Resurrecting Marx: The Analytical Marxists on Freedom, Exploitation and Justice

David Gordon, (New Brunswick, NJ:Transaction, 1991).

Marxism and Austrian economics have an intertwined histories. Eugen Boehm-Bawerk provided the first thorough refutation of the Marxist theoretical system.[1] Rudolf Hilferding attempted to repair the damage. Nikolai Bukharin wrote a book criticizing the Austrian school "for it is well known that the most powerful opponent of Marxism is the Austrian School."[2] Ludwig Mises and F.A. Hayek spent their entire intellectual lives attempting to defeat Marxist ideas, both in theory and policy.[3]

> Whatever our view of its utility or its practicability it must be admitted that the idea of Socialism is at once grandiose and simple. Even its most determined opponents will not be able to deny it a detailed examination. We may say, in fact, that it is one of the most ambitious creations of the human spirit. The attempt to erect society on a new basis while breaking with all traditional forms of social organization, to conceive a new world plan and foresee the form which all human affairs must assume in the future - this is so magnificent, so daring, that it has rightly aroused the greatest of admiration. If we wish to save the world from barbarism we have to conquer Socialism, but we cannot thrust it carelessly aside.[4]

In addition to the well known clash between the two schools, there are a few points of commonality which are lesser known. Marx, for example, can be credited with introducing the problem of "disproportionality" in the capital structure into the German-language economics literature which later served as the basis of the Austrian theory of the trade cycle.[5] In addition, Marx portrayed the capitalist economic system as a disequilibrium process of competitive rivalry as do the Austrians.[6] But the positive and normative depictions of the capitalist process deeply divide these schools of economic thought.

Contrary to claims of some, like Louis Spadaro,[7] that Austrians "have spent an inordinately large part of their talents and resources in efforts to deal with the errors of others" and that it was a mistake to allow themselves to become "embroiled in time-consuming and largely inconclusive controversies" with Marxism, I think the historical record shows that the debates with Marxism and socialism has provided some of the most important positive lessons for the Austrians.[8] This continues to be the case.

Recent works and work in progress that self consciously advance Austrian arguments against variants of "marxisms" include: David Prychitko, *Marxism and Workers' Self-Management* which addresses the "Praxis" philosophers; Don Lavoie's forthcoming study, *Understanding Political Economy*, which grapples with the critical theorists; and my own *The Political Economy of Soviet Socialism: The formative years, 1918-1928*, which deals with Marxism-Leninism as understood and acted upon by the "old" Bolsheviks.[9] However, these works deal with *continental* Marxism; a Marxism in which Hegel is fundamental. On the other hand, a school of Marxism has arisen that jettisons Hegelianism and adopts *analytical* philosophy.

These *analytical Marxists*, which count among their number such scholars as John Roemer, Jon Elster, and G.A. Cohen, have attempted to reconstruct Marxism in a way that answers previous logical flaws in the system. The labor theory of value is rejected, and Hegelian concepts of alienation are eschewed. But the assertion that capitalism is class system of *exploitation* remains. Israel Kirzner has attempted to address some aspects of Roemer's arguments in his *Discovery, Capitalism and Distributive Justice*.[10] But other than a few references here and there, the analytical Marxists have not received that much attention from Austrian economists. David Gordon, however, has attempted a serious study of the arguments of the analytical Marxists which should serve as a vital introduction to the issue at hand.

Gordon, a philosopher and intellectual historian who is deeply influenced by the Rothbardian strand of Austrian economics, confronts the analytical Marxists on their own philosophical terms. Gordon, like the analytical Marxists, does not have much patience with Hegelian dialectics and phenomenological investigations. For the current study that is perfectly acceptable, maybe even desirable, given his opponent.[11] In true analytic fashion, Gordon nicks and cuts his opponent's argument until it neatly bleeds to death.

Gordon is perhaps at his best in the chapter dissecting Cohen's argument concerning proletarian unfreedom (ch. 5). Cohen argues that workers' are collectively unfree under capitalism because they face no reasonable alternative but to work for capitalists. Even though individual workers may be free to exit or move, that individual freedom depends on others not doing the same thing collectively. Gordon points out that no matter how sound this argument may be, Cohen may have reached a triviality. In fact, as Gordon cites, this is how John Gray has attempted to deal with the argument. But Gordon goes further and demonstrates that even if Cohen's argument was non-trivial, it would fail to produce the results desired.

