

# Marxian Economics



Soon after the death of Karl [Marx](#), a Marxian school of economics emerged under the leadership of Marx's inner circle of companions and co-writers, notably Friedrich [Engels](#) and Karl [Kautsky](#), both of whom were German. However, the Marxian school was soon embroiled in a "[Revisionist](#)" debate within the ranks - in the humanist challenge issued by Eduard [Bernstein](#) against the older materialist interpretation of Marx. Specifically, [Bernstein](#) (1899) challenged the Marxian notion that the economic breakdown of capitalism was "inevitable" and thus if socialism is to exist, it must be a conscious choice, channeled through the political and educational system, rather than a matter of preparing for the "inevitable" revolution. A similar position was taken by Sidney [Webb](#) and the [Fabian Socialists](#) in Great Britain and Jean [Jaurès](#) in France.

Bernstein's political message was channeled into an economic debate that embroiled the early Marxians on the theory of crisis and breakdown. In the second volume of *Capital*, Karl [Marx](#) suggested that the number of conditions required for steady-state growth were too numerous for capitalism to avoid breakdown. Following up on Bernstein, Michal [Tugan-Baranovsky](#) (1905) disputed this and suggested that capitalism could achieve steady state growth, so the breakdown of capitalism is *not* inevitable. Furthermore, practical experience suggested that, if anything, the capitalism was entering an ameliorative phase in the early 1900s.

All the big guns of the [orthodox Marxian](#) school -- Karl [Kautsky](#), Rosa [Luxemburg](#), Georgy [Plekhanov](#) and more -- came out against [Bernstein](#) and the [revisionists](#). But the orthodox response was not uniform and itself was transformed in the ensuing discussion. For instance, Karl [Kautsky](#) first replied that there was no theory of breakdown in Marx's work at all, and then, in 1902, Kautsky acknowledged there was a theory of "chronic depression" -- not a big-bang breakdown, but rather one that stressed the increasing severity of recurrent crises. This theory was also expressed by Louis [Boudin](#).

This was followed up by another twist by Rosa [Luxemburg](#) (1913). Effectively, she argued that it was not obvious what "surplus-accumulation" was supposed to achieve, particularly if there was nobody to buy the goods produced by expanded production and thus realize the surplus. "Where is the demand for the goods?" she asked over and over again. In her critique of the Marxian system, she argued that crisis is inevitable in a closed system, but that in an open system (i.e. a system with exogenous consumption), the crises can be averted by obtaining new buyers in non-capitalist countries. Imperialism, she argued, was the competition of capitalist nations for precisely these consumers. Both Vladimir I. [Lenin](#) (1916) and Nikolai [Bukharin](#) (1917) disagreed with Luxemburg's theory and provided their own view of imperialism. Imperialism, they argued, is the outcome of capitalist competition for profit rents, not necessarily the outcome of crisis avoidance. They regarded the First World War precisely as a "hot" version of competitive capitalism.

The revisionist debate energized a group of Viennese lawyers and scholars, the famous [Austro-Marxists](#) -- Max [Adler](#), Otto [Bauer](#), Rudolf [Hilferding](#) and Karl [Renner](#). In contrast to the Germans, the Austrians were less concerned with the issue of revolutionary



strategy and more with the issue of the Marxian theoretical analysis. This permitted them to embrace a quasi-revisionist attitude.

The Austro-Marxists were particularly inspired by neo-Kantian philosophy of science and the then-nascent positivist philosophy that was the rage in Vienna. In the Austro-Marxian perspective, the Marxian system was a system of sociological enquiry, or rather, a system of economic theory which was *embedded* in a more general social theory which itself gave a central position to economic relationships.

[The so-called "Western Marxism" that emerged in the 1920s with the work of Georg Lukacs (1923) and the Frankfurt School (Horkheimer, Adorno, Marcuse, etc.) of sociology, was partly inspired by this "sociological" approach, but moved away from the stress on political economy of the Austro-Marxists and towards the role of the state in society, philosophy, culture and art, which emphasized the subjective human element even more than any Austro-Marxist ever dared. But we should not even begin to attempt to cover this here!]

