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# Review: The Poverty of Philosophy by Karl Marx

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March 14, 2017

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Marx in an appendix to my introduction for *Property is Theft! A Pierre-Joseph Proudhon Anthology* (Edinburgh/Oakland/Baltimore: AK Press, 2011) In addition, its extracts from Proudhon's *System of Economic Contradictions* have numerous footnotes contrasting what he argued to what Marx claimed he wrote.

Finally, I must mention by debt to René Berthier's excellent Proudhon and German philosophy

## Conclusion

Comparing Marx’s “reply” to what Proudhon actually wrote, it is hard to take the former seriously. Once the various distortions and inventions are corrected, little remains. Proudhon was right to suggest Marx’s work was “a tissue of crudities, slanders, falsifications, and plagiarism.” (*Correspondance* [Paris: Lacroix, 1875] II: 267–8) Worse, Marx himself twenty years later embraces in *Capital* most of the positions he attacks Proudhon for holding in 1847.

More – much more – could be written but to do justice to all the distortions Marx inflicts on his readers would take a book in itself. We hope we have shown that rather than a masterpiece of polemical writing, Marx’s “reply” to Proudhon is a shoddy piece of work. For nothing is below Marx in his attempt to belittle and destroy Proudhon – up to, and including, inventing and tampering with quotes, selective quoting, false attribution and repeating Proudhon’s own ideas as if they were his own.

The dishonesty of *The Poverty of Philosophy* has distorted our view of Proudhon’s ideas and the time is long overdue for a revaluation of Proudhon and his contributions to anarchism and the wider socialist movement. This does not mean that Marx does not, occasionally, presents a valid point – most obviously, Proudhon’s opposition to strikes was wrong as subsequent anarchists recognised – it is just that these are frustratingly few in the midst of so much distortion. So, yes, Proudhon’s mutualism – a form of market socialism based on worker-run co-operatives – does need to be critiqued but Marx’s book is simply not that work.

## Further Reading

My article “Proudhon’s constituted value and the myth of labour notes” (*Anarchist Studies* 25: 1) discusses many of the issues raised in this review in more detail. I discuss Proudhon and

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him (luckily for Marx Bray was “still little known” in Germany as in France). Worse, Marx’s system is even sketchier than Bray’s:

“Bray was aware of the need to acquire systematically the information on which to base decisions of those who managed the means of production, though [...] Bray suffered from an inability to see and a failure to confront the magnitude of the task. Thus, for example, the problem of managing a socialist economy was likened to that of overseeing an ‘individual enterprise’; a naïve suggestion which could only have been born out of an ignorance of the complex functions which the market performed and which would therefore have to be fulfilled by the central and local boards which Bray proposed.

“However, leaving aside the problem of acquiring the information upon which informed economic decisions could be based, there remained the problem of how that information, once gathered, could best be used. On what basis and by reference to what criteria would calculation proceed. [...] Bray spirited away the problems he has set himself.” (Thompson, 111)

The same can be said as regard Marx and his few lines of alternative to Proudhon’s market socialism. Similarly, Marx singularly failed to appreciate that turning the world into a single workplace under a single economic authority would produce not the freedom of socialism but the tyranny of state-capitalism. Proudhon, in contrast, would not have been surprised by the Soviet Union and its new class system based on the bureaucracy.

could in a short time be as easily determined for a nation as for an individual company under the present arrangements” (J.F. Bray, *Labour’s Wrongs and Labour’s Remedy* [Leeds: David Green, 1839], 162)

An individual company does *not* allocate labour and products within it by means of the market but rather conscious allocation – planning. Marx himself admitted as much:

“If one took as a model the division of labour in a modern workshop, in order to apply it to a whole society, the society best organised for the production of wealth would undoubtedly be that which had a single chief employer, distributing tasks to different members of the community according to a previously fixed rule [...] inside the modern workshop the division of labour is meticulously regulated by the authority of the employer”

That Bray advocated central planning is confirmed by other passages that Marx failed to quote. So “[o]n the surface Bray’s solution,” notes Noel W. Thompson, “would seem to have laid the basis for some kind of market socialism. However, a closer reading of *Labour’s Wrongs* shows that his intention was to abolish the market and replace the motive force of competition by the conscious, rational, economic planning and decision-making of central and local authorities.” (*The Market and Its Critics* [London: Routledge, 1988], 110) Bray was clear: “Competition could have no existence in a change like this”. (158)

So Proudhon is denounced by Marx for defending the necessity of competition *and* also equated to someone who aims for its elimination.

This is hardly the only contradiction for Marx’s “reply in a few words” to Bray’s scheme simply repeats Bray’s own words against

This year (2017) marks the 170<sup>th</sup> anniversary of the publication of Karl Marx’s *The Poverty of Philosophy*, written in “reply” to Pierre-Joseph Proudhon’s *System of Economic Contradictions* published the year before. The book’s title is a play on the subtitle of Proudhon’s two volumes (“or, the Philosophy of Poverty”) and for Trotskyist Ernest Mandel “the prototype of that sort of implacable polemical writing which has often inspired the pens of Marx’s followers”. (*The formation of the economic thought of Karl Marx* [London: N.L.B., 1971], 53)

Given its age and stature, some may wonder why bother to re-view it? There are two reasons why this is no esoteric act.

First, it has played a key role in how the French anarchist is viewed. So, from an anarchist perspective, it is useful to see whether the criticism is valid or not – particularly given that much of the “conventional wisdom” about Proudhon can be traced to it.

Second, it allows radicals today to re-evaluate Proudhon’s ideas and their relevance. As Kropotkin suggested, it is a “work which, of course, lost none of its considerable merit on account of Marx’s malignant pamphlet”. (*Direct Struggle Against Capital* [Edinburgh/Oakland/Baltimore: AK Press, 2014], 214)

## The Method of Marx’s *Poverty*

This is a work which is very difficult to review. Not only do you need to have also read Proudhon’s work, Marx’s usually fails to reference his quotes which makes comparing what he suggests Proudhon argued to what he wrote difficult. It would take a book in itself to address all of Marx’s claims and so we will concentrate on a few of the most important and indicative ones but before addressing these, a few general points.

First, Marx wilfully ignores Proudhon’s use of irony. For example, he makes much play of Proudhon’s use of the expression “eternal justice.” Yet Proudhon uses it twice in his two volumes and both

times in an ironic fashion. Marx uses it four times – once in a quote which he attributes to Proudhon (“cries M. Proudhon”) but which he simply made-up. Interestingly, the editors of the *Marx-Engels Collected Works* removed the quotation marks which existed in the 1847 original. Why? Seeking to make the definitive edition, they sought to reference all Marx’s quotes and as this was an invention on his part they had little option. This illustrates two aspects of Marx’s method – selective quoting and pure invention.

