1. The tale of Marx

Karl Marx was the one who named the emergent economic system in the mid-nineteenth century Europe: capitalism. Adam Smith had emphasised the importance of free trade and global distribution of labour for the world he saw ahead. This imagery of the future of Smith was the present of Marx but it looked different than Smith had imagined. Karl Marx discerned a different key factor than Smith for the development of the industrial “system” after the industrial “revolution”: capital. He saw that investments of capital of a new kind produced not only fortunes but also social problems, and new forms of poverty. He theorised the social question, he recognised the global nature of capitalism, and he discerned the crisis-heavy nature of the new system and tried to explain it. Karl Marx deeply shaped the three most important responses to the tensions of capitalism: the revolutionary approach, the left reformist approach, and the top-down social conservative reform approach through concessions (Bismarck), in response to Marx, embraced as a way to avoid something worse.

In December 1852, Karl Marx had been living the life of a political refugee in London for two years and felt miserable.¹ Napoleon III had just ascended to his throne as emperor of France after the successful *coup d'état* the year before. Also, everywhere else in Europe the revolution of 1848 – it was alternatively named *das tolle Jahr* or the “Springtime of the Peoples” – had failed utterly. Instead, reaction ruled and the Tsar of Russia’s army was patrolling the streets of Buda and Pest, occupying a grand slice of the eastern part of the Habsburg Empire. In Britain the steam had run out of the Chartist movement after the monumental 10 April 1848 when Midlands workers had joined forces with other labourers and marched down from Euston railway station, holding a protest meeting at Russell Square and then delivering the *People’s Charter for Universal Male Suffrage* at a big gathering at the Kennington Common, south of the Thames.² In Marx’s former homeland, all hopes of a united Germany had disappeared when the newly elected king, Frederick William of Prussia, disbanded the liberally dominated All-German Constituent Assembly put up in Frankfurt and granted a new autocratic

constitution stating that he ruled by divine right, and that he would not accept a “crown from the gutter”.³

Without doubt Marx took an ambiguous position to the revolutions of 1848, particularly the French so-called June Days uprising when a mixed assembly of craftsmen, small tradesmen, workers and *lumpenproletariat* took to the streets in the *faubourgs* of Paris and built barricades in order to hasten the revolution in a more radical direction. Given the fact that this assembly held quite different political goals and aspirations it is unclear what Marx expected would come out of the bloody fights. Since the publication of his analysis of the revolution in France from 1848 to 1850 in a series of articles published in *Neue Rheinische Zeitung*, written between January and October 1850, this issue has haunted the world socialist movement and created destructive infighting ever since: between those who put their faith in small elites of committed revolutionaries who foster plans for a “dictatorship of the proletariat”, and on the other hand those who feel that socialism can only be achieved through a long process of societal change and with peaceful and democratic political means.⁴ Aspiring to elevate his views on socialism as a necessary step in the history of mankind to “scientific socialism”, it would perhaps be natural if Marx had felt that raising barricades was perhaps not the most prolific method to build a new future. Most certainly, in his *Communist Manifesto*, written together with his compatriot Friedrich Engels some years earlier (1848) while hiding out in Brussels after being exiled first from Prussian territory and then from Paris, he had sketched his long-held vision of the development of industry and the rise of an industrial bourgeoisie alongside its opposite a working class with “nothing to lose except its own fetters”. Hence the industrial revolution and its diffusion would lead to the establishment of an organised working class demanding its full rights of citizenship. Only then could the long-aged dream of socialism and communism be fulfilled.⁵

Marx was born 1819 in Trier, in a Germany of more than 100 small states and constituencies. Belonging to Prussia since the Congress of Vienna in 1815, neither this city on the Moselle River nor Prussia at large had as yet seen much of the industrial revolution. Most of what later should become Germany was still dominated by agriculture, and in the predominantly small cities traditional craftsmanship and petty trading dominated. However both on the Ruhr in the West and in Silesia in the east an iron and steel industry had begun to develop and in different parts of Germany a domestic textile industry – organised in the form of a putting-out system on a grand scale – had emerged. Very little of this industry was localised to the cities. To the extent there existed factory

production in big centres such as Berlin, Nuremburg or Munich such establishments were predominantly of the old manufacturing type with little machinery installed; not seldom these manufacturing establishments were owned by the state. Instead, domestic production in the countryside, organised in different forms of putting-out or *Verlag* system, prevailed. The textile workers producing linen, wool or (increasingly) cotton fabrics were either male and female crofters living with their families in cottages with enough land to hold a pig and grow some potatoes, or alternatively servants; sons and daughters dwelling within a traditional peasant household, *das ganze Haus*.⁶ The emergence of more factory work and production built upon a combination of machinery and coal had to wait until the 1840s and 1850s for its breakthrough. When Marx and Engels published their famous *Manifesto* depicting the rise of organised labour as a consequence of industrial revolution, only the first steps had been taken in such a direction.

The years around 1850 were thus a period of contradictory trends where many parts of the old paternalist order that tied labour to the master remained at the same time as the contours of a new order slowly took shape with a more distinct profile, a new order with more fluid labour market conditions, more hiring and firing, more uncertainty and instability, but also more opportunities.

