurs: water turns into steam. As in nature, so in society. Capitalism increases the oppression of wage earners. To paraphrase The Communist Manifesto, the triumphant bourgeoisie convert doctors, lawyers, poets, and men of science into wage laborers. They translate the love and affection of the precapitalist family into "mere money relations." Nevertheless, the victims are initially too weak and demoralized to resist. In time, as misery increases and class consciousness grows, the conditions of qualitative change begin to emerge. Revolution is at hand.

In Hegel the dialectical process was idealist: its sphere of activity was the human mind. The exterior world was subsidiary to mental activity. As Marx believed, he reversed the priority. Finding Hegel standing on his head, he thoughtfully upended him and stood him on his feet. For Marx all significant change took place in the world of material objects. The economic base was all-important and other phenomena reacted to the events which occurred in the base. All the same, development remained dialectical even while occurring in non-Hegelian locations. In sum, dialectical materialism postulated Hegelian triads of continuous change centered in the concrete phenomena of machines, equipment, materials, and human labor, as well as the legal relations of ownership with which they were entangled.
The Communist Manifesto, written in 1848—that year of failed revolution in France, Italy, Austria, and Poland—perceived the past as the history of class struggles: "Freeman and slave, patrician and plebian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes." These struggles registered in literature, religion, science, arts, music, politics, and every other aspect of human affairs. The base, more closely examined, included the state of technology, as well as machines and factories and the legal rules which governed their ownership. In the full flush of capitalist achievement, appropriate legal rules interpreted by sympathetic judges protected capitalists against claims of damages by injured workers and similar suits by customers poisoned by the products of industry.

As the legal tale went, factory owners and factory employees were bound to each other by voluntary contracts. The workers were free to sell their labor to the highest bidders, shift from place to place and employer to employer, in imitation of the search by the owners of non-human resources for the best market. It was a fair sample of Marx's black humor that he declared the workers free in a second sense, free of the implements of production. Because capitalism had deprived them of their land and their tools, all that they had left to sell was their capacity to work—in Marx's terminology their labor power.

Legal change was essential to the success of mature capitalism. Before it could complete its evolution, "the expropriation of the agricultural producer, of the peasant,
from the soil, had to be completed. Only then were capitalists confident of a labor supply to use and exploit. As Marx described them, steps in the process included two enclosure movements, expropriation of church lands, and other land transfers which followed the English Glorious Revolution at the end of the seventeenth century. Masquerading as political and religious events, these were in truth milestones en route to the free labor markets of nineteenth-century capitalism.

As success followed success, the victory of the modern factory system became first feasible, then complete. Capitalism was always a society in motion. In the late eighteenth and early nineteenth century, more and more small holders were forced off the land. The few who remained were compelled to eke out meager existences as hired hands. Thus disappeared the distinction, once sharp, between small farmers and the urban proletariat. All were proletarians in the new order. One of the consequences of the repetitive business cycles which punctuated capitalist chronology was progressive simplification of class structures. In each crisis, big capitalists devoured little capitalists and the middle class of small shopkeepers, independent artisans, teachers, and professional workers shrank in size and influence.

As we shall shortly see, the logic of their situation drove capitalists, the Fausts of their time, to seek ever larger output and ever fatter profits. In time, the contradiction between the floods of goods an efficient technology tried to market and the maldistribution of income which limited the number of available customers grew less and less tolerable. Crises and unemployment became more frequent and catastrophic. The misery of the proletariat became less bearable. Objective conditions ripened for revolution and movement
from capitalism to socialism, a higher stage of historical evolution. Or to put it slightly differently, when the legal arrangements which had promoted capitalist success turned into "fetters" upon production, then revolutionary action was predictable. Here is Marx's own précis of the events:

Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class always increasing in number, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with it and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.  

This glorious passage isolated the historical irony which ensured the ultimate revolt of Marx's disciplined working class. The capitalist was the unwilling but predestined agent of the discipline. Trained to cooperate in the performance of alienated labor with more and more of his fellow sufferers, the worker, as his straits became more desperate, also became increasingly class conscious. Aware at last of the origins of his daily misery, he was ready to turn the painful lessons of factory discipline against his teachers. The factory is the school of revolution.