Second, Marx repeatedly invokes authority in lieu of genuine debate. Indeed, he does it so often it seems more about proving how many books he has read rather than contributing to the argument. Often the authors are quoted without indicating whether Marx agreed with them or, indeed, whether their opinions actually matter – quoting someone who is wrong does not do your case any good. Similarly, his book is full of quotes from other authors but whose actual relevance is often null as Proudhon did not argue the point Marx is refuting by them. Still, this does allow Marx to give himself the appearance of a learned critique. For example, after noting how Proudhon “personifies society” he then states that “Proudhon reproaches the economists with not having understood the personality of this collective being” before having the “pleasure in confronting him with [...] an American economist, who accuses the economists of just the opposite.” Marx does not bother to indicate whether this work of Thomas Cooper (today he is better known, if known at all, as a successionist politician than an economist) is worth accepting or not. Does it rank, for example, with Cooper’s defence of the use of slaves in certain areas of the Americas “which incapacitates a white from labouring” (*Lectures on the Elements of Political Economy* [Columbia: Doyle E. Sweeney, 1826], 95–6)? Whether it is or not is ultimately an irrelevance for Proudhon did not in fact suggest what Marx attributes to him: “To the true economist, society is a living being...” (*Système des contradictions économiques* [Paris: Guillaumin, 1846] I: 74).

‘1’ followed by 500 zeros). This is much more than the number of atoms in the entire universe”. (Geoff Hodgson, *The Democratic Economy* [Harmondsworth: Penguin books, 1984], 170–1)

So “an actual agreement” may take some time to create and perhaps unsurprisingly how it can be reached in any real economy of millions of people and millions of products is not discussed by Marx here – *or anywhere else*. As one Marxist (apparently without the slightest trace of embarrassment) admits:

“In deciding how much of any given article to produce, the planners have to strike a balance between social need, available labour-time and the existing means of production. Although Marx recognises that demand is elastic he never doubts that his proletarian planners – whose actual planning mechanisms are never discussed – will make the right equations.” (Ollman, 63)

The alert reader may wonder why Marx refers to a “Mr. Bray” rather than Proudhon in all this. This is because Marx, without evidence, accuses Proudhon of plagiarising the ideas of the British Ricardian Socialists, specifically John Bray in whom “we think that we have discovered [...] the key to the past, present and future works of M. Proudhon”. Yet Bray was an advocate of central planning, *not* market socialism, as shown by a passage Marx himself quotes:

“By means of general and local boards of trade, and the directors attached to each individual company, the quantities of the various commodities required for consumption – the relative value of each in regard to each other – the number of hands required in various trades and descriptions of labour – and all other matters connected with production and distribution,

pletely ignoring the rest of the chapter on the State, in reality this “brief summary” simply gives the reader “a true idea” of Marx’s so-called “reply.” We defy the most sycophantic Marxist to compare what Proudhon actually wrote to what Marx claimed he did and take Marx’s so-called critique seriously.

## Marx’s Alternative

Given the pains he takes to mock Proudhon, we must quickly discuss Marx’s alternative to both capitalism and the (brief outlines of) market socialism Proudhon presents, central planning:

“One hour of Peter’s labour exchanges for one hour of Paul’s labour. That is Mr. Bray’s fundamental axiom. [...] Thus, if all the members of society are supposed to be actual workers, the exchange of equal quantities of hours of labour is possible only on condition that the number of hours to be spent on material production is agreed on before hand. But such an agreement negates individual exchange. [...] What is today the result of capital and the competition of workers among themselves will be tomorrow [...] an actual agreement based upon the relation between the sum of productive forces and the sum of existing needs.”

Marx generalises from the example of two men producing two commodities to the whole of society within an actual economy. This is undoubtedly because such an “agreement” is easier to visualise for the former than the latter:

“a simple problem involving 2 objectives and 2 variants will have 4 solutions. With 5 objectives and 3 variations we already have 243 solutions. With 500 objectives and 10 variants (still a very simple economic planning problem) the number of solutions is 10500 (i.e., a

Third, Marx’s reply is often self-contradictory. This is to be expected with Marx’s mud-flinging approach – while some of it will stick, it can hardly be expected to be consistent. The most obvious example is on Proudhon’s position on competition: in the first chapter his attacks on Proudhon’s “Constituted Value” are premised on the (false) assertion that “there is no more competition” while in chapter two he attacks Proudhon for “defending the eternal necessity of competition”.

Fourth, Marx is keen to portray Proudhon as yet another utopian seeking to create a perfect system. Yet the “system” of Proudhon’s title is *capitalism* and Proudhon spends the bulk of the book critiquing it. Discussion of what should replace capitalism is fleeting and based on looking at the tendencies within capitalism which point beyond it. This explains his opposition to the *actual* utopian socialists who simply denounce capitalism while inventing ideal systems to replace it. It “is important, then, that we should resume the study of economic facts and practices, discover their meaning, and formulate their philosophy” for the “error of socialism has consisted hitherto in perpetuating religious reverie by launching forward into a fantastic future instead of seizing the reality which is crushing it.” He rejects “offering *a priori* arguments as solutions of the formidable problems of the organisation of labour and the distribution of wealth” in favour of “interrogat[ing] political economy as the depository of the secret thoughts of humanity” for “to unfold the system of economical contradictions is to lay the foundations of universal association; to show how the products of collective labour *come out* of society is to explain how it will be possible to make them *return* to it; to exhibit the genesis of the problems of production and distribution is to prepare the way for their solution.” (*Système I*: 89, 92)

Fifth, while for Proudhon civilisation “aims to constitute the value of products and organise labour”, Marx distorts the former and ignores the latter. Thus the reader of his “reply” would be unaware of Proudhon’s discussion of the associations which

would replace wage-labour (and so end labour as a commodity). In these members “straightway enjoy the rights and prerogatives of associates and even managers”, “have a deliberative voice in the council” and so are “a solution based upon equality – in other words, the organisation of labour, which involves the negation of political economy and the end of property.” Hence “the socialisation of capital and property” for “it is necessary that [...] all appropriated wealth again become collective wealth, that the capital taken from society returns to society” for “there is supremacy and dependence” between the worker and the capitalist and “capital introduces into society an inevitable feudalism”. (*Système* II: 204; I: 272–8, 217, 88; II: 168) Unlike the utopian socialists, he rejected the idea of organising labour and instead argued that labour would organise itself

Still, ignoring this allows Marx to suggest in all seriousness that Proudhon “[t]o save his system, he consents to sacrifice its basis” for “he forgets that his whole system rests on labour as a commodity”! Perhaps this lack of discussion of a key aspect of Proudhon’s ideas may be less surprising when we realise that, as one Marxist summarises, “Marx’s picture of life and organisation in the first stage of communism is very incomplete. There is no discussion of such obviously important developments as workers’ control. We can only guess how much power workers enjoy in their enterprises”. (Bertell Ollman, *Social and Sexual Revolution* [Montreal: Black Rose Books, 1978], 65–6) History suggests that we do not have to guess.

More could be written about the overall nature of Marx’s “reply” but it becomes obvious when we address specific subjects. To avoid repeating ourselves, we turn to a few illustrative examples.