The backdrop of the writings of Karl Marx was the imagery of a social issue that spread in Europe of the 1830s in the wake of the emerging order of industrial capitalism. The term acted as an alarm, alerting the authorities about the potential threat from the unpropertied proletariat. The debate on the social issue pivoted on an emerging political problem. The “social issue” was a term used by the increasingly concerned ruling classes and the propertied middle classes.

Industrial capitalism brought new kinds of property compared with the older predominating forms of landowning. The new property of industrial capital could be shared and the shares could be traded on stock markets. Capital became more fluid and speculation about the future value of the shares increased the fluidity. Also, industrial capitalism brought new forms of labour. Earlier relatively stable patriarchal and feudal relationships between masters and journeymen, landowners and land workers became, like capital, more fluid. Labour, too, was traded, and the price fluctuated depending on supply and demand. Unemployment became a new phenomenon, which got its name only in the 1880s, however. Poverty and proletarianisation emerged at an unprecedented scale.⁷

Wage labour was based on a private contract between the employer – referred to by Marx as the buyer of labour power – and the employee, in the terminology of Marx the seller of labour power. In the wake of

industrial capitalism a new legal body of private law emerged to regulate the relationships among capital owners and between them and labour. Many workers considered this legal framework critically, seeing it as biased in favour of the capital owners. Marx gave them a voice.

The social protest against the developments of the capitalist labour markets brought the imagery of a working class with a particular consciousness. The social question from the 1830s onwards as an expression of the concern of the ruling elites became the class question a few decades later as an expression of the concerns of the workers. The bottom-up confrontation of the emerging order threatened the elites with the language of class struggle and class consciousness. This class language, with the *Communist Manifesto* of Karl Marx and Friedrich Engels a charismatic beginning, emerged as an instrument to mobilise those without property. The class issue was different from the social issue. The transition from the social to the class issue represented a shift of power from top-down to bottom-up. Marx and Engels referred to history as the history of class struggle. They depict the working class in the *Manifesto* as an emerging cohesive unit unified by its class consciousness against its enemy, the capitalist bourgeois class. The class with an identity of its own was a prediction for the future rather than a description of the situation when Marx and Engels wrote the *Manifesto*.⁸

The concept of class was in the conventional understanding used as a generally categorising term, vague, inexact and in plural, as in the middle classes, the lower classes or the working classes. From this understanding the meaning became sharper and got a distinct profile. The working classes in plural became the working class in singular with a clear demarcation to other social groups. From having been a term for distant observation and neutral description, it became a weapon in what was designed as a social struggle. In the compounds of class struggle and class consciousness, the class concept packed a political punch and began to threaten the middle classes and the political and economic elites. The term promoted identification with an imagined community with other workers.⁹

Moreover, Marx captured and conceptualised a series of ideological and intellectual trends during a turbulent period of Europe's history and translated them into theoretical reasoning. He stood in the crossfire between arguments for history and historical experiences as the only basis of knowledge and arguments by the classical economists for knowledge through the discovery of general laws guiding humans and societies. He reacted to the crossfire by giving the philosophy of history a distinct economic dimension. His philosophy of history and development was basically economic history. He linked current politics to

theoretical predictions. As such he was a restless observer who repeatedly strove to correct his theoretical predictions and conclusions in the view of empirical observations.¹⁰

Marx's social criticism was a part of the academic reaction in Germany against the unhistorical character of classical political economy as developed in Britain and France. Yet, Marx also lived for significant periods of time in England. As a result, unlike the older German historical school, he was prepared to look at each axiom and argumentative chain of classical theory individually and take them seriously instead of making them the basis of an overall criticism. One point of departure was his view that economic relationships must be analysed in their societal context and that this context was inadequately depicted on the basis of the assumption of a large conglomerate of free, equal and rationally acting individuals without a history like in the economic man imageries of the classical economists, who based their theories on the assumption of free and unbound, rationally intending and planning individuals. Their pursuit of interest promoted not only competition for more efficiency but also overall harmony, happiness and utility in society. Using an empirical historical basis, Marx elaborated on the structural economic, social and political inequality of individuals that issued from their class position as wage labour or capital owners. This served to separate the capitalist mode of production from an imagined society of small commodity producers that was common to classical economics. The analysis of the classical economists dealt with the division of labour and specialisation for the stepping up of the scale of the production in the world of the small commodity producers. The focus was on the work organisation. Marx developed their analysis and shifted the focus from the division of labour in the work organisations towards the power relationships between the employers and the employees. His change of terminology to buyers and sellers of labour was crucial for this shift. Through his emphasis on the production relationships between the capital owners and the workers Marx demonstrated, largely on the basis of the classical economic school, in particular its labour value thesis, that the issue at stake in the large-scale industrial capitalist societies was the accumulation of capital which was of a different kind than the accumulation of land in the old society and the low level of production capital in the artisan society. The capital concentration shaped a different society than the society of small-scale artisan production. In particular, the power relationships between the suppliers and the demanders of labour changed.