The Austro-Marxists were also contemporaries of the then-prominent Neoclassical [Austrian School](#) and thus were forced to take the theoretical and economic aspects of Marx perhaps a bit more seriously and to listen to the Neoclassical critiques more carefully. Of particular importance were the criticisms on the Marxian theory of value by the Neoclassical economists Philip H. [Wicksteed](#), Vilfredo [Pareto](#) and, perhaps most formidably, Eugen von [Bhm-Bawerk](#) (1896). All these theorists claimed to have detected inconsistencies in Marx's "labor theory of value". In particular, they identified the famous "Transformation Problem" of converting labor values into prices of production.

The defense of Marxian theory against the [Bhm-Bawerk](#) challenge was largely conducted by the Austro-Marxians -- notably, Rudolf [Hilferding](#) (1904). It was Ladislaus von [Bortkiewicz](#) (1907) who showed that Marx's own "quantitative" solution to the transformation problem was incomplete, and provided his own. In a little known work, Vladimir [Dmitriev](#) (1898) had provided another one. The question remained dormant until [Marxian revival](#) of the 1940s.

The Marxian school faced two great challenges in 1918 -- the aftermath of World War I in Germany and Austria, and the success of the Bolshevik Revolution in Russia. When the war ended, the economic and political systems of both Germany and Austria were in a mess. The Social Democrats in both countries were suddenly thrust into power, and these included many Marxians among them.

In Germany, a "socialization committee" was set up under Karl [Kautsky](#) and Rudolf [Hilferding](#) and left-leaning "reform" economists such as Emil [Lederer](#), Eduard [Heimann](#), Adolph [Lowe](#) and (surprise) Joseph [Schumpeter](#) to handle the transition. Hilferding went on to serve as Minister of Finance in two SPD governments in the 1920s. In Austria, Karl [Renner](#) became Chancellor (later President), while Otto [Bauer](#) served as secretary of state for foreign affairs (their minister of finance was, once again, Joseph [Schumpeter](#), on whose unlucky shoulders the blame for the ensuing hyperinflation was placed).

The Marxians in general, and the Austro-Marxians, in particular, were to play an important role in Central European politics until the rise of Fascism in the 1930s. With post-war demobilization, hyperinflation, reparations difficulties to handle all at once and, in 1929, the rise of mass unemployment, the economic challenges were acute and they were much blamed for it by practically everybody. Furthermore, with the success of the Russian Revolution beckoning the imagination, the parties were riven between those who wanted to aim straight for full-blown socialism and those who preferred a more incremental, pragmatic approach to social reform.

At least after the failure of the German Revolution of 1918, the Marxians, in general, opted for the latter. To justify their newly-found position and alleviate the fears of the middle classes, they retreated from the breakdown theory and embraced the [revisionist](#) idea of socialism being a "conscious choice" of the proletariat, not an inevitable outcome. The great exceptions were Henryk [Grossman](#) (1929) and Otto [Bauer](#) (1936) who set forth a new (and more formalized) "breakdown" theory arising from underconsumption.

With the exception of the unlucky [Schumpeter](#), the rival [Austrian School](#) economists, most of whom had played important roles in the pre-1918 Hapsburg public life, withdrew into the harbor of private businesses and chambers of commerce and observed the procession of events. They were particularly incensed at the Social Democrats plans for nationalization of certain industries and social insurance schemes. It was during this time that the ["Socialist Calculation" Debate](#) with Ludwig [von Mises](#) and Friedrich [von Hayek](#) erupted. The Austro-Marxian planners had, on their side, the exceptional abilities of several sympathetic [Paretian](#) economists -- notably, Oskar [Lange](#) and Abba [Lerner](#). Other economists closer to the Marxian tradition, notably Fred M. [Taylor](#), Emil [Lederer](#), Jacob [Marschak](#) and Henry [Dickinson](#), participated in this debate on the Marxian side.

Planning was also the problem in [Soviet Russia](#) itself. In the 1920s, the main debate that emerged was on the relative stress that



should be given to industry and agriculture. Evgenii [Preobrazhensky](#) (e.g. 1922, 1926) came down heavily in favor of rapid industrialization at the expense of agriculture, via what he called "primitive socialist accumulation" (i.e. replacing markets with State trading monopolies on agricultural commodities). He was opposed by Nikolai [Bukharin](#), who argued that the disincentive effects of appropriation of peasant surplus would lead to a complete collapse of the Russian agricultural sector. Bukharin's "market-based" New Economic Policy, where peasants were allowed to market and keep the surplus of their own production, was attempted under [Lenin](#) in 1921. With the rise of Stalin, the NEP was scrapped, the agricultural sector brought to heel with terror and collectivisation, and State-led industrialization (and Preobrazhensky himself) came back into vogue. It was really only after Stalin's death in the 1950s that [Soviet planning](#) methods were revitalized by the work of Oskar [Lange](#) and Leonid [Kantorovich](#) via the use of "Neoclassical" pricing theory rather than the Marxian labor theory of value.