“Such is the war that you have to sustain: a war of labour against capital; a war of liberty against authority; a war of the producer against the non-producer; a war of equality against privilege. [...] Now, to combat and reduce power, to put it in its proper place in society, it is of no use to change the holders of power or introduce some variation into its workings: an agricultural and industrial combination must be found by means of which power, today the ruler of society, shall become its slave. [...] Thus power, the instrument of collective might, created in society to serve as a mediator between labour and privilege, finds itself inevitably enchained to capital and directed against the proletariat. No political reform can solve this contradiction [...] The problem before the labouring classes, then, consists, not in capturing, but in subduing both power and monopoly – that is, in generating from the bowels of the people, from the depths of labour, a greater authority, a more potent fact, which shall envelop capital and the State and subjugate them.” (*Système* I: 362–4)

Significantly, Proudhon argues that the State cannot be captured by the working class and used as an instrument for emancipation. Marx, in contrast, continued to have illusions that universal suffrage gave the working class political power and so the State could be used to transform society. History has shown that Proudhon was correct.

Marx ends his comments by proclaiming that “[t]his brief summary will suffice to give the reader a true idea of M. Proudhon’s lucubrations on the police or on taxes, the balance of trade, credit, communism, and population. We defy the most indulgent criticism to treat these chapters seriously.” Given how Marx distorts Proudhon’s ideas by selectively quoting a few ironic comments and com-

“Merely to give a glimpse of the manner in which M. Proudhon treats economic details, it suffices to say that, according to him, the *tax on consumption* was established with a view to equality, and to relieve the proletariat.”

Marx does not inform his reader of what Proudhon immediately states after the passage he almost quotes:

“We have to prove that society could neither think better nor act worse [...] Every measure of general police, every administrative and commercial regulation, like every law of taxation, is at bottom but one of the innumerable articles of this ancient bargain, ever violated and ever renewed, between the patriciate and the proletariat.” (*Système I*: 285)

Marx, then, quasi-quotes Proudhon completely out of context to attribute ideas which are the complete opposite of his actual position. The rest of Proudhon’s chapter explains how “analysis and the facts demonstrate [...] the tax upon monopoly, instead of being paid by those who possess, is paid almost entirely by those who do not possess” and “the tax on provisions agitates and tortures the poor proletarian in a thousand ways”. To “conduct this offensive and defensive war against the proletariat a public force was indispensable: the executive power grew out of the necessities of civil legislation, administration, and justice.” (*Système I*: 296, 317, 356)

The comments Marx quasi-quotes is Proudhon *recounting how taxation is presented* not what he believes it actually is. They reflect how Adam Smith recounts various expenses of the State and how they are “for the general benefit of the whole society.” (*The Wealth of Nations*, [Chicago: University of Chicago, 1976] Volume II, 339). Likewise, John Locke suggested that the liberal social contract was advantageous to even the servant class. Proudhon, in contrast, is very clear on the class nature of the State:

## Constituted Value

The “conventional wisdom” is that Proudhon advocated labour-notes, the pricing of commodities by the time (hours and minutes) taken to produce them. This notion has its source in Marx’s “reply” and he spends some time mocking it and showing its flaws. Yet he does not present any evidence that Proudhon advocates such an idea – and ignores much which clearly shows he did not.

Marx states that “[v]alue (marketable value) is the corner-stone of the economic structure. ‘Constituted’ value is the corner-stone of the system of economic contradictions.” Yet the “system of economic contradictions” is capitalism and, for Proudhon, the market (value) is not identical to it. Marx begins with a false dichotomy.

He then describes Proudhon’s “own invention” which he “has discovered in political economy”, namely that the “constituted value of a product is purely and simply the value which is constituted by the labour time incorporated in it.” Marx contrasts Ricardo who “takes his starting point from present-day society to demonstrate to us how it constitutes value” to Proudhon whom, he claims, “takes constituted value as his starting point to construct a new social world with the aid of this value”. The former is “the scientific interpretation of actual economic life” while the latter is “the utopian interpretation of Ricardo’s theory”. It is utopian because Proudhon thinks that “marketable value [should be] determined *a priori* by labour time” resulting in “the sale of a given product at the price of its cost of production”:

“Suppose for a moment that there is no more competition and consequently no longer any means to ascertain the minimum of labour necessary for the production of a commodity; what will happen? It will suffice to spend six hours’ work on the production of an object, in order to have the right, according to M. Proudhon, to demand in exchange six times as much as the

one who has taken only one hour to produce the same object.”

Marx then – with copious quotes from Ricardo – shows that the price (market value) must differ from the value (labour-time) in order for a commodity’s supply and demand to finally approximate by means of competition:

“If M. Proudhon admits that the value of products is determined by labour time, he should equally admit that it is the fluctuating movement alone that in society founded on individual exchanges make labour the measure of value. There is no ready-made constituted ‘proportional relation,’ but only a constituting movement.”

This applies to labour: “Is your hour’s labour worth mine? That is a question which is decided by competition.” Proudhon, however, “inverts the order of things” and goes from “measuring the relative value of a product by the quantity of labour embodied in it” in order that “supply and demand will infallibly balance one another” and also “takes for granted the equivalence of the working days of different workers” in order to “arrive at equal payment for the workers”.

What is striking about this critique – beyond its admittedly amusing use of withering scorn – is the complete lack of supporting evidence. The reason is simple as Proudhon’s “Constituted Value” is *precisely* the “constituting movement” Marx describes. To show this we need simply do what Marx failed to do – quote Proudhon.

Rather than Ricardo’s “exchange value” being the market value of a good, Proudhon suggests that there are three elements to value – useful value (*valeur utile*), exchangeable value (*valeur échangeable*) and constituted value (*valeur constituée*). The first is what the

the system of primitive indivision – that is, to *each one by himself, each one for himself*, in the most literal meaning of the words. That would be to retrograde; it is impossible.” (*Système I*: 167)

In short, Marx attacks Proudhon for both being completely uncritical about modern machinery and its uses *and* wishing to get rid of it to return to the Middle Ages. The facts are otherwise for it is important to remember that while he did suggest that machinery “is the *antithesis* of the division of labour, the *synthesis* restoring unity to divided labour.” but is this only *potentially*. If groups of workers controlled their workplaces then, surely, they would introduce machinery which improves their working life? It is this potential for machinery which Proudhon eulogies in the first section of the chapter on Machinery while the second section shows how this is turned into its opposite under capitalism and so “far from freeing humanity, securing its leisure” mechanical progress has “no other effect than to multiply labour”, “make the chains of serfdom heavier” and “deepen the abyss which separates the class that commands and enjoys from the class that obeys and suffers.” (*Système, I*: 170)

## The State and Taxation

Our last example starts with Marx presenting a heavily edited – with no indication of this editing – unreferenced quote as support for how Proudhon achieved “the dialectical transition to the taxes which come after monopoly” and “talks to us about the social genius which” creates and uses taxation with “no other object in view than that of destroying the bourgeois by taxes, whereas taxes are the very means of giving the bourgeois the wherewithal to preserve themselves as the ruling class”. He then summarises:

“Why this free worker confronts him in the sphere of circulation is a question which does not interest the owner of money [...] And for the present it interests us just as little. We confine ourselves to the fact theoretically, as he does practically.” (*Capital I*: 273)

Marx’s irrelevant lecturing about history in 1847 does show the dangers of replacing economic analysis with historical commentary as new research can overturn previous conclusions. So twenty years after denouncing Proudhon for not recognising that history itself showed that there was “not one single example” of it being sufficient “to assemble” all “the different branches of one and the same craft” to form a workshop, Marx admitted that manufacturing originated “[b]y the assembling together in one workshop, under the control of a single capitalist, of workers belonging to various independent handicrafts”. (*Capital I*: 455)