Marx provided theoretical contributions for the interpretation of new industrial capitalist society. In doing so he built on the occupation with the question of economic equilibrium and economic instability among the

classical economists in the second generation after Adam Smith, like Sismondi, Ricardo and Say. However, the problem of economic instability and crises built into the capitalist order was much more at the core of Marx's analysis. The classical economists envisaged rather economic equilibrium as the standard whereas Marx outlined disequilibrium crisis as normal in capitalist societies. Land was limited (although its use could be intensified). Capital was expansive. It grew and led to the exploitation of one class by another, resulting in long-term economic instability.¹¹

The ups and downs in capitalist business cycles were obvious to the observers in the 1850s and 1860s. They were of a different kind than the years of bad harvests in the agricultural economies. Karl Marx made sense of the crises beyond the contemporary argument that they were the result of speculation. He explained them as being inherent in the 'system', a lethal mechanism of capitalism. Marx himself regarded his crisis theory as his most substantial theoretical achievement. His crisis theory inspired thinkers like Lenin and Rosa Luxemburg in their arguments for the revolutionary implications of the crises of capitalism, but also intellectuals who were not Marxists such as Joseph Schumpeter, with his concept of creative destruction.

Marx saw the recurring capitalist crises as crises of overproduction and immiseration of the workers. The accumulation of capital in interactive dynamics with technological advance and production of scale transformed the liberal imageries of entrepreneurial economies of competition to realities of oligopolies and monopolies based on capital concentration. The capital accumulation meant that fewer workers would produce what is necessary for social reproduction. A surplus of labour emerged as a long-term trend but also in response to the speculative cyclical crises of capitalism. The capitalist crises meant dislocation of the workers once they had been relocated from the rural districts to the cities. Mass unemployment, the phenomenon had not yet got its name, was a capitalist expression of crisis. Marx referred to the reserve army of labour, a term that Friedrich Engels had used in his investigation of the conditions of the working class in Manchester (1845)¹² and in circulation in the British labour movement since the 1830s. There was in the crisis view of Karl Marx an inherent tension within capitalism maintained by the fact that it was a system that could expand output, but for the continued expansion had to limit the purchasing power of the working class.

Karl Marx continued and refined a debate that had involved Sismondi and others in the 1820s on underconsumption and overproduction (the 'glut debate'). It was a debate that J A Hobson and J M Keynes would develop in new directions as we will see, challenging Marx's argument

about system inherency. The debate deals with a major problem in the organisation of the economies that is still with us.

Marx was often contradictory to himself. In the preface of *Kritik der politischen Ökonomie (Critique of Political Economy)* (1859) he developed turns of phrases that must be interpreted as arguments for the existence of supra-historical development laws and that were later invested with a doctrinaire character in orthodox Marxism. On other occasions, he emphasised historicity in a non-universal sense. In general, he rejected deterministic understandings of society. His scepticism here was rooted in a humanistic philosophy of history. A case in point was his contention that humans make their own history under the limits set by the historically given conditions. In many respects he was ahead of his successors in terms of conceptualising what later generations of academics would label the action-structure problem.¹³

Charles Taylor argues that Marx's most important theoretical achievement was the discovery of capitalism as the most innovative and destructive economic order in the history of humankind. Taylor also suggests, however, that Marx would have been wise to remain with this insight instead of setting out to dissolve the complex chaos of the resulting economic order in a new form of harmony and clarity.¹⁴ Hence, Marx's outline of the world history and prediction of future trends was in many respects utopian. He never really escaped his young-Hegelian views that once capitalism was overcome man would be liberated from alienation and instead live in paradise. After the crackdown on the resistance of the bourgeoisie a new, ordered world would emerge. As he and Engels put it in *German Ideology* (1845):

In communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind, without ever becoming hunter, fisherman, herdsman or critic.¹⁵

Moreover, there was an eschatological subtext in his class struggle scheme. He idealised the proletariat as being the harbinger of peace and social justice on the other side of the apocalyptic revolution.

The tale of Marx gained contours through its opposition to the liberal tale of the classical economists which remained as a point of reference in the debate, although it shifted in the view of Marx from model to target of attack. Marx's utopian outline of a global working class tied together by bounds of solidarity can be seen as a cosmopolitan counter proposal to the liberal cosmopolitanism focused on global free trade.

While the *Communist Manifesto* fell into oblivion for several decades after 1848, Karl Marx's – and Friedrich Engels's – observations and conclusions on the emerging industrial capitalism attracted a steadily growing following. Marx was above all concerned with the issue of private property. He confronted the Hegelian view that civil society mediated between the individuals, the family and the state. For Marx instead the state was a political creature reflecting the power relationships in civil society, power relationships based on private property in the hands of the capitalist bourgeoisie. Marx opposed the argument of his former young Hegelian ally Arnold Ruge that the state could solve the social problem. As proof, Marx cited the failure of the plan by Napoleon III to abolish pauperism; the proletariat, not the state, represented in the view of Marx the Hegelian negation of the bourgeois civil society. It was the historical mission of the proletariat to transform the private-property-based "relations between man and man" that characterised civil society and make them human. The proletariat was itself a product of private property since a corporatist society had an ordered place for everybody, but no proletariat. It was to be through the proletariat that private property would be driven towards self-destruction by its own economic dynamics. History was the judge and the proletariat the executioner of this development.¹⁶

Marx's prophecy notwithstanding, the emergence of mass labour movements in nineteenth-century Europe – including trade unions and political parties or movements such as Chartism in England, the socialists in France or the social democrats in Germany and Northern Europe – was in fact a reaction to conservative and liberal attempts to exclude the working classes from the political process. These attempts were based on the conviction that democracy, taken literally meaning the inclusion of all adults in deliberations and decisions over the common concerns, was equal to terror, and that political participation therefore required education and/or property. Slowly, the representatives of the unrepresented obtained a foothold within political structures that were moving toward parliamentary forms. The working classes, who increasingly identified themselves as the working class or labour movement in the singular, sought majority power in the parliaments, alone or in coalitions with other parties. Their aim was to obtain power over the state apparatus in order to effect social reforms. They sought to influence, rather than to destroy the "bourgeois" state. Marxist and social democratic aims appeared to be close, both sought to empower the working class, but their means were ultimately quite distinct.