In Central Europe, the debate that swirled around [Tugan-Baranovsky](#) initiated a tradition of the development of multi-sectoral [business cycle theory](#) which maintained itself throughout the 1920s and 1930s period. This can be viewed from the prism of Marx's scheme of extended reproduction and/or his theory of crises. Particularly important contributions are the theories of [structural economic growth](#) by Adolph [Lowe](#), Wassily [Leontief](#) and the [Kiel School](#) and Grigorii A. [Fel'dman](#)'s work on two-sector growth models in the [Soviet Union](#). Michal [Kalecki](#)'s [theory of distribution cycles](#) were developed largely in response to the Marxian debate on "underconsumption" crises.

For developments after the inter-war period, see our discussion of the [Neo-Marxian/Radical School](#).

## The Orthodox Guard

- [Friedrich Engels](#), 1820-95.
- [Karl Kautsky](#), 1854-1938.
- [Rosa Luxemburg](#), 1870-1919.
- [Louis B. Boudin](#),
  - *The Theoretical System of Karl Marx*, 1907.
  - American defender of orthodox Marxism in the revisionist debates.
- [Georgy Valentinovich Plekhanov](#), 1856-1918.- [\(1\)](#)
  - *Socialism and the Political Struggle*, 1883
  - [Programme of the Social-Democratic Emancipation of Labour Group](#), 1884
  - *Our Differences*, 1885.
  - [Second Draft Programme of The Russian Social-Democrat](#), 1887
  - "[For the Sixtieth Anniversary of Hegel's Death](#)", 1891
  - *In Defence of Materialism: The Development of the Monist View of History*, 1894
  - *Anarchism and Socialism*, 1895
  - "[The Materialist Conception of History](#)", from *Essays in Historical Materialism*, 1897
  - *The Role of the Individual in History*, 1898
  - *Fundamental Problems of Marxism*, 1908.
  - "[Ibsen, Petty Bourgeois Revolutionist](#)", 1908
  - *Materialismus Militans*, 1908.
  - *Art and Social Life*, 1912.
  - The "father of Russian Marxism", Plekhanov directed most of his writings against the Russian "populist" movement to which he once belonged. He insisted that although, in principle, in semi-feudal societies such as the Russian, the first revolution would of necessity have to be a "capitalist" one. However, he noted that bourgeoisie was too weak to bring it about and thus it fell upon the proletariat to conduct "both" revolutions. However, he condemned the methods of [Lenin](#) and the Bolsheviks soon after 1917. In theoretical terms, Plekhanov's 1894 treatise was perhaps one of the first to identify the [Hegelian](#) element in Marxian theory -- it is to Plekhanov to whom we owe the term "dialectical materialism" -- which he saw as a way of "unifying" the various aspects of Marxian theory and thus prevent the intrusion of "foreign" philosophy, as [Bernstein](#) and the [revisionists](#) had attempted.
- [Vladimir Ilyich Ulyanov \(Lenin\)](#), 1870-1924. - [\(1\)](#)



- *The Development of Capitalism in Russia*, 1899.
- *What is to be Done?*, 1901.
- *Imperialism: the highest stage of capitalism*, 1916.
- *The State and Revolution*, 1917.
- Admirer of [Plekhanov](#) and leader of the Russian Bolshevik party before 1917; Soviet leader after the October Revolution of 1917. Argued that the export of capital in monopoly stage of capitalism for rent-seeking purposes actually caused Imperialism. Predicted that the trade wars caused by "inter-imperial" rivalry could lead to military wars - the First World War being the case in point.