And talking of history, it must be noted that Marx wasted his reader’s time attacking Proudhon for ignoring how the “automatic workshop opened its career with acts which were anything but philanthropic” by being used by employers against their workers – for Proudhon did not. (*Système I*: 150–2) Similarly, after suggesting Proudhon eulogises machinery and its uses, Marx ends by proclaiming he “has not gone further than the petty-bourgeois ideal” and seeks “to take us back to the journeyman or, at most, to the master craftsman of the Middle Ages” based on a discussion of something – “synthetic labour” – which Proudhon does *not* specify but *explicitly rejects* (*Système I*: 127–8) what Marx claims he meant, namely the worker “successfully [making] all 12 parts” of a product. Nor did Proudhon reject the use and necessity of modern machinery:

“Sismondi, like all men of patriarchal ideas, would like the division of labour, with machinery and manufactures, to be abandoned, and each family to return to

buyer prices the good (rooted in utility), the second is what the seller prices the good (rooted in costs) and the third is the price agreed between the two. (*Système I*: 48) It is competition which drives the latter towards the labour cost of the commodity:

“Competition is necessary to the constitution of value, that is, to the very principle of distribution, and consequently to the advent of equality. As long as a product is supplied only by a single manufacturer, its real value remains a mystery, either through the producer’s misrepresentation or through his neglect or inability to reduce the cost of production to its utmost limit. [...] an exact knowledge of value [...] can be discovered only by competition, not at all by communistic institutions or by popular decree.” (*Système I*: 188–9)

Rather than proclaim that goods must be priced at their labour-time cost, his constituted value explains how market price is *regulated* by cost (ultimately labour) and this was “the centre around which useful and exchangeable value oscillate”, the “absolute, unchangeable law which regulates economic disturbances” for “whoever says *oscillation* necessarily supposes a mean direction toward which value’s centre of gravity continually tends”. (*Système I*: 62, 23) This was inherently dynamic:

“The idea of value socially constituted [...] serves to explain [...] how, by a series of oscillations between supply and demand, the value of every product constantly seeks a level with cost and with the needs of consumption, and consequently tends to establish itself in a fixed and positive manner” (*Système I*: 87)

So rather than there being “no more competition” as Marx asserts, Proudhon was very clear that work “differs in quantity and

quality with the producer” and that “competition between workers” was “a necessity” and every utopia “ever imagined [...] cannot escape this law”. (*Système I*: 55, 189). He explicitly opposed the idea of pronouncing *a priori* prices (and pricing by labour-time cannot be anything else):

“Suppose for a moment that all producers should sell at a fixed price: there would be some who, producing at less cost and in better quality, would get much, while others would get nothing. [...] Do you wish [...] to limit production strictly to the necessary amount? That would be a violation of liberty: for, in depriving me of the power of choice, you condemn me to pay the highest price; you destroy competition, the sole guarantee of cheapness” (*Système I*: 40–1)

What of Marx’s other claims? Proudhon never argued that workers should exchanging according to *time* rather “[p]roducts are bought only with products” and notes that “[i]n economic science, we have said after Adam Smith, the point of view from which all values are compared is labour; as for the unit of measure, that adopted in France is the FRANC.” A worker’s income would reflect the price achieved on the market for “all wages [will] be equal to product”. (*Système I*: 246, 67–8, 305) There would be social equality (no classes, only workers) but not equality of income for that depended on labour and competition:

“Ensure that for each of us well-being results exclusively from labour, so that the measure of work becomes the exact measure of well-being, and that the product of labour is like a second and incorruptible conscience, whose testimony punishes or rewards each man’s actions, according to merit or demerit.” (*Système II*: 383)

more on the advantages than on the drawbacks of the division of labour,” well he was hardly a typical economist and is the exception that proves the rule. (*Système I*: 121, 95)

After a weak start, Marx’s critique gets worse. He denounces Proudhon for not showing “the drawbacks of the division of labour in general, of the division of labour as a category” and instead criticising the harmful effects of it under capitalism. No, rather than understand the dynamics of capitalism – where “it is necessary that the poor should perish to secure the proprietor his fortune” (*Système I*: 97) – Marx thinks we need to study all of history! Yet this example shows the limitations of his demand. He proclaims “it is slapping history in the face to want to begin by the division of labour in general, in order to get subsequently to a specific instrument of production, machinery” for he later does precisely that by arguing that the “workshop, the product of division of labour in manufacture, produced in its turn – machines.” (*Capital I*: 490–1) as well as repeating Proudhon’s schema of division of labour leading to machinery in chapters 14 (“The Division of Labour and Manufacture”) and 15 (“Machinery and Large-Scale Industry”) not to mention elsewhere: “machinery, by and large, arose [...] through the division of labour”. (*The Grundrisse*, 704)

Marx berates Proudhon for not understanding that the “machine is a unification of the instruments of labour, and by no means a combination of different operations for the worker himself” yet for Proudhon “the machine is the division of labour” and “division almost always and almost necessarily supposes the use of machines.” He thinks that Proudhon is providing a history when he is showing the economists how under capitalism “machines promised us an increase of wealth” while “at the same time endowing us with an increase of poverty” and they “promised us liberty” but “have brought us slavery.” (*Système II*: 250–1; I: 160) Ironically, Marx in *Capital* also eschews the actual history he denounced Proudhon for ignoring:

So any claim that Marx's book is still of use – if we can ignore the distortions – because of its method fails as this was soon rejected. We now know the answer Proudhon's marginal note: "So tell me, how will you set about speaking in turn on matters of Pol[itical] Econ[omy]?"

## The Division of Labour and Machinery

Marx seeks to apply his methodology by first berating Proudhon for abstracting and generalising on the division of labour and so "hav[ing] no need to study the numerous influences which give the division of labour a definitive character in every epoch." However, not providing a detailed historical account for every society and its corresponding division of labour is hardly a valid criticism given both its impossibility and its irrelevance to developing a critique of capitalism. Suffice to say, come 1867 and the publication of *Capital*, such a study urged twenty-years before is nowhere to be found.