Private property, Marx argued, had advanced to world dominion and the condition of the proletariat had become ever more degraded. At the

same time private property had forced humankind to become more productive. With the aid of steam-power and automatic machinery, humankind stood on the threshold of abundance. This was the meaning of what Engels, following French commentators in the 1830s like François Guizot and Adolphe Blanqui, called the “industrial revolution”.¹⁷ Engels and others had noted that the old conditions of famine and scarcity had given way to a new form of crisis – Fourier termed it a “plethoric crisis” – the crisis of “overproduction”. This was the result of discordance between the new possibilities of abundance and outmoded forms of property ownership. Overproduction for some meant underconsumption for others. According to Marx, the accelerating crises were, as we saw, a lethal mechanism built into the private capitalist order. The emerging society of abundance, with its crises, went hand-in-hand with dehumanisation, forcefully described in Engels’s account of Manchester’s slums, provoking proletarian revolt.

With the help of Engels between 1844 and 1848, Marx worked his initial criticism of bourgeois capitalism into a theoretical outline of communism based on what he later called the materialist conception of history.¹⁸ Adam Smith’s theory of division of labour influenced Marx’s notion of a dynamic historical principle of increasing productivity, which he connected to the changing configurations of private property with capital concentration as a key term. Marx inserted the capitalist mode of production in a long historical chain of production modes, as outlined in the *Manifesto*, arguing that it was the last and most dynamic phase of production modes based on the hierarchical division between superiors and inferiors. The increasing tendency towards overproduction was a sign of the approaching end of the capitalist production mode and its replacement by a higher social form without exploitation.

Marx was generally critical towards the widespread belief in parliamentary politics. Marx’s critique of democracy was, for example, apparent in his pamphlet *The Eighteenth Brumaire* (1852), in which he retraced Louis Bonaparte’s rise to power. Universal suffrage had brought him to power; indeed on 10 December 1848 Bonaparte (who took the name Napoleon III when he became emperor in 1852) had been elected president by a great majority. The rural population had been particularly supportive, yet as Marx knew, Napoleon also had many champions among the proletariat and petty bourgeoisie.¹⁹ What he would have thought about the German social democrats wish from the 1880s onwards to enter parliament we will never know. Briefly, before he died in 1883, however, in a letter he accused his son-in-law Paul Lafargue (1842–1911) and the French socialist leader Jules Guesde of “revolutionary phrasemongering” and for denying the value of a struggle for reforms.

Since the 1840s, Marx had been working on a criticism of the modern state, which:

purchased gradually by the owners of property by means of taxation, has fallen entirely into their hands through the national debt and its existence has become wholly dependent on its commercial credit, which the owners of property, the bourgeoisie, extend to it, as reflected in the rise and fall of government securities on the stock exchange.²⁰

The first volume of *Capital, A Critique of Political Economy* was published in 1867. It analysed capitalism as political economy with the aim of untangling the economic laws of the capitalist mode of production, the precursor of the socialist mode of production, and of the class struggle rooted in the capitalist social relations of production. Volumes II and III were published after Marx's death and edited by Friedrich Engels. Volume II, subtitled *The Process of Circulation of Capital*, was published in 1885, Volume III, subtitled *The Process of Capitalist Production as a Whole*, was published in 1894. Both volumes were prepared by Engels from notes left by Marx.

While Marx's theoretical language often was difficult to digest, *Capital* was nonetheless full of innovative and surprising new concepts and historical narrative. It was innovative to regard labour power as a commodity next to other commodities, and new terminology relating to concepts such as wage buyer and wage seller, surplus value and exploitation, offered a solid basis for the theoretical argument. This terminology guided readers in new directions, revealing new connections in the organisation of industrial capitalist production. The explosive force and ideological implications of Marx's thought were powerful and yet difficult to grasp. Of course, Marx did not see his thinking as ideology but as science. Ideology was the instrument of the bourgeoisie in their propaganda for their own sake.

The originality of Marx's thought owed much to Engels's claim that political economy had never questioned private property.²¹ His main argument was not very original, however. The simplified idea that labour is the source of all value was based on a widespread popular belief. This argument brought Marx and his theory into difficulties. For, as has been pointed out, if surplus value could only be generated by living labour, it would appear that the higher the ratio of machinery to living labour, the lower the profit. However, in the real world profit rates were equalised across different sectors of the economy. Despite his attempts in the third volume of *Capital* to come to terms with this so-called "transformation problem", he did not in the end produce a valid theory that demonstrated

that capitalism through exploitation of labour would come to an end.²² Hence, his prognosis of an apocalyptic end for capitalism seemed flawed. Hence, *Capital* did not go beyond the language in *Manifesto* about increasing polarisation between the bourgeois and the proletariat. History would show that there were other ways to solve the problem of polarisation than those outlined by Marx, such as reforms that improved the living standards of labour and led to gradual depolarisation. Furthermore, Marx failed to produce a convincing design for his post-capitalist world without markets. The main problem and political confrontation for the future was not about the final abolition of the market, but about how to regulate and manage it, about how to tame the market forces and control market power.