## The Revisionists

- [Eduard Bernstein](#), 1850-1932.
- [Jean Jaurès](#), 1859-1914. - [image](#), [\(1\)](#), [\(2\)](#), [\(3\)](#) [\(4\)](#), [\(5\)](#)
  - *Enquête sur la question sociale en Europe*, 1897.
  - *Le socialisme et l'enseignement*, 1899.
  - *Etudes socialistes*, 1901
  - *L'armée nouvelle*, 1910.
  - *Histoire Socialiste*, 1922
  - French revisionist who stressed the humanitarian aspects of Marxian socialism. One of the first to draw attention to the [Socialist Calculation](#) problem. Assassinated on the eve of World War I.
- [G.D.H. Cole](#), 1890-1959.
- [Sidney Webb and the Fabian Socialists](#)
- [Mikhail Ivanovich Tugan-Baranovsky](#), 1865-1919.
- [Werner Sombart and the \(Youngest\) German Historical School](#)

## The Austro-Marxians

- [Karl Renner](#), 1870-1950
  - *Der Kampf der österreichischen Nationen um der Staat*, 1902
  - *The Institutions of Private Law and their Social Functions*, 1904
  - "Probleme des Marxismus", 1916, *Der Kampf*
  - *Wandlungen der modernen Gesellschaft*, 1953.
  - Austro-Marxist primarily concerned with the problem of nationality and the sociology of law. His 1904 text remains perhaps the classic Marxian work on the role of law in society. During World War I, Renner broke with the left wing of the Austrian Social Democrats ([Bauer's](#) group), and attempted a re-orientation of Marxian thought to account for the rise of white-collar workers and the growth of the State. Renner was the first Chancellor of the Austrian Republic in 1918 - and President of Austria in 1945.
- [Max Adler](#), 1873-1937
  - *Kausalität und Teleologie im Streite um die Wissenschaft*, 1904.
  - *Der soziologische Sinn der Lehre von Karl Marx*, 1914.
  - *Demokratie und Rotesystem*, 1919.
  - *Die Staatsauffassung des Marxismus*, 1922
  - *Soziologie des Marxismus*, 2 volumes, 1930-32.
  - "Metamorphosis of the Working Class", 1933, *Der Kampf*
  - Viennese lawyer and one of the leaders of the "Austro-Marxians". Founded the *Marx-Studien* with [Hilferding](#) in 1904 and was later associated with the left wing of the Austrian Social Democratic Party. Attempted to reconceive of Marxian theory as a sociological system, particularly in light of "neo-Kantian" theories in the philosophy of science.
- [Rudolf Hilferding](#), 1877-1941.



- **Otto Bauer**, 1881-1938.
  - "Marx Theorie der Wirtschaftskrisen", 1904, *Neue Zeit*
  - "Mathematische Formeln Gegen Tugan-Baranovsky", 1906, *Neue Zeit*
  - *Die Nationalitätfrage und die Sozialdemokratie*, 1907.
  - *Nationalkampf oder Klassenkampf?*, 1911.
  - "Accumulation of Capital", 1912, *Die Neue Zeit*
  - *Die österreichische Revolution*, 1923
  - *Sozialdemokratische Agrarpolitik*, 1926.
  - "Was ist Austro-Marxismus?", 1927, *Arbeiter-Zeitung*.
  - *Kapitalismus und Sozialismus nach dem Weltkrieg*, 1931
  - *Zwischen zwei Weltkriegen*, 1936.
  - One of the ablest Marxian theoreticians in Vienna, critic of [Kautsky's](#) agrarian policy, and analyzer of the connection between nationalism and class conflict. His 1912 work on capital is perhaps his best-known work. Also the leader of the left wing of the Austrian Social Democratic Party. He served in the early governments of 1918-19.
- **Henryk Grossman**, 1881-1950.
  - *Simonde de [Sismondi](#) et ses theories economiques*, 1926.
  - *Accumulation and the Breakdown of the Capitalist System*, 1929.
  - "The Evolutionist Revolt Against Classical Economics", 1943, *JPE*.
  - One of the major [revisionist](#) thinkers during the debate on the Theory of Crises - argued that capitalism simply has to collapse because it does not produce enough surplus value.
- **Otto Neurath**, 1882-1945 - (1)
  - *Durch die Kriegswirtschaft zur Naturalwirtschaft*, 1919.
  - *Empiricism and Sociology*, 1973
  - This famous logical empiricist philosopher of the [Vienna Circle](#), was nonetheless also a prominent Marxian and articulated a famous defense of a planned economy in the [Socialist Calculation](#) debate in 1919 derived from his experience in the wartime economy.
- **Emil Lederer**, 1882-1939.
- **Nikolai Ivanovitch Bukharin**, 1888-1938.
  - *Economic Theory of the Leisure Class*, 1917.
  - *Imperialism and World Economy*, 1918.
  - *The ABC of Communism*, with [Preobrazhensky](#), 1919.
  - *Economics of the Transition Period*, 1920.
  - *Historical Materialism: A system of sociology*. 1921.
  - *Imperialism and the Accumulation of Capital*, 1924.
  - Russian Marxian economist, regarded as the foremost theoretician of the Russian Bolsheviks in their early years and usually connected with the Austro-Marxians. His 1917 book contained an attack on the [Austrian School](#), his 1918 piece in imperialism was written before [Lenin's](#). He was a promoter of the "sociological" approach to Marxian theory championed by the Austro-Marxians, and his defense of [revisionism](#) led to his 1924 critique of Rosa [Luxemburg](#). Politically, he was the main promoter of the "New Economic Plan" in [Russia](#), which emphasized small-scale peasant farming and the use of market incentives. He was purged by Stalin in the famous trials of 1938, and subsequently shot.