Such were the changes to be discovered in the base. The superstructure was responsive to technological and legal shifts within the base. In England, Marx's usual model,
political democracy paralleled maturing capitalism because democracy was a convenient device of dominion by capitalists. Precapitalist faiths like Christianity transformed themselves in obedience to economic necessity. In medieval Europe, the Catholic church condemned the taking of interest as usury, a sin whose practitioners ended far down in Dante's Inferno. Calvinism gradually came to sanction not only the charging and payment of interest, but the entire apparatus of profit maximization into the bargain. By the time the Pilgrim Fathers discovered Plymouth Rock, riches were taken as the mark of election by God to grace. Great fortunes were to be amassed and conserved by their creators and heirs under the guise of stewardship in the Lord's service.

Economic thought also evolved in response to the needs of capitalism. Adam Smith's simple system of natural liberty in its day signalized capitalism's impending success, just as Marx's own doctrines presaged proletarian victory. The relationship of base and superstructure has been the topic of endless controversy among Marxists. Was the relationship reciprocal? Did changes in superstructure react upon the base? Or did the lines of influence proceed in a single direction from base to superstructure? The Marx of The Communist Manifesto argued for nonreciprocity. The elderly Engels, years after his collaborator's death, advanced a more subtle doctrine:

According to the materialist conception of history, the determining element in history is ultimately [italics in original] the production and reproduction in real life. More than that neither Marx nor I have ever asserted. If therefore somebody twists this into the statement that the economic element is the only [italics in original] determining one, he transforms it into a
meaningless, abstract, and absurd phrase. The economic situation is the basis, but the various elements of the superstructure—political forms of the class struggle and its consequences, constitutions established by the victorious class after a successful battle, etc.—forms of law—and then even the reflexes of all these actual struggles in the brains of the combatants: political, legal, philosophical theories, religious ideas and their further development into systems of dogma—also exercise their influence upon the course of the historical struggle and in many cases preponderate in determining their form [italics in original]. There is an interaction of all these elements, in which, amid all the endless host of accidents . . . the economic movement finally asserts itself as necessary. 17

The passage poised Engels exquisitely between free will and inevitability. Although the primacy of the economic guaranteed eventual capitalist destruction, timing, type, and even consequences of revolution were left to the human will. It is an excellent revolutionary strategy, after all, to stimulate the doubtful to organize in quest of certain victory.

Marx and Engels insistently distinguished their brand of "scientific" socialism from the utopian visions of Saint-Simon, Fourier, and Owen. Marxism analyzed the machinery of history. The utopians dealt in fabulous tales of better societies and never explained how to proceed from the wretched present to the glorious future. Even Marx and Engels, their major work done, allowed themselves as good children are given candy, the occasional treat of speculation into society after the capitalists were dragged, kicking and screaming, from the stage of history. At that apocalyptic moment,

The struggle for human existence comes to an end. . . . Man cuts himself off from the animal world, leaves the conditions of animal existence behind him and enters conditions which
are really human. The conditions of existence forming men's environment, which up to now have dominated man, at this point pass under the dominion and control of man, who now for the first time becomes the real conscious master of Nature, in so far as he has become the master of his own social organization.¹⁹

Marx's longest look at the future, the introduction to his 1874 Critique of the Gotha Program, featured a crucial distinction between the socialist society as it emerged from degenerate capitalism and the communist commonwealth toward which it evolved. Because newborn socialism is "in every respect tainted economically, morally, and intellectually with the hereditary diseases of the old society from whose womb it is emerging," the equal right of each citizen to share in the social product is "continually handicapped by bourgeois limitations." Therefore, initially, "rights must be unequal instead of being equal," because "rights can never be higher than the economic structure and the cultural development of society conditioned by it."¹⁹

After the remnants of bourgeois opposition are eliminated, class struggle at length comes to a full stop. Only then are men and women able to lead fully human lives:

In a higher phase of communist society, after the tyrannical subordination of individuals according to the distribution of labour and thereby also the distinction between manual and intellectual work, have disappeared, after labour has become not merely a means to live but is in itself the first necessity of living, after the powers of production have also increased and all the springs of cooperative wealth are gushing more freely together with the all-round development of the individual, then and only then can the narrow bourgeois horizon of rights be left far behind and society will inscribe on its banner: "From each according to his capacity, to each according to his need."²⁰
Under communism, the state withers away. Always before in history, the instrument of class dominion, it loses its function in a classless society. The oppression of the state accompanies the last capitalist out of society.