Workers' freedom, Gordon argues, is even more at risk under the socialist alternative than under capitalism. Whereas the argument for collective unfreedom under capitalism is found wanting, it appears perfectly acceptable under socialism (115). Under the planning system, workers are not free to bargain nor are they free to leave their jobs and establish businesses or cooperatives themselves. It is under planning - even democratic planning - where the workers' freedom is severely constrained. The proletarians are forced to work for the proletarian state.

Gordon applies razor sharp criticism throughout this work to the arguments and propositions of the analytical Marxists. However, while I am in general sympathy with his conclusions I think he makes a few crucial mistakes. First, he employs any and all arguments he can find to defeat his opponent, including arguments which may contradict one another. Second, his libertarian perspective is more or less asserted rather than argued (see chapter 2). This would be legitimate since we can only criticize from a perspective, but Gordon seems to claim at points that he has argued the libertarian positions rather than asserted its validity. I shall try to limit my comments to my first concerns.

Gordon, in dismissing certain variants of Marxism in Chapter 1, invokes Karl Popper's criterion that scientific statements must be falsifiable. If no empirical refutation of a statement is possible, then that statement cannot be considered scientific. Gordon concludes that according to this criterion, whatever else Marxism may be, it is not science. But ironically, from that perspective neither is Misesian or Rothbardian economics! But Gordon relies heavily on the Austrian *scientific* argument about socialist calculation to defeat the socialist alternative. As he writes in the last chapter:

> If, for example, capitalism turned out to be the only economic system capable of producing goods and services needed for a modern society, the fact (if it is one) that exploitation of labor could not be avoided would therefore be outweighed; better exploitation than chaos. (119)

But is the argument concerning economic calculation a result of praxeological reasoning or an empirical hypothesis? If a result of praxeological reasoning (as I would argue), then Popperianism would not admit to its *scientific legitimacy*. You can't have your cake and eat it too.

Another case where Gordon employs arguments that undermine his own adherence to the Austrian tradition is with regard to the marginal productivity theory of factor pricing. The "exhaustion theorem," which argued that all factors (at any point in time) are paid their marginal product, can only be established under conditions of general competitive equilibrium. Austrian economists, however, reject equilibrium economics. They hold, instead, that the concept of equilibrium at best serves to describe a tendency of market processes.

At any point in time market inefficiencies exist. The existence of such inefficiencies drive the entrepreneurial process of discovery that characterizes the competitive market process. "Scope for market discovery," Kirzner points out, "is present as long as unexploited opportunity for mutual gainful exchange exists between any pair of market participants, in regard to any pair of commodities they respectively possess."[12] The labor market is no different than any other market.

An Austrian argument against exploitation of workers must take into account the dynamic nature of market processes. The market is a process of learning and discovery. The exhaustion theorem simply does not capture this aspect of the market. It substitutes an equilibrium end state for a process story concerning factor pricing. This is unacceptable.

The Austrian argument for the market does not depend on the attainment of equilibrium optimalities or elimination of waste, but instead emphasizes the ability of the system to detect errors and generate systemic incentives to correct those errors. Economic calculation, for example, does not depend on "correct" equilibrium prices, but rather relies on disequilibrium money prices to serve their function of aiding entrepreneurs in separating out from among all the technological feasible projects those which are economic. Monetary calculation does not produce the best of all possible world, i.e. Paretian equilibrium, but it gets the job done. "Money calculation," Mises wrote, "does all that we are entitled to ask of it. It provides a guide amid the bewildering throng of economic possibilities. It enables us to extend judgments of value which apply directly to consumption goods - or at best to production goods of the lowest order - to all goods of higher orders. Without it, all production be it lengthy and roundabout processes would be so many steps in the dark."[13]