Marx then states that for Proudhon "J. B. Say was the *first* to recognise 'that in the division of labour the same cause that produces the good engenders the bad.'" Marx provides no page number so making it harder to discover what Proudhon actually wrote:

"Say goes so far as to recognise that in the division of labour the same cause which produces the good engenders the evil". (*Système I*: 96)

As for Marx's reference to Lemontey to refute something Proudhon did not write, it comes as no surprise to discover Proudhon writing how "[m]ore than thirty years ago, Lemontey, developing a remark of Smith, exposed the demoralising and homicidal influence of the division of labour. What has been the reply; what investigations have been made; what remedies proposed; has the question even been understood?" And as for mentioning Sismondi to refute Proudhon's comment that "all economists have insisted far

Is Proudhon's term "*valeur constituée*" and related discussion, as Marx suggest, less clear than Ricardo's? Perhaps – but then Ricardo is not critiquing the workings of capitalism by exposing its contradictions. But disliking flowery language is hardly a firm basis for a critique – but it would be more accurate than the one Marx provides:

"Proudhon's idea has often been contrasted with Robert Owen's labour notes, and with the scheme prepared by Mr Bray [...] Proudhon's circulating notes have nothing in common with the labour notes described by these writers. The circulating notes represent commercial goods produced for the purpose of private exchange. Prices are freely fixed by buyer and seller, and they bear no relation to the labour time, as is the case with the labour notes. The final result, doubtless, was expected to be the same. Proudhon hoped that in this way the price of goods [...] would equal cost of production. This result was to be obtained indirectly." (Charles Gide and Charles Rist, *A History of Economic Doctrines* [London: Harrap, 1948], 322–3)

Finally, we must note that Marx's attempts to suggest that Proudhon had plagiarised Ricardo (for suggesting, correctly, that – in context, *French* – economists had opposed the labour theory of value for "the last 40 years") while, simultaneously, "he talks about him, he talks at length about him, he keeps coming back to him, and concludes by calling his system 'trash.'" Yet Proudhon is extremely complementary about Ricardo and lists him amongst the few economists whose works have "most to be commended". (*Système I*: 146) He does dismiss (*Système II*: 138) Ricardo's ideas on banking and money with the word "nonsense" (*absurdité* rather than *fatras* as Marx invents) but then Marx later also dismisses

Ricardo's "erroneous theory of money". (*Theories of Surplus Value* [London: Lawrence & Wishart, 1969] II: 164)

Proudhon, rightly and like Ricardo, notes "the honour of first mention belong[s] to Adam Smith, *Remuneration is in proportion not to USE VALUES which the producer brings to the market but TO THE WORK INCORPORATED in these use values*" His theory of value "is not a revelation that we pretend to offer to the world, or a novelty that we bring into science" for it "is, as we might prove easily by innumerable quotations, a common idea running through the works on political economy" and rejected "pretensions to originality". This applies to how value is constituted and rather than "labour-notes" it "is determined in society by a series of oscillations between supply and demand" (*Système* II: 84; I: 52; II: 209) Ironically, Marxists later appropriated Proudhon's term – "the law of value" (*Système* I: 60) – to summarise how the market price of goods oscillates around their prices of production (labour cost).

So rather than attack Proudhon for not going beyond the market (for the products of labour), Marx invents the notion of an "utopian interpretation of Ricardo's theory" and so both misses a fruitful line of critique and wastes his reader's time with *absurdité*.

## Money

Marx's attack on Proudhon's "Constituted Value" extends into a discussion of his views on money. This is significant for it shows how wrong Marx's assertions about "labour notes" were and the shoddiness of his method for here Marx inflicts an invention onto his readers, namely the tampering of quotations. He asserts that "Proudhon has not yet exhausted all the so-called economic reasons" for the use of gold as money for there "is one of sovereign, irresistible force" and quotes him as follows:

"Money is born of sovereign consecration: the sovereigns take possession of gold and silver and

Still, we must acknowledge that Marx realised what he had demanded in 1847 – the simultaneous discussion of every category of capitalism and their histories – was near impossible. We need not bother too much with Marx's attempt to portray Proudhon as an idealist like Hegel for he later rejected his opposition to this methodology:

"Marx here tackles differently the thorny question of the order to be assigned to the economic categories. He had already addressed it in *The Poverty of Philosophy*, where, in opposition to Proudhon's wish to follow not 'history in accordance with the order of events, but in accordance with the succession of ideas', he had criticized the idea of 'constructing the world by the movement of thought'. Thus in 1847, in his polemic with the logical-dialectical method employed by Proudhon and Hegel, Marx had preferred a rigorously historical sequence. But ten years later, in the 'Introduction' [in the *Grundrisse*], his position changed: he rejected the criterion of chronological succession for the scientific categories, in favour of a logical method with historical-empirical checks [...] setting out the categories in a precise logical order and the working of real history do not coincide with each other [...]"

"Marx, then, arrived at his own synthesis by diverging from the empiricism of the early economists, which yielded a dissolution of concrete elements into abstract definitions; from the method of the classical economists, which reduced thought about reality to reality itself; from philosophical idealism [...] which he accused of giving thought the capacity to produce the concrete [...] and, finally, from his own conviction in *The Poverty of Philosophy* that he was essentially following 'the march of history'" (Musto, 20–1)

these categories, are as little eternal as the relations they express” and are in fact “*historical and transitory products*”. As if Proudhon were not aware that “the radical vice of political economy, consists, in general terms, in affirming as a definitive state a transitory condition – namely, the division of society into patricians and proletarians” and that “in its present form, the organisation [of labour] is inadequate and transitory” (*Système* I: 26, 14) So much for Proudhon “borrows from the economists the necessity of eternal relations”!

Second, Marx proclaims that “Providence is the locomotive which makes the whole of M. Proudhon’s economic baggage move better than his pure and volatized reason” to which he has “devoted [...] a whole chapter” but as George Sorel noted, it is “obvious that Marx must have read this chapter very superficially (if at all), for Proudhon rejected [it] as clearly as possible”. (*The Illusions of Progress* [California: University of California, 1973], 141) A Catholic scholar also shows more comprehension skills than Marx and summarised Proudhon’s actual position (“Against the ‘Myth of Providence’”), namely as a critique of those economists who invoked it for “it was Property in particular which called upon Providence to consolidate its interests.” (Henri du Lubac, *The Un-Marxian Socialist* [New York: Octagon Books, 1978], 185). Did Marx really fail to see sarcasm and irony when it is literally in front of his face?

Third, in 1847 Proudhon is attacked for producing an abstract analysis of capitalism rather than writing a history book yet in *Capital* Marx fails to produce the work he demanded of Proudhon twenty years previously. Instead he produces an abstract analysis of capitalism based on exploring the contradictions of the various categories of capitalism, as Proudhon was denounced for doing in 1847. Then abstraction by definition meant idealism, now it was the case that “[i]n the analysis of economic forms neither microscopes nor chemical reagents are of assistance. The power of abstraction must replace them both” (*Capital* I: 90)

affix their seal to them.” (« C’est de la consécration souveraine naît la monnaie : les souverains s’en emparent et y apposent leur sceau. »)

From these damning words Marx proclaims “the whim of sovereigns is for M. Proudhon the highest reason in political economy.” This shows his poverty for “one must be destitute of all historical knowledge not to know that it is the sovereigns who in all ages have been subject to economic conditions, but they have never dictated laws to them. Legislation, whether political or civil, never does more than proclaim, express in words, the will of economic relations.” Marx fails to provide a page reference for Proudhon’s words, presumably because of what Proudhon *actually* wrote:

“Little by little the sovereigns took possession of them and affixed their seal to them: and of this sovereign consecration was born money (« Peu à peu les souverains s’en emparent et y apposent leur sceau : et de cette consécration souveraine naît la monnaie »). (*Système* I: 69)

We can see why Marx changes Proudhon’s words, for Proudhon’s sketch of how money developed is the same as his: “In the patriarchal period, gold and silver were still bartered and exchanged in ingots but even then they showed a visible tendency to become dominant and received a marked degree of preference. Little by little the sovereigns took possession of them and affixed their seal to them: and of this sovereign consecration was born money, that is, the commodity par excellence”. (*Système* I: 69) Nor must we forget that come 1867 the “business of coining, like the establishing of a standard measure of prices, is an attribute proper to the State.” (Marx, *Capital* [London, Penguin Books, 1976] I: 221–2)

Proudhon’s discussion of money is also noteworthy due to what it says about his views on “Constituted Value.” Proudhon started

by stating that gold and silver “were the first commodities to have their value constituted.” (*Système I*: 69) Marx quotes this passage yet he made no attempt to reconcile it with his earlier proclamation that Proudhon’s “constituted value” was labour-notes. He does not because he could not – for to do so would be to suggest that Proudhon thought gold and silver were *currently* priced in terms of hours worked to produce them, an obvious nonsense.

