MARX *and* MARSHALL:

A Study of the Relation of Bourgeois and Working-Class Economics

In the following article Comrade M. H. Dobb puts forward a case for the study, by Marxists, of the writings of orthodox bourgeois economists. His point of view should stimulate discussion among students of economics.

A GREAT deal of the crude misunderstanding of Marx on the part of orthodox economists is due to their failure to appreciate the fact that Marx's economic analysis is different, in *kind*, from their own. The converse of this is also sometimes true.

What is meant by saying that they are different in kind ? First, Marx's aim was different from that of Marshall and Pigou. He approached Capitalism from an historical standpoint and tried to discover the fundamental social laws of capitalist evolution. The aim of his economic analysis was primarily *sociological*. By means of his abstract theory of value he was able to deduce the social laws of surplus-value, the class struggle and the concentration of capital. Marshall, on the other hand, takes the existing social system for granted, and concerns himself with " economic factors " in a much narrower sense—how in actual practice, with the existing system given, price changes and distribution, etc., are brought about. His theory is much more *descriptive,* and less abstract and analytical than Marx's. It does not delve deep enough to discover the roots of such underlying social facts as the class struggle.

When one draws a map or a plan one usually leaves out a number of minor details, which are of no importance for one's immediate purpose. If the map is a small-scale one, only the most important things will be put in; but it will suffice for the purpose of finding the *general* direction of roads, etc. In this sense a small-scale map does not coincide with reality, but is an "*abstraction*." Now, it is a common method of scientific analysis for the sake of simplicity to single out the most important facts and neglect minor details of less importance (cf., the Law of Projectiles in Physics). Only when the theory is applied to a narrow sphere, in which these minor details bulk large, is the abstract theory insufficient and has to be modified; just as a large-scale map need only be used when you are dealing with short distances and want to find every little turn in the road. Marx concerned himself merely with those features of capitalism which were of most importance, omitting minor features of no importance for *his* purpose. He "disregard(ed) all phenomena that (hid) the play of its inner mechanism" (*Capital*, I., 577). Among the things thus—*relatively*—disregarded (in Vol. I.) were:—differences of quality of labour-power; changes in the technique of industry involving changing compositions of capital; hindrances to free competition; natural scarcities; short-period price fluctuations. This was quite justified because none of these were of sufficient importance to invalidate the *social deductions* drawn from his theory. Marx drew a very small-scale map of capitalism (though he drew it on a large-scale in Vol. 3); whereas orthodox economists draw a very large-scale map, which only covers *part* of the ground. Another difference involved in this is that Marx was assisted in arriving at his conception of Value by logical inference, whereas Marshall arrives at his as an empirical generalisation. This involves an important difference, which we cannot go into here.

As a result, when orthodox economists assume the *rôle* of sociologists and become social moralists, as they always do in implication, if not in actual words, they are in fact biassed in favour of the existing system, however impartial they may intend to be. This is because their economic study is only *partial;* their analysis has not penetrated into the more fundamental features of the economic system, because they take these for granted. Bourgeois Economics is wrong, therefore, in its *social application,* because in relation to social evolution *as a whole* it has only studied facts of minor importance. In just the same way a man with a bicycling map of "20 miles round London" would be unable to find the road to Glasgow.

But this is not to say that the large-scale map of "20 miles round London" has not its uses. The man with a small-scale map of the British Isles would be unable by it alone to find his way from Trafalgar Square to Penywern Road. And it is for this reason that Marxists cannot neglect orthodox economics. We must use such conceptions as Marginal Utility to measure short-period fluctuations of Price, and in cases where, owing to concrete circumstances, purposely "disregarded" by Marx (e.g., natural scarcity, different compositions of capital, hindrances to mobility of commodities and labour, monopoly, etc.), labour-value is not realised fully in the concrete world. Just as Marx gained a great deal from the philosophy of Hegel, when he had "stood it upon its feet," so we can gain a great deal from the researches of orthodox economists when we have fitted them into the foundations of the Marxian analysis, and shorn them of those parts where class-bias has completely nullified scientific accuracy. It was because he did this, that W. McLaine's articles in the PLEBS last year were so valuable.