It is time to treat explicitly the economic concepts entwined with this view of historical evolution. Marxist economics start with a labor theory of value and culminate in doctrines of business-cycle crisis, proletarian immiseration, class polarization, breakdown, and transition to socialism. The classical economists, including Marx, wanted value theory to answer the question why items were traded according to one set of ratios instead of another. Why, Marx asked, did a quarter of wheat exchange for $x$ blacking, $y$ silk, or $z$ gold? Marx's classical predecessors had replied to similar queries that if the silk cost twice as much as the blacking, twice as much human labor must have been devoted to its completion. Marx put this explanation far more philosophically: "... the valid exchange values of a given commodity express something equal... exchange value... is only the mode of expression, the phenomenal form, of something contained in it, yet distinguishable from it." Each commodity's essence was "a mere congelation of homogeneous human labor," value itself.

The philosophical exercise was worth the trouble because Marx wished to emphasize value as the core of human relationships in the marketplace and the consequence of capitalist property rights. This proposition emerged from a seeming quibble which was actually of great importance. The value of undifferentiated labor is indeed the source of market price ratios. Labor is itself a commodity, purchased at its value in competitive hiring markets. The value of labor is
a wage high enough to support at a subsistence level the worker and his dependents. But what employers purchase when they hire you or me is a quality peculiar to an employee as a commodity, the capacity to create value. The employer, however, pays us less than the entire value we contribute. Instead he hires us for a standard working day only part of which creates the merchandise which, when sold, pays our wages and the remainder of which remains in the hands of capitalists as surplus value. In a twelve-hour day, Marx’s typical proletarian slaved six hours for himself, six hours for his master. Profit, rent, and interest, the constituent parts of surplus value, were entirely the consequence of employers’ ability to pay less for labor power than the value of the labor generated by that labor power.

Because only labor created value, workers were morally entitled to the whole product of their labor, the traditional claim of socialists who preceded Marx as well. The capitalist was able to extract surplus value from his victims only because his monopoly of tools, machines, and factory premises gave his employees no alternative source of livelihood. From capitalism’s very beginnings, the secret of primitive accumulation, the initial hoard of capital invested in the first factories, rested in the methods by which the accumulation took place: the force and fraud which had wrested precious acres from small farmers and tools from independent artisans. Once this “freedom” became universal, rural and urban proletarians alike were exposed naked to the power of their capitalist exploiters.

Naturally, the longer the working day the larger the portion of it extracted as surplus value. According to Marx, in the early years of the Industrial Revolution employers tried to stretch the working day from ten, to twelve, four-
teen, or even sixteen hours. However, the process was self-defeating because overworked laborers sickened and died. The Factory Acts which regulated child labor, then female labor, and finally adult male working hours and conditions were a belated defense of their own interests by intelligent capitalists fearful that the very source of profit (surplus value) was being depleted by too rapid a pace of exploitation.

When the work week stabilized, employers concentrated on expanding relative surplus value. Surplus value expanded if only four hours' product of a twelve-hour day were needed to pay a subsistence wage instead of six. The capitalist's share, eight hours in place of six, amounted to a 200 percent rate of surplus value, 8:4, much preferable to its preceding 100 percent rate, 6:6. Labor-saving equipment, improved factory management, a faster pace of operation, and cheaper food all contributed to greater surplus value. The prolonged agitation, organized by capitalists, which culminated in the 1846 repeal of the Corn Laws, was a sensible attempt to diminish the hours workers toiled for their own benefit and enlarge the time they spent in their employers' interests.

Marx's English predecessors and contemporaries took it for granted that the owners of machinery and factory structures deserved financial rewards for buying and using their capital. Nassau Senior held that the abstinence from consumer spending which produced the savings to finance purchases of equipment was just as painful to the savers as their daily exertions were for factory operatives. Marx insisted that machines could never do more than transfer the value embodied in them—the number of hours of socially necessary labor time needed to manufacture them.

But if machines failed to add value, why did capitalists
persist in buying them? Marx’s solution employed the mechanism of competitive markets. Innovative capitalists who introduced new and better equipment temporarily benefited because relative surplus value increased. Continuing to collect the same prices for finished goods as their less alert rivals, the innovators earned exceptionally high profits. However, this edge soon disappears as the remaining capitalists copy the tactics of their brighter rivals. The flood of merchandise made possible by superior techniques depresses prices. Surplus value declines and the capitalists are worse off than they were before their innovations because they now employ fewer men and women to exploit. The process of mechanization nevertheless continues because it always appears advantageous to some capitalists to steal a march on their brethren.