So rather than a system of labour-time pricing, Proudhon’s “constitution of value” is simply the recognition that because all goods are “a representative of labour” this meant that they “can be exchanged for some other” and can become exchangeable like money for “the monetisation of gold and silver” was “the consecration of the law of proportionality, the first act in the constitution of values”. The aim was to ensure that “all products of labour must be submitted to a proportional measure which makes all of them equally exchangeable” for up to now “this attribute of absolute exchangeability” was given just “to a special product [i.e., gold and silver], which shall become the type and model of all others.” (*Système I*: 68–73)

If the too short discussion of money in chapter two Proudhon’s work was not enough, he also raises it in the chapter on credit (*Système II*: 109–111) and concludes that “the price stipulated and accepted for sold goods can become currency in the form of a bill of exchange.” Likewise in the chapter on international trade, which argued for “all values” to be “determined and constituted like money” and for “each good” to be “immediately and without loss, accepted in exchange for another”. This was because “[m]oney, as we said in chapter II, is a variable value, but CONSTITUTED” and so “these goods remain the only one acceptable in payment, the suzerain of all the others, one whose value, by a temporary but real privilege [...], is socially and regularly determined in its oscillations [...] Until, by a radical reform in the industrial organisation, all produced values have been constituted and determined like currency [...] money preserves its royalty, and it is of it alone which one can

the analysis of experience. As his marginal note on his copy of *The Poverty of Philosophy* states:

“Have I ever said that PRINCIPLES are anything other than the intellectual representation, not the generative cause, of facts?”

Marx confuses a means of presentation with idealism. Proudhon creates an abstract model of capitalism by taking specific aspects (categories) of that system in isolation in order to draw out their contradictions. He builds up his model by adding more categories and applying the same analysis. In this way he makes his model more reflective of reality but, it is important to stress, he never forgets *that it is a model*, an abstraction – “we attain knowledge only by a *sort of scaffolding* of our ideas. But truth in itself is independent of these dialectical symbols and freed from the combinations of our minds.” Nor does he forget while “in the theory they [the categories] are distinct and consecutive” in reality “all these things are inseparable and simultaneous”. (*Système II*: 97, 250–1) Yet Marx quotes Proudhon on his “scaffolding” and proclaims he is “reduced to saying that the order in which he gives the economic categories is no longer the order in which they engender one another”! Talk about (wilfully?) missing the point.

We cannot address everything Marx proclaims against Proudhon. Suffice to say, this chapter draws the bulk of Proudhon’s ire in his marginal notes – a combination of outrage (“lie”, “slander”, “Prattle”) and incredulity (“Does Marx have the pretentiousness to claim all of this as his own, in opposition to something contrary which I am supposed to have said?”, “But all that it is me!”, “Plagiarism of my first chapter”, “What! *Come on now!* But the preceding pages are copies of my own”). It is easy to see why when the works are compared. However, we will address three aspects of Marx’s critique before turning to two illustrative examples.

First, Marx proclaims that by using the categories of capitalism to analyse capitalism means to fail to recognise that “the ideas,

being interfered with by disturbing incidental circumstances which are irrelevant to the actual course of the process.” (*Capital* I: 269)

Let us step back and consider what Marx is claiming in 1847, namely that Proudhon thinks that economic relations are immutable – unchanging ideas – and existed as long as people have (“we shall concede further that these laws, principles and categories had, since the beginning of time, slumbered ‘in the impersonal reason of humanity.’”). In other words, that value, division of labour, machines, competition all existed as categories – in their present form, moreover – long before humans actually laboured, exchanged, built machines, etc.

Ignoring the question of why Marx thought his readers would believe this nonsense about Proudhon, it is useful to consider how did Marx arrive at such an obviously stupid assertion. Let us follow his chain of reasoning.

First, Proudhon analyses the capitalist economy and builds a series of categories. Second, a category is a generalisation, an abstraction – and so an idea. Third, Proudhon is quoted as “not giving a history according to the order in time, but according to the sequence of ideas. Economic phases or categories are in their manifestation sometimes contemporary, sometimes inverted”. (*Système* I: 145) Fourth, Marx concludes that when Proudhon writes of categories manifesting themselves he means that the ideas manifest themselves.

It is easy to see how Marx is misled – or seeks to mislead his reader – for when Proudhon writes that the categories “are in their manifestation sometimes contemporary, sometimes inverted” he is not talking about the abstractions used to build his model but rather the actual facts upon which his abstractions are based. Marx’s feigns to proclaim in all honesty that Proudhon thinks the ideas produce the facts when, in reality, Proudhon is at pains to stress that his model and its abstractions are rooted in observation,

say that to accumulate wealth is to accumulate power.” In short: “ensure that all goods are equivalent to money.” (*Système* II: 141, 27, 32, 50–1)

This did not stop Marx ignoring that this was obviously the case by asserting “for M. Proudhon [gold and silver are] the example *par excellence* of the application of value constituted... by labour time.” Needless to say, he does not quote Proudhon stating that gold and silver were currently priced... in the hours and minutes they had taken to produce.

Marx ends by proclaiming that gold and silver “are always proportional because, alone of all commodities, they serve as money, the universal agent of exchange, whatever their quantity in relation to the sum total of wealth.” Which was Proudhon’s whole point. This is so obvious that Marx cannot help but contradict what came before by noting that this idea of all goods “attain[ing] the status of money is not new” and can be found “in the writings of Boisguillebert, one of the oldest of French economists” and so we apparently see “that the first illusions of the bourgeoisie are also their last.”

Sadly, Proudhon never claimed to be saying anything original and asserting ideas to be “illusions” is not the same as proving it.

## Surplus of Labour

Marx’s discussion of Proudhon’s “surplus of labour” both hits the target and misses the point. The hit is minor, namely a mathematical error which – presumably because it is an actual point rather than an invention – Marx milks for far more than its worth. He misses the point because he ignores Proudhon’s actual theory of how exploitation *occurs in production* as a result of wage-labour in favour of asserting exploitation is rooted in exchange *as such*.

Proudhon’s mathematical error was made in relation to showing that “labour must leave a surplus for each producer”. It is made in the context of Proudhon invoking “Prometheus,” the personifica-

tion of society, an admittedly over-egged and unclear analogy to show, as he put it elsewhere, “in society the profits of speculation are equal to the losses”. Regardless of Marx’s mockery, Proudhon does so not to deny the reality of class society but rather to expose it for he discusses how this surplus does not enrich the worker for while in theory “by the progress of collective industry, each individual day’s labour yields a greater and greater product, and while, by necessary consequence, the worker, receiving the same salary, must grow ever richer, there exist in society classes which *thrive* and classes which *perish*”. (*Système* II: 87; I: 50, 80) However, he does not explain in that discussion how this happens. Instead, his theory must be constructed from his analysis of the contradictions of specific elements of capitalism (machinery, monopoly, property, etc.).