For instance, the conception of Marginal Utility is useful as a *means of measuring* price fluctuations and prices under monopoly; only, it must be emphasised that the fact that Price equals Marginal Utility is no reason for thinking it a " Just Price," and that Marginal Utility is relative to the economic position of the persons in question. Again, the conception of " elasticity of demand " is essential for calculating the short-period effect of a rise of wages in one industry or the price fluctuations during a trade boom and depression. But in *applying* the inductions so made to questions which involve *fundamental* social factors (e.g., questions of changes in the economic system), they are only correct in so far as they are used in strict relation to the more fundamental Marxist conception.

For this reason a study of the first two of a popular series of Cambridge Economic Handbooks,* under the general editorship of J. M. Keynes, is useful. *I should not advise beginners to attempt them.* But second-year students would do well to do so, and certainly tutors. Mr. Henderson gives clearly the orthodox theory of Supply and Demand, which *within the limits* of orthodox theory is sound. His theory is that Price is a function (in the mathematical sense) of Scarcity—it expresses a relation between quantity of supply and volume of demand ; and is therefore dependent on both the supply available and the demand, interacting one against the other ; just as two books leaning against one another mutually determine one another's position. He says :—

> Equilibrium is established by the agency of changes in prices, and . . . the most important thing that can be said about the price of anything (is) that it will tend to equate supply and demand.

This should be compared with Marx's *Wage Labour and Capital,* where it will be seen that Marx considered this true of price fluctuations.

Henderson contends that this relation is the weft and warp of any economic system, and that so long as some commodities are scarce, some such means will have to be found for adjusting demand to supply and *vice versa.* Some means will have to be found of " cutting off " relatively less urgent demands ; and on the other hand of " cutting off " those employments of labour that are relatively less " worth while." He neglects, however, to say that the social contradictions of capitalism to-day are putting up barriers to this adjustment, and that this is one of the main reasons for the " world crisis of capitalism," of which Trotsky and Varga write. In one place Henderson refers to Marx, but hopelessly misses the real point of Marx's conception of capital. He analyses very ably distribution between Land, Labour and Capital, the distribution taking place according to the " marginal utility " (or " indispensability ") of each ; but since he takes existing institutions for granted he, of course, accepts payment to individuals for waiting (saving) or for educated ability as necessary costs, and does not analyse the nature of these payments as an " institutional rent " or " surplus value." Nor does he distinguish (as does Gide) between waiting as a mere *condition* and as a *cause* of increased productivity. But it is interesting to notice that he does not support the old view that Interest is a reward of Abstinence. He says :—

> We have insufficient evidence to warrant the assumption that the rate of interest . . . is *a measure of the sacrifice involved in saving.*

Another passage is worth quoting :—

> Economic laws do not work " in vacuo." They work through the medium of the acts of men. *The acts of men are greatly influenced by their institutions,* . . . Both *institutions and ideas may serve to smooth (or) obstruct the path of economic laws.*

* *Supply and Demand,* by H. D. Henderson, M.A., and *Money,* by D. H. Robertson, M.A. (Nisbet, and Cambridge Univ. Press, 5s. each.)

In Mr. Robertson's book Marxists will find the Quantity Theory very much modified from the crude form in which it existed when Marx attacked it. Robertson merely claims that the level of Prices is a quantitative relation between Goods and Money; and admits that under a gold standard the *quantity* of money will depend upon the commodity-value of gold. His explanation of how inflation took place during the war is both clear and interesting, as are also his chapters on the gold standard and the foreign exchanges. His chapter on "Bank Money and the Price Level" is a useful alternative to Douglasism and other "more-money" fallacies. The book is enlivened from time to time by a subtle wit. As a simple and comprehensive explanation of the mysteries of money and credit the book is very useful.

Forthcoming books of the series of interest to Plebeians are *The Distribution of Wealth* by G. Shove, and *The Control of Industry* by Mrs. Barbara Wootton. The present writer has been privileged to read the latter in manuscript. Mrs. Wootton deals with such things as Joint Control and Workers' Control excellently; she recognises that capitalist control of industry is failing to work owing to its inherent contradictions, and on the other hand is fully aware that the State is a *capitalist* State, and that State Control has to operate within the "milieu" of the existing system. It is a surprising book to appear from Cambridge, but it is perhaps the exception which proves the rule.

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