As the eloquent pages of Capital tell the tale, the impact of machinery upon the English working class was almost uniformly tragic. Because many of the early machines required dexterity and capacity to maneuver in small spaces, employers sought out women and children. These unfortunate toiled dreadfully long hours, in wretched surroundings, under stern, often brutal discipline. Male laborers turned themselves into slave dealers, trafficking in the pain of their wives and children. Mortality rates were high among adults and murderous for children. Because men and women mingled in heat and grime, because they had no reasonable expectation of escape, and because only violent entertainments could arouse their dulled senses, they wallowed in moral degradation.

The intellectual desolation of the new mill towns fittingly complemented their spiritual condition. If literate, adults had no time or energy to read and their children no oppor-
tunity to become literate. When eventually compelled by the Factory Acts to attend some institution labeled a school, the children, exhausted, slept instead of learned. Quoting the reports of the Factory Act commissioners, Marx cited pit boys who could not identify Jesus Christ and other youths who could not name the Queen of England.

Machinery’s single virtue was its aid to class consciousness and proletarian organization, for the mechanized factory operated effectively only when managers coordinated and supervised highly disciplined groups of workers. One day they would divert their training to equally disciplined revolutionary action. For that time of deliverance, strikes were a preparation and their bloody repression a salutary lesson in the facts of capitalist power and injustice.

Since the 1870s, conventional economists have substituted for the labor theory of value in either Ricardian or Marxist versions, the marginal-productivity explanation of income shares. The contributions of capital and land to economic activity justify profit, interest, and rent, just as the efforts of employees deserve the rewards of wages and salaries. The theory contains no explanation of the origins of capital and makes no invincible distinctions between income from property and income from labor.

Among living Marxist economists, a minority, of whom the well-known English economist Joan Robinson is the most prominent, argue that the validity of the labor theory of value is not essential to Marxist interpretations of class struggle, exploitation, and the internal contradictions of capitalism. Professor Robinson has insisted that “no point of substance in Marx’s argument depends upon the labour theory of value. Voltaire remarked that it is possible to kill a flock of sheep by witchcraft if you give them plenty of
arsenic at the same time. The sheep, in this figure, may well stand for the complacent apologists of capitalism; Marx’s penetrating insight and bitter hatred of oppression supply the arsenic, while the labour theory of value provides the incantations.**

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Right or wrong, essential or marginal to the corpus of Marxist doctrine, the labor theory of value continues to convey a potent charge of moral indignation and a basically simple explanation of how the capitalists are exploiting the rest of us. Happily, not forever. Marx foresaw growing concentration and centralization of capital, declining rates of profit, rising average unemployment, more and more proletarian misery, stronger class consciousness among workers, and eventual proletarian revolt.

Marx defined concentration as the trend toward larger factories in each industry. With size, efficiency increased because processes could be more finely subdivided and more intricate machinery deployed. Smaller capitalists either could not afford such equipment or lacked the outlets for its products. Centralization related to the number of enterprises in each branch of industry. The market for finished consumer goods was limited by the small purchasing power of an underpaid proletariat. Hence if average factory size rose, the number of enterprises in each industry necessarily shrank. As smaller capitalists filed their petitions of bankruptcy, their larger rivals swelled to even grosser dimensions.

Crisis hastened these trends. For several reasons, business cycles of rising violence were unavoidable. Disproportions between capital goods and consumer goods production eventuated in gluts in one sector or another. In its best moments, capitalism is a jumpy affair. Fits of investor gloom and euphoria are accompanied by depression and boom in
capital investment. But the mortal weakness of capitalism as ever was the disparity between its productive efficiency and the limited capacity to purchase the Niagaras of goods which the factories poured out. In Marx's words, "The enormous power, inherent in the factory system, of expanding by jumps, and the dependence of that system on the markets of the world, necessarily begets feverish production, followed by overfilling of the markets, whereupon contraction of the markets brings on crippling of production."

For capitalists the infallible thermometer of the system's fevers was the behavior of the rate of profit. In the long run, it could only fall, for as industry grew larger, machinery (constant capital) expanded more rapidly than labor (variable capital). Inasmuch as surplus value sprang solely from the exploitation of labor power, rates of profit necessarily declined unless capitalists were able to perpetually enlarge rates of exploitation. Marx assumed that they could not.