*First*, labour did not have a value but what it created did and so labour produces value only as *active* labour engaged in the production process:

“Labour is said to have value, not as merchandise itself, but in view of the values supposed to be contained in it potentially. The value of labour is a figurative expression, an anticipation of effect from cause [...] it becomes a reality through its product. When, therefore, we say: This man’s labour is worth five francs per day, it is as if we should say: The daily product of this man’s labour is worth five francs” (*Système* I: 61)

*Second*, capitalism is marked by private property in the means of production and this creates an institutional inequality between the working class and the owning class (landlords and capitalists). Any equality between the two “was bound to disappear through the advantageous position of the master and the dependence of the wage-workers. In vain does the law assure to each the right of enterprise, as well as the faculty to labour alone and sell one’s

of society in all its complexity. [...] For Marx [in 1857], it was not necessary to reconstruct the historical genesis of every economic relationship in order to understand society and then give an adequate description of it.” (Marcello Musto, *Foundations of the critique of political economy 150 years later* [London and New York: Routledge, 2008], 21–2)

Yet in 1847 he lambasts Proudhon as an idealist for doing precisely that. Marx argues – seriously! – that “in the final abstraction” when we create “a logical category” and “we abstract thus from every subject all the alleged accidents” then “the only substance left is the logical category”. For this reason Proudhon is an idealist who – like Hegel – thinks ideas create reality. Yet Proudhon continually links the need to base any model on empirical reality. He does reject pure empiricism because he is aware that a “fact” needs to be *interpreted* and so “facts are not matter [...] but visible manifestations of invisible ideas” and “the value of facts is measured by the idea which they represent.” While rejecting pure empiricism, “it is impossible to accuse us of spiritualism, idealism or mysticism” for the idea “does not exist, as long as it is not reflected” in facts. So ideas as based on facts – as Proudhon noted as regards Hegel “we have glimpsed quite quickly that even its author had only been able to construct that logic by constantly mixing in experience and taking from it his materials. All his formulas followed observation, but never preceded it” (*Système* I: 134; II: 220–1) But generalising from empirical reality – “we abstract thus from every subject all the alleged accidents” – does not mean idealism as later-Marx acknowledges:

“If prices actually differ from value, we must first reduce the former to the latter, i.e. disregard this situation as an accidental one in order to observe the phenomenon [...] and to prevent our observations from

gories are but the theoretical expression, the moment we want to see in these categories no more than ideas, spontaneous thoughts, independent of real relations, we are forced to attribute the origin of these thoughts to the movement of pure reason.”

Proudhon sought a model of capitalism. Using the categories of political economy, he builds an analysis of capitalism by discussing these categories, exploring their contradictions (both internal and comparing their theory with reality) and adding them one to the other to build a more realistic model.

Marx takes umbrage at this, arguing that “only drawback to this method is that when he comes to examine a single one of these phases, M. Proudhon cannot explain it without having recourse to all the other relations of society; which relations, however, he has not yet made his dialectic movement engender. When, after that, M. Proudhon, by means of pure reason, proceeds to give birth to these other phases, he treats them as if they were new-born babes. He forgets that they are of the same age as the first.” So, for Marx in 1847, we must discuss every aspect of capitalism and their histories all at the same time. That this is a near to impossible task Marx inflicts on Proudhon should be obvious but not to him. The burden that this method imposes on the writer is immense and so perhaps it is unsurprising that while Marx had been trying to write a book on capitalism since the mid-1840s he would not – until he embraced Proudhon’s method of using categories to organise it. He summarised his new perspective in “The Method of Political Economy” subsequently published in the *Grundrisse* ([London: Penguin Books, 1973], 100–8). As one Marxist academic notes:

“To avoid limiting the cognitive process to a mere repetition of the stages of what had happened in history, it was necessary to use a process of abstraction, and therefore categories that allowed for the interpretation

products directly” for “the object of the workshop [is] to annihilate isolated labour. [...] When an establishment has had the time to grow, enlarge its foundations, ballast itself with capital, and assure itself customers, what can the worker who has only his arms do against a power so superior?” Those without property, “within whose reach competition never comes, are hirelings of the competitors” as “competition cannot by itself become the common condition” because “[b]y the formation of the company [...] competition is an exceptional matter, a privilege”. (*Système I*: 163–4, 213)

*Third*, this inequality of conditions means that workers have no access to the means of production and so they “have sold their arms and parted with their liberty” to those who own them. (*Système I*: 267) Capitalism’s defining feature was not markets or exchange (which predate it) but rather labour as a commodity:

“The period through which we are now passing — that of machinery — is distinguished by a special characteristic: WAGE-LABOUR.

“Wage-labour stems from the use of machinery – that is, [...] from the economic fiction by which capital becomes an agent of production. [...] The first, the simplest, the most powerful of machines is the *workshop*. [...] The machine, or the workshop, after having degraded the worker by giving him a master, completes his degeneracy by reducing him from the rank of artisan to that of common labourer. [...] Machinery plays the leading role in industry, man is secondary: all the genius displayed by labour tends to the degradation of the proletariat. [...]

“With machinery and the workshop, divine right – that is, the principle of authority – makes its entrance into political economy. Capital, Mastership [...] such

are, in economic language, the various names of [...] Power, Authority, Sovereignty [...] the workshop with its hierarchical organisation, and machinery [...] serv[es] exclusively the interests of the least numerous, the least industrious, and the wealthiest class” (*Système I*: 161–6)

*Fourth*, the workers labour under the control of their bosses and so “they have executed with their hands what the thought of the employers had conceived”. (*Système I*: 267) Property produces despotism in production:

“Thus, property, which should make us free, makes us prisoners. What am I saying? It degrades us, by making us servants and tyrants to one another.

“Do you know what it is to be a wage-worker? To work under a master, watchful of his prejudices even more than of his orders [...] Not to have any thought of your own, to study without ceasing the thought of others, to know no stimulus except your daily bread, and the fear of losing your job!

“The wage-worker is a man to whom the proprietor who hires his services gives this speech: What you have to do does not concern you at all: you do not control it, you do not answer for it. Every observation is forbidden to you; there is no profit for you to hope for except from your wage, no risk to run, no blame to fear.” (*Système II*: 295)

*Fifth*, the employer keeps the product of the workers’ labour:

“Here, then, is the proposition which the speculator makes to those who he wishes to collaborate with: I

in exchange which produces exploitation of one class by another – *even if no classes exist*. For “[i]ndividual exchange corresponds also to a definite mode of production which itself corresponds to class antagonism. There is thus no individual exchange without the antagonism of classes” and “social relations based on class antagonism” are “not relations between individual and individual, but between worker and capitalist, between farmer and landlord, etc.” Yet in Proudhon’s alternative, there are no capitalists or landlords, just workers and as Marx later suggested: “if one eliminates the capitalists, the means of production cease to be *capital*.” (*Theories of Surplus Value III*: 296)

So Marx is like the bourgeois economist who “confounds the most disparate things, association and wage-labour, usury and partnership”. (*Système II*: 46) It takes him until 1867 to recognise that the “historical conditions of [capital’s] existence are by no means given with the mere circulation of money and commodities. It arises only when the owner of the means of production and subsistence finds the free worker available on the market, as the seller of his own labour-power.” (*Capital I*: 264) But by then he had come to the same analysis as Proudhon had when he tried to belittle him twenty years previously.