## Other Interwar Economists in "Marxian" Tradition

- **Evgenii Preobrazhensky**, 1886-1937.
- **Grigorii Alexandrovic Fel'dman**,
  - "Reflections on the Structure and Dynamics of the National Economy of the USA from 1850 to 1925 and of the USSR from 1926-27 to 1940-41", 1927, *Planovoe khozyaistvo*
  - "On the Theory of Rates of Growth of the National Income", 1928, *Planovoe khozyaistvo*.
  - "On the Limits of Industrialization", 1929, *Planovoe khozyaistvo*.

- "An Analytical Method for Constructive Perspective Plans", 1929, *Planovoe khozyaistvo*.
- Electrical engineer, founder of the socialist economic growth theory. Employed two-sector growth models to analyze the impact of growth on economic structure. Eventually purged by Stalin and shot.
- [Adolph Lowe and the Kiel School](#)
- [Oskar Lange](#), 1904-1965.
- [Viktor Novozhilov, Leonid Kantorovich and the Soviet Planning Economists](#)
- [Maurice H. Dobb](#), 1900-1976.
- [Karl Polanyi](#), 1886-1964.
- [Joan Robinson](#), 1903-1983.
- [Michal Kalecki](#), 1899-1970.
- [Henry Douglas Dickinson](#), 1899-1968.
  - *Institutional Revenue*, 1932.
  - "Price Formation in a Socialist Community", 1933, *EJ*
  - *The Economics of Socialism*, 1939.
  - "The Falling Rate of Profit in Marxian Economics", 1953, *RES*.
  - British defender of the Marxian approach in the [Socialist Calculation](#) debate, although also somewhat partial to the [Austrian](#) school.

## Post-War [Marxian and Neo-Marxian](#) Economics

### Resources on Marxian Economics

- The incredible [Marxists.org](#) internet archive which includes:
  - [Marxian Political Economy](#)
  - [Marxist Writers](#)
  - [Encyclopedia of Marxism](#)
  - [Marxist History](#)
  - [Reference writers](#)
- Another ton of resources are listed at the bottom of our [Karl Marx profile page](#).
- [Shop-Talk on Economics](#) by Mary Marcy, 1911
- "[Review of R. Bellofiore, \*Marxian Economics: a Reappraisal\*](#)" by Anthony Brewer, 2000, *HOPE*
- [Primer on Marxian Economics](#) from Drexel Univ.
- [Anarchism, Marxism, and Socialism/Communism](#) at Philosophie
- [In Defense of Marxism](#) at Marxism.com
- [Germany: From Revolution to Counter-Revolution](#), by Rob Sewall
- [Die Sozialdemokratische Partei Deutschlands \(SPD\) 1870-1918](#)
- [Die Weimarer Republik](#) website
- [Unsere Geschichte](#) website

[Home](#)

[Alphabetical Index](#)

[Schools of Thought](#)

[Essays and Surveys](#)

[Web Links](#)

[References](#)

[Contact](#)

[Frames](#)