In the factor market, monetary calculation provides market participants with guideposts by which the boundaries of orderly exchange can be established. The upper limit represents perceived marginal revenue product of the factor, while the lower limit represents the perceived opportunity cost of alternative uses of the factor. Within these bounds surplus is not so much exhausted as sought by market participants. The question that Austrian economists must concern themselves with is not so much whether surplus exists - it clearly does - but rather, whether alternative institutional arrangements to capitalism could provide coordinative properties in a manner that meets the demands of "practical life." As Gordon correctly points out in chapter 6 of his work, socialism certainly does not provide a workable alternative. But those Austrian arguments against the possibility of socialism need to be understood from a market process perspective or they lose much of their weight.[14]

We make a serious mistake if we slip into Panglosian equilibrium explanations of the market. As Kirzner argues with regard to distributive justice, "I should emphasize . . . that my disagreement with the existing literature is not, at the core, a disagreement on ethics." Rather, "the ethical assessments have misperceived the nature and mode of operation of the capitalist system."[15] Viewing the market in equilibrium terms "causes one to overlook a crucial feature of real world capitalism that is absent from the general equilibrium model, namely, the discovery character of capitalist incomes."[16]

Gordon, therefore, even though he seemingly raises several fundamental criticisms of analytical Marxism, fails to provide a sophisticated and subtle defense of capitalist processes from an Austrian perspective. Neither his Popperian dismissal of Hegelian Marxism in chapter 1, nor his equilibrium answer to analytical Marxism in chapter 3, can square with his reliance on Austrian economics. Nevertheless, Gordon has produced a valuable introduction to analytical Marxism from a libertarian perspective that will serve as an important first step in addressing this branch of modern "marxisms."

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Notes

1. Boehm-Bawerk, "Unresolved Contradiction in the Marxian Economic System," in *Shorter Classics* (South Holland, IL: Libertarian Press, 1962[1896]).

2. Bukharin, *The Economic Theory of the Leisure Class* (New York: Augustus Kelley, 1970[1919]), 9.

3. See, for example, Hayek, ed., *Collectivist Economic Planning* (New York: Augustus Kelley, 1975[1935]); *The Road to Serfdom* (Chicago: University of Chicago Press, 1976[1944]); *Individualism and Economic Order* (Chicago: University of Chicago Press, 1980[1948]); and *The Fatal Conceit* (Chicago: University of Chicago Press, 1988).

4. Mises, *Socialism* (Indianapolis: Liberty Classics, 1981[1922]), 41.

5. See Hayek, *Prices and Production*, 2nd Edition (New York: Augustus Kelley, 1967[1935], 103. Also see Paul Craig Roberts and Matthew Stephenson, *Marx's Theory of Exchange, Alienation and Crisis* (New York: Praeger, 1983[1973]), 95-103.

6. See Don Lavoie, "Some strengths in Marx's disequilibrium theory of money," *Cambridge Journal of Economics*, 7 (1983). Also see Lavoie, *Rivalry and Central Planning* (New York: Cambridge University Press, 1985), 28-47.

7. Spadaro, "Toward a Program of Research and Development," in Louis Spadaro, ed., *New Directions in Austrian Economics* (Kansas City: Sheed, Andrews and McMeel, 1978), 206-207.

8. For a similar assessment see Kirzner, "The Economic Calculation Debate: Lessons for Austrians," *Review of Austrian Economics*, 2 (1988).

9. Prychitko, *The Essential Tension* (Westport, CT: Greenwood, 1991); Boettke, *The Political Economy of Soviet Socialism* (Boston: Kluwer Academic Publishers, 1990).

10. Kirzner, *Discovery, Capitalism and Distributive Justice* (New York: Basil Blackwell, 1989).

11. Though one loses much of the reason for the Marxian desire to transcend the capitalist process of exchange and production and establish a system of central planning once alienation has been eliminated from study. See Paul Craig Roberts, *Alienation and the Soviet Economy* (New York: Holmes and Meier, 1990), 1- 19.

12. Kirzner, 84.

13. Mises, *Socialism*, 100-101.

14. See Lavoie, *Rivalry and Central Planning*, and Kirzner, "The Economic Calculation Debate."

15. Kirzner, *Discovery, Capitalism and Distributive Justice*, 3.

16. Ibid., 96.