Marx's thoughts on the role of private property, the working of the bourgeois state, the exploitation of labour for the creation of surplus, and on history as driven by class struggle, were connected to his idea of a "dictatorship of the proletariat" (something different than with Lenin and particularly Stalin) as a necessary outcome of the modern class struggle between the bourgeoisie and the proletariat after the latter had established itself as a working class with a class consciousness. He never underpinned the idea systematically and theoretically. This phase represented a transitional period between the bourgeois state and the final historical stage where all classes had been abolished. Marx argued that the revolution needed time; that the longer period of time humans had to reflect, the greater the suffering that would pull them together, and the more perfect would be the result. The necessary maturity of the situation could not be brought about by a vanguard minority. Thus, that which Marx rejected, Lenin would later take up in his theory of a vanguard elite.

During the 1860s, as Secretary of the International Workingmen's Association, founded in London in 1864, Marx became involved in the European labour movements. This association came to be known as the First International and began as a modest collaboration between English and French trade unionists. It aimed to prevent the use by employers of foreign workmen in trade conflicts in the building trades. Marx's intention was to use the association as a vehicle for increasing international working-class solidarity. Although it never really resulted in large-scale group meetings, a series of well-publicised congresses meant that by the end of the 1860s it enjoyed a world-wide reputation.²³

Marx's *The Civil War in France*, written in London in 1871 in his capacity of Secretary of the International, was a necrology of the Paris Commune and its destiny, which conferred a mythic status on its author. It was reprinted in three editions in two months translated into most

European languages.²⁴ The headline “Grand Chef de l’Internationale” in the *Paris-Journal* was repeated everywhere in the radical European press. It was a common belief that the Paris Commune had been the work of the International. Marx’s defence of the Commune, despite his initial rejection of its aims, led the conservative press all over Europe to denounce him as the leader of a secret communist international workers’ conspiracy. Overnight he became the most calumniated and most menaced man in London. All leading newspapers commented on the publication in editorials. The International was depicted as a one of Europe’s great powers. Marx polarised opinion: readers were for or against the Commune. Together with the growing reputation as the author of *Capital*, Marx rapidly became known as the great revolutionary architect of “scientific” socialism.

Marx spread mythic light over the Commune, which he described as a shady sphinx devoid of self-understanding. “What was the Commune?” he asked. His answer was that it was essentially a government of the working class, the outcome of a struggle between the producing and the exploiting classes and the political form under which the economic emancipation of labour could be completed. Engels would later paraphrase Marx referring to the Commune as the first dictatorship of the proletariat. Later, in discussion with Eduard Bernstein, the German social democratic leader, Engels amended that this was rather the unconscious tendency of the Commune as opposed to a conscious plan.²⁵ The Commune certainly had no master plan. For Marx, fully in line with the doctrine of the historical materialism, it was an example of the execution of the wisdom of history in the world revolutionary drama, what Hegel had called “the cunning of reason”, and which he had described as a consuming and purifying purgatory in the 18th Brumaire pamphlet twenty years earlier. He finished his address from the International on the civil war in France concluding that the Commune would forever be celebrated as a harbinger of a new society.²⁶

After the fall of the Paris Commune in 1871 Marx withdrew from front-line activities in international affairs. He handed over the day-to-day business to Engels who had recently resigned from his family enterprise in Manchester. They both were well known to the leaders of the German social democrats. Elsewhere in Europe, in particular in Russia, knowledge of Marx’s ideas increased during the 1870s. Between 1879 and 1892 German-inspired social democratic parties were established in all major European countries. It was in fact via Engels – not Marx – that the future leaders of the European labour movements – Bernstein, Kautsky, Plekhanov and many others – became familiar with “Marxism”.

However, the International eroded soon after its peak. After the defeat of the Paris Commune in 1871, Russian anarchist Bakunin claimed that Marx's ideas were authoritarian, and predicted that if a Marxist party came to power its leaders would become as corrupt as the ruling class they had fought against. Marx succeeded in expelling Bakunin and his adherents as anarchists in 1872. In 1876 the International was disbanded. This clash was the beginning of a long-running conflict between anarchists and Marxists, which resulted in their splitting into separate organisations.²⁷

Historical development provided the answer to the tension between reform and revolution in the application of the thought of Marx. It was in practice not as in theory a matter of exclusive alternatives. On the contrary, they went hand-in-hand. Work on reforms for a better future was quite compatible with hopes for a final triumph in an unknown future.

After the fall of the Paris Commune in 1871, Marx no longer believed that European revolution would occur in the foreseeable future. Only in the postscript to the second edition of *Capital* and in a letter in June 1875 did he again refer to the Great Depression, as the lengthy economic crisis from 1873 onwards into the 1890s was called at the time. The name was as we know later to become the rubric of the deep depression that followed the crash of the stock-market in New York in October 1929, and the economic historians changed the label to the Long Depression. Marx was puzzled by the wave of anti-Semitism and nationalism that followed in the wake of the depression and failed to connect them to the economic situation. In the 1850s and 1860s similar experiences of crisis had provoked prophetic expectations.