However, he did identify forces which in the short run might delay decline in profit rates. Temporarily the rate of exploitation could be forced upward. For short periods wages might be depressed below subsistence. Cheaper machinery was another device. Foreign trade was capable of cheapening raw materials and thus factory costs, as well as the laborer's food. These were delaying actions at best. Higher rates of exploitation diminished working-class incomes and narrowed the markets of their exploiters. Substitution of machines for human hands reduced the sources of surplus value. Revolution was the only exit from the inherent and increasing contradictions of capitalism.

Profit was the crucial measure because capitalists measured success and failure according to its fluctuations.
profits fell, capitalists became so alarmed that they tried almost anything to restore them. But, as we have already seen, these efforts were self-defeating. Mechanization, and more vicious competition, destroyed the small sharks and fattened the big ones. But the world was finite and the supply of new customers in new markets soon exhausted. Practically every defensive tactic of capitalism inflamed its condition by maldistributing income and wealth ever more outrageously. By first destroying its own customers, capitalism guaranteed its own destruction.

Crises were accompanied by simpler and sharper class struggles. Conflict polarized between capitalists and workers. Class position was defined by ownership. Capitalists owned the instruments of production, proletarians nothing beyond their own labor power. The internal logic of capitalism was allied to a two-class system, much as the logic of socialism led to a single class. These were facts of life that capitalists desperately sought to conceal, often with temporary success. Workers in many instances suffered from the false class sentiments which led them to identify with capitalists—tellers with their banks, life insurance salesmen on commission with Equitable and Prudential, and assembly line workers with General Motors. With rather more plausibility, small proprietors, doctors, dentists, and lawyers, and other white-collar types placed themselves in the company of capitalists.

One of the consequences of business-cycle crises was clarification of genuine class identity and interest. Small businessmen who became bankrupt sank into the proletarian mass. Big farmers, the rural branch of capitalism, took over the property of small farmers. Once dispossessed, the former owners were forced either into the rural proletariat as
farm laborers or compelled to swell Marx’s reserve army of the unemployed in the cities. Even respectable skilled workers encountered cyclical unemployment. When they unionized, employer reprisals were swift and bloody. Each crisis enlarged the working class and sharpened the class struggle.

When and where inevitable revolution arrived could not be forecast with precision. Marx’s own guesses wavered among England, Germany, and even Russia. The historic mission of capitalism was to develop technology as far as its system of property ownership allowed and then yield to a higher mode of organization, socialism. “It is,” commented Marx, “one of the civilizing sides of capital that it enforces this surplus labor in a manner and under conditions which promote the development of the productive forces of social conditions, and the creation of the elements for a new and higher formation better than did the preceding forms of slavery, and serfdom...it creates the material requirements and the germ of conditions which make it possible to combine this surplus labor in a higher form of society, with a greater reduction of the time devoted to material labor.”

Obviously in the industrial West the revolution has been delayed. In Europe and the United States the misery of the masses has increased neither absolutely nor relatively. The middle classes are much with us. Workers are not nearly as hostile to owners as Marxist forecasts of impending polarization specify. From the radical point of view, the pervasiveness particularly in the United States of false class consciousness is an international scandal. It must sadden any true believer to contemplate hard-hats parading through Wall Street waving banners whose legends order that “God Bless the Establishment.”
Nevertheless, communist and socialist parties are strong in Western Europe and numerous revolutions in developing nations appear Marxist in ideological inspiration. Whatever the accuracy of its prophecies, Marxism continues to attract admirers because it offers them coherent doctrine, a gallery of heroes and villains, a code of morality, and, best of all, a hope for the future. Marxism, the greatest of the intellectual fighting faiths, seems more and more relevant to the struggles over the world's resources which have already broken out and the internal conflicts between capital and labor in rich societies which are certain to be exacerbated by declining growth rates.

Marxism may not be the best explanation of these large events. But its critics would be in a stronger position if they could offer any explanation of the disorders of capitalist economies even approximately as plausible.

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All told—if it were possible—it will be evident that the aggregate of human talent currently consumed in the fabrication of vendible imponderables in the nth dimension, will foot up to a truly massive total, even after making a reasonable allowance, of, say, some thirty-three and one-third percent, for average mental deficiency in the personnel which devotes itself to this manner of livelihood.

—Thorstein Veblen

A Western European phenomenon, Marxism is a latecomer to the United States. Only recently has it attracted sizable numbers of recruits among economists and other social scientists. The closest native approximation to the Marxist strain of radical criticism of capitalism is the institutionalism of Thorstein Veblen. As an explanation of