## The Poverty of Marx’s Method

We have addressed a few of Marx’s attacks on Proudhon from the first chapter of his book and shown their fundamentally dishonest and often self-contradictory nature. Proudhon rarely argued what Marx proclaimed he did and so the bulk of his book is simply irrelevant to a critique of Proudhon. This applies to the Marx’s discussion of Proudhon’s methodology in the second chapter which he proclaimed as pure idealism:

“But the moment we cease to pursue the historical movement of production relations, of which the cate-

use all their influence in spreading this truth, so simple and so luminous: Each man's labour can buy only the value which it contains, and this value is proportional to the services of all other workers?" (*Système I*: 81)

One of the aims of Proudhon's book was to show why *under capitalism this was not the case*. He showed how wage-labour allowed the exploitation of labour. Marx in 1847 had no theory of exploitation *within production*. "Neither *The Poverty of Philosophy* nor the *Communist Manifesto*, nor *Wage Labour and Capital*", Mandel admits (81), "contain the idea of surplus-value." Marx limits himself to appealing to the authority of Ricardo and suggesting that working class slavery is the result of commodity production rather than wage-labour. Both positions he later came to recognise were wrong. Worse, Marx in 1847 mocks the theory of exploitation he published twenty years later:

"Marx made some disparaging remarks about this passage [that Labour 'is a thing vague and indeterminate by nature, but defined qualitatively by its object, that is to say, it becomes a reality by the product'] even though Proudhon here anticipated an idea that Marx was to develop as one of the key elements in the concept of *labour power*, viz. that *as a commodity*, labour produces nothing and it exists independently of and prior to the exercise of its potential to produce value as *active labour* [namely, 'Human labour power in its fluid state, or human labour, creates value but is not in itself value. It becomes value in its coagulated state, in objective form.' (*Capital I*: 142)]" (Alan Oakley, *Marx's Critique of Political Economy* [London: Routledge & Kegan Paul, 1984] 1: 118)

Marx seems unaware of the specific class foundations of capitalism and rather than root exploitation in wage-labour he places it

guarantee to you [the worker] in perpetuity the distribution [*placement*] of your products, if you will accept me as purchaser or intermediary [...] the entrepreneur will have more opportunity for selling, since, producing cheaply, he can lower his price; finally his profits will be larger because of the mass of the investments." (*Système I*: 162)

*Sixth*, this allows capitalists to appropriate the difference between what workers create and what they receive in wages. The "co-operation of numerous workers" produces "an effect of collective power" and so "the question is to ascertain whether the amount of individual wages paid by the entrepreneur is equivalent to th[is] collective effect". The answer is no: it goes to the boss "gratuitously" for he "has paid nothing for that immense power which results from the union of workers" but rather "has paid as many times one day's wage as he has employed workers – which is not at all the same thing." He "allots to himself the benefit of the collective power" which "is usurpation on his part" and so the axiom "[e]very product is worth what it costs" is "violated". (*Système I*: 266)

Exploitation occurred in production as the employer appropriated the collective force and surplus of labour of the wage-workers embodied within the products they create for them:

"I have proven, in dealing with value, that every labour must leave a surplus; so that in supposing the consumption of the labourer to be always the same, his labour should create, on top of his subsistence, a capital always greater. Under the regime of property, the surplus of labour, essentially collective, passes entirely [...] to the proprietor: now, between that disguised appropriation and the fraudulent usurpation of a communal good, where is the difference?"

“The consequence of that usurpation is that the worker, whose share of the collective product is constantly confiscated by the entrepreneur, is always on his uppers, while the capitalist is always in profit [...] political economy, that upholds and advocates that regime, is the theory of theft.” (*Système* II: 315)

So in “this system of interlocked monopolies” the worker “is no longer anything more than a serf” to whom “the holder of the instruments of production seems to say [...]: You will work as long as your labour leaves me a surplus”. This explains “the reason why wealth and poverty are correlative, inseparable, not only in idea, but in fact; this is the reason why they exist concurrently [...] the wage-worker [...] finds that, though promised [...] hundred, he has really been given but seventy-five.” This results in a system that ensures that “the subordinated worker should lose, together with his legitimate salary [i.e., his product], even the exercise of the industry which supported him”. (*Système* II: 54; I: 258–9, 366)

In short: “PROPERTY IS THEFT” (*Système* II: 234)

Marx ignores all this and instead invokes the authority of Ricardo to dispute Proudhon’s basis as well as suggesting that it is exchange – *not wage labour* – that is the problem: “relative value, measured by labour time, is inevitably the formula of the present enslavement of the worker”.

He starts by arguing that the egalitarian consequences Proudhon “deduces from Ricardo’s doctrine are based on a fundamental error. He confounds the value of commodities measured by the quantity of labour embodied in them with the value of commodities measured by ‘the value of labour.’” Ricardo “exposes this error” in Smith’s work while Proudhon “goes one better than Adam Smith in error by identifying the two things which the latter had merely put in juxtaposition.”

To see the flaw in Marx’s argument, we need simply quote an authority Marx should recognise, his later self:

“It is Adam Smith’s great merit that [...] where he passes from simple commodity exchange and its law of value to exchange between materialised and living labour, to exchange between capital and wage-labour [...] he feels some flaw has emerged. He senses that somehow [...] in the actual result the law is suspended: more labour is exchanged for less labour (from the labourer’s standpoint)” (*Theories of Surplus Value* I: 87)

Thus “fundamental error” becomes “great merit”! If, for later-Marx, “Ricardo simply answers that this is how matters are in capitalist production. Not only does he fail to solve the problem; he does not even realise its existence in Adam Smith’s work” (*Theories of Surplus Value* II: 396–7) then the same can be said of younger-Marx.

In short, when “all workers are producers of commodities” the “value of labour is therefore equal to the value of the product of labour.” Thus is because “as owners of commodities” the “quantity of social labour which they command is therefore equal to the quantity of labour contained in the commodity with which they themselves make the purchase.” It only changes in “the exchange between materialised labour and living labour, between capitalist and worker”. (*Theories of Surplus Value* I: 71–2, 77) In other words, wage-labour.

So rather than Proudhon “confus[ing] the two measures, measure by the labour time needed for the production of a commodity and measure by the value of the labour” and thinking “a certain quantity of labour embodied in a product is equivalent to the worker’s payment,” the opposite is the case under capitalism. This can be seen from the passage Marx selectively quotes as evidence for his claim: “Any man’s labour; he says, ‘can buy the value it contains.’” In fact, Proudhon is taunting the bourgeois economists:

“Why do not the economists, if they believe, as they appear to, that the labour of each should leave a surplus,