One response to the first version of the Great Depression lasting from 1873 to the middle of the 1890s was a long-term shift in strategic thinking in large industrial enterprises (especially in Germany and the US). Owners and managers began to realise that short-term profits did not last and they began to emphasise long-term planning, research and development. Greater administrative resources were dedicated to industrial enterprise and there was an increased emphasis on stability and organisation. Earlier, more anarchic forms of industrial capitalism lost ground. At the same time the workers and the labour movements began to play down the revolutionary language and emphasise trade unionism and improvements of labour and living standards through gradual reforms. The trade unions, too, began to invest resources in organisation not only for more power but also for predictability and stability. The state institutions followed up with financial and administrative resources for social politics to mitigate the conflict between labour and capital.

Austrian social democratic neo-Marxist Rudolf Hilferding in *Das Finanzkapital* (1910) referred to this development as organised capitalism, which he defined as industrial concentration which, on the one hand, “eliminate free competition” through the formation of cartels and trusts, and on the other, bring bank and industrial capital into an ever more intimate relationship. This “finance capitalism”, which he saw as “the most supreme version of Capitalism”, also had political implications. High concentration of industry combined with an active state under parliamentary control of the working class could be seen as a basis of social politics. These developments taken together were obviously an alternative development compared with the scenario that Marx had prognosticated.²⁸

By the early twentieth century the world in which Marx had written had changed dramatically. The new European socialist parties established in the 1870s, 1880s and 1890s were participating as organised labour within the existing political system, in which there was a growing role for the legislative. Speculation about a world in which private property had been abolished appeared increasingly remote. The notion of the violent renewal of existing social conditions appeared menacing. The cosmopolitan language of the *Manifesto* about the common interests of the entire proletariat irrespective of nationality had become irrelevant. Thus by the end of the nineteenth century the *Manifesto* had taken on the status of an honoured political relic.

Marx’s cursory observation in 1871 in *The Civil War in France*, after the defeat of the Paris Commune, that the working class could not simply adopt and deploy a ready-made state machinery, was later elevated by Lenin to ex-cathedra status marking the frontier by socialism and communism. The “opportunist socialist parties” of the era before 1914 had “evaded” the revolutionary consequence of Marx’s conclusion of the defeat of the Commune: communists must smash the state. In the struggle over communism between 1917 and 1992, the *Manifesto* was treated as a fully contemporary document in this Marxian–Leninist spirit, despite the fact that Marx and Engels had referred to its historical status already in 1872.

Marx’s high ambition had been to provide a critique of classical political economy from Adam Smith onwards. This scheme was never fully realised. By the 1860s the theoretical prognostication he developed in the 1840s and 1850s of capitalism as self-destructing, had not materialised. Later, his surplus value theory based on the argument that exploitation of labour was the only basis of profit became problematic – as we saw – against the backdrop of empirical observations that a growing share of capital in the industry was compatible with growing

profits. Moreover, the direction of European politics after the Paris Commune indicated that there would be no world revolution. The working class and its organisations became more interested in reforms that promised better standards and compromises with the capitalists. In turn, states took on an active role in these reforming activities, demonstrating that they were not simply the bourgeois instruments of exploitation that Marxist theory had assumed them to be.

Marx resigned himself to this empirical development and turned his hopes to Russian village communities, effectively relocating his hopes for the future in the past.²⁹ It is a historical irony that the great revolution would erupt in agrarian Russia, concordant with Marx's late investment of hope but very much against the prognosis of his early theory, where the focus was on the spread of industrial capitalism and its consequences. The First and Second International fought with itself between reform-orientated trade unionism and revolutionary cosmopolitanism. World War I marked an end to the latter approach when the labour movements across Europe were nationalised through their support of the war efforts of their governments.

Irrespective of the torso character of Marx's theoretical thought and its many shortcomings in retrospect, it was a mobilising instrument for the workers, the impact of which is difficult to overestimate. Not least, the factional struggles between sections of the working classes claiming to have the right interpretation of the Marxian thought cemented its mobilising function. The exegetic disputes all underpinned some form of antagonism between labour and capital. The theory provided an enemy for the workers in their struggle against experienced inequalities and injustices.

INDUSTRIAL REVOLUTION AND THE IMAGERY OF FREE TRADE

The overall framework of the tale of Marx was the industrial revolution. In general it is acknowledged that the industrial revolution had its birthplace in the United Kingdom. It was during the 1840s that the concept of "the industrial revolution" came into use, in France probably first by the historian and politician François Guizot who compared the British "industrial" revolution with the French "political" revolution from 1789 and onwards, and in England by the immigrant from the Rhine province in Germany, Friedrich Engels, Marx's fellow traveller, who depicted the nasty conditions of the working class in the textile districts of Manchester in *Die Lage der arbeitenden Klassen in England* (1845).

The industrial revolution was the growth of a factory organisation and the breakthrough of machine production and the main stylised illustration was the British textile industry from the end of the eighteenth century onwards with the introduction of mechanical machinery in the spinning of wool and cotton industry. Also in *Capital*, Marx provided in a number of chapters a vivid description of this new “mode of production” based upon machine production. He traced its origin in Britain back to the sixteenth century with the introduction of enclosures in the countryside and the rise of putting-out industry.³⁰

After Engels and Marx this became the standard interpretation: the first industrial revolution had already started in Britain at the end of the eighteenth century, and had then spread to a number of other countries, Belgium in the 1830s, France and Germany in the 1850s, the USA in the 1860s, Scandinavia from the 1870s, Austria and Italy from the 1890s, etc. More up-to-date research has revealed many flaws in this canonical story-telling. First, econometrically equipped modern economic historians have pointed out that to talk of a rapid revolution, at least in terms of growth of production, cannot be verified by numerical facts. In fact, growth of GDP was rather modest during the nineteenth century, especially in the UK. Agriculture, the services and small-scale production were still very important sectors of the economy and would remain so even in countries like Britain, Belgium, France and Germany, albeit characterised as “industrial” by the end of the nineteenth century.³¹

Few wanted to see the future as open but as a goal towards which one steered. Karl Marx’s narrative about the world revolution and the final triumph of the working class is exemplary here. The belief grew that the future could be planned and/or that one was on the winning side of the future; that the expectations invested in the future would be redeemed. In a certain sense, the future became as pre-programmed as in the old cyclical imagery of time, even if the linear direction and the future horizons were something different than the cyclical reiteration. Of course, there were also those who experienced the future as a threat.

The industrial revolution and expansion from its British origin was closely connected to the imagery of free trade as the accompanying motor of economic growth. At the end of 1847, Brussels hosted a free trade congress. Karl Marx wanted to speak, but the congress was closed before he got a chance to do so. Instead, he gave his speech at a meeting of the Democratic Association where he was a vice-president. He spoke in January 1848, a month before the outbreak of the revolution. He stated his views clearly. He advocated free trade, which according to him was equal to capitalism. Protectionism supported the nation states, free trade broke them down. Therefore, free trade was a step on the road to the

capitalist world state. Free trade was a progressive force in the service of history. It destroyed traditional culture and opened up for the creation of a world culture. It speeded up class warfare, through which the capitalists would lose control of their world state.³²

Certainly, free trade was on everybody's lips in the 1840s. In Britain the agitation for repeal of the notorious Corn Laws that had been inaugurated after the Napoleonic wars was in full sway. In Manchester and other places clubs were formed in order to protest against the laws and a national anti-corn law league was formed with leaders such as Richard Cobden and John Bright. These protesters have gone down to history as the "Manchester school" (although Bright was from Rochdale and sat as MP for Durham) advocating not only lower tariffs on corn but also free trade and laissez-faire as a general principle.³³ Their main argument against the Corn Laws in particular was that they increased labour costs and hindered businesses to develop. The quest for free trade in general was presented as an almost religious belief in its effect to spread peace and understanding internationally. In his two tracts *England, Ireland and America* (1835) and *Russia* (1836)³⁴ Richard Cobden depicted tariffs as a harbinger of war and conflict and argued for universal peace based upon the principle of free trade.

There are many myths concerning the 1840s and the following decades as a period of laissez-faire and free trade. It is true that these decades were tough on old forms of regulation of a *dirigiste* kind. Both in Britain and France the last remnants of the old guild system were to a large extent abolished during this period. Even in many German states, including Prussia, as well as in Scandinavia, restrictions on the establishment of enterprise and the restriction of output were abolished. Moreover, in Germany, the *Zollverein* making an increasing part of the territory a free-trade zone was finally put in place in 1834 including 18 states with a total population of 26 million people (ten years later only four states were left outside, including Austria). Also with regard to trade across national borders the general trend was certainly for freer trade. Hence, the Anglo-French trade agreement of 1860 – the so-called Cobden-Chevalier Treaty – signalled the establishment of a similar arrangement between other European countries soon afterwards.

However, this was not such a smooth process as is usually taken for granted. Painstaking research into the complexities of European tariff history has shown that tariffs were gradually lowered during the 1860s and in to the 1870s although nothing close to absolute free trade appeared anywhere. The original Cobden Treaty in 1860 between France and Britain had gone so far as to reduce French protective duties to a maximum of 25 per cent within five years, with free entry of all French

products except wines into Britain.³⁵ However, as economic historian John Nye has shown, it was not insignificant that Britain, more free-trading than anybody else in Europe at the time, had excluded wine from its duty-free importation.³⁶ Wine was the largest export product from France entering Britain at the time and was regarded as menacing for British domestic production (including corn growing) and the selling of beer. Scornful against other countries that used the infant-industry argument in order to protect their industries from imports from Britain, the country did not hesitate to use the same mechanism when it felt threatened by foreign imports. Actually this was exactly the same argument that had made Friedrich List talk about the hypocritical (“perfidious”) Albion. The Brits spoke in favour of free trade as long as they knew they had a technological and cost advantage. However, when this situation did not occur they preferred protection, List argued. By modern scholars such a practice of speaking with two tongues has been depicted “free trade imperialism”.³⁷

Friedrich List (1789–1846) was born in the free city of Reutlingen in the south west of Germany. Going into political exile in America after accusations that he had offended King Wilhelm I of Wurtemberg during his time as a political activist for a south German customs union, he published late in life his main work *Das nationale System der Politischen Ökonomie* (1841). Here he attacked root and branch what he called “the false cosmopolitanism” of “the Adam Smith school” of British political economy. This school he said: “... had assumed as being actually in existence a state of things which yet had to come into existence. It assumes the existence of a universal union and a state of perpetual peace, and deduces therefrom the great benefits of free trade. In this manner it confounds effects with causes”.³⁸

Free trade was regarded as a precondition for London’s financial economy and when a choice had to be made between the claims of finance or manufacturing, a preference was almost always given to the former.³⁹ Everywhere else the trend was the opposite: in favour of higher customs and more protection. Without doubt this had to do with the ambition of many states to build an industrial economy of their own. Also, a pivotal cause was that the spread of the industrial revolution as well as open trade implied dire social effects that states had to handle. Social unrest and the role of interest groups (from Prussian Junkers to petty traders and industrialists) hence played a very important role in this context. Protectionism and colonialism were thus a response to the transformations that had been created by the rapid expansion of the capitalist market economy on a global scale since the 1850s.

IMPERIALISM

Imperialism belonged in the view of Karl Marx to the prehistory of capitalism, but like free trade it was a progressive force in the service of history.⁴⁰ Lenin developed the thought of Marx into a theory on imperialism as the highest stage of capitalism. According to Lenin, imperialism supported monopoly finance capitalism before its collapse and the takeover of the working class. Even more than free trade, “imperialism” became a mobilising term in the depiction of the Marxist narrative of the hostile capitalist world and the promise of its imminent end.⁴¹

The European powers began to develop colonial empires in the sixteenth century. Portugal and Spain were the first in exploring and exploiting South America, Africa and Asia. Britain and France colonised North America, Africa and Asia. The Netherlands developed colonies in Asia and America in the seventeenth century; New York was first called New Amsterdam. Italy, Germany, Russia and the USA established themselves as colonial powers in the nineteenth century. A web of colonial dependencies organised in dominions, colonies, protectorates, mandates, and state-protected trade stations hand-in-hand with Christian mission stations and hospitals covered and tied the world together on the eve of World War I. In local administrations over the world practices and experiences of the natives mixed with those of the settlers and the colonisers.⁴²

In 1876 Queen Victoria became the Empress of India, signalling its even closer relationship with the British mother country than before. About the same time Benjamin Disraeli’s conservative party became known as the Imperialist party. It is generally acknowledged that Disraeli’s Crystal Palace speech on 24 June 1872 signalled a change in Britain’s official viewpoint on empire and colonialism. From having been a reluctant imperialist, in general terms supporting trade companies and private enterprises in the colonies, although with a growing presence in e.g. India after 1857, the government became more active in seeking a role as a colonial power. The informal free trade empire was not any longer enough to counter Britain’s main industrial runners-up such as France and Germany. Imperialism was the empirical face of the theoretical model for world peace through the global free trade and distribution of labour propagated by Richard Cobden and others.

Karl Marx provided an eloquent critique of the horrors of British colonial rule in India in articles in the *New York Daily Tribune* in 1853 and 1857. He pointed out the gap between the intention of the colonial

masters and the outcome of their rule. He emphasised the “happy coexistence of imperialism and free trade”⁴³ and exposed hypocrisy of the free traders in the Indian practice of their theory. Karl Marx gave the Indian critique of de-industrialisation and general discontent in the wake of colonialism a voice that was heard of in India but in particular in Europe.⁴⁴

The Indian sub-continent was in the past acknowledged for its widespread village industry. Up until the nineteenth century coarse cotton textiles were manufactured all around the country while woollens were a speciality of the northern Kashmir, Amritsar and Ludhiana. The main silk district was Rangpur while Birbhum, Murshidabad and other regions followed close. Iron ore as well as charcoal production was localised especially to Bihar. In Banaras, Nasik, Hyderabad and other places a local metal industry flourished.

However, from around the turn of the century 1800 a process of de-industrialisation set in, which had devastating effects for India. Not only was the road from traditional forms of industry to modern machine-based industry halted, but a real and significant decline set in. During the nineteenth century the Indian economy was in fact transformed from being quite diversified to a mainly agricultural economy. There are certainly many reasons for this. One important factor was without doubt over-population. Hence, according to many experts the Indian eighteenth century was characterised by a rise of population leading to a Malthusian food crisis.⁴⁵

At the same time India was also affected by the industrial revolution and the expansion of British formal and informal (free trade imperialism) rule. Fast decreasing costs of transport by sea and later by railway (after 1860) implied that machine-produced cottons from British Lancashire became increasingly price competitive also here. Hence, in many regions in India its produce out-competed the old domestic industries. When Marx later on said that British competition had spoiled India’s textile industry to the point that “the bones of the cotton weaves are bleaching in the plains of India”⁴⁶ he was only exaggerating a little. Painstaking research carried out by the American economic historian Jeffrey Williamson and his colleagues have shown the dramatic change that such altered relative prices meant for India. Hence, while the prices for industrial goods were on the move downwards India’s agricultural wares experienced a sharp upwards turn (cotton, silk etc.) De-industrialisation thus led to a stronger reliance on agriculture in great parts of India. Hence, the paradox occurred that rising amounts of cotton and other goods were shipped to Britain, made into cotton calicoes in the “satanic mills” of Lancashire and thereafter exported back to India.⁴⁷

The revolutions of 1848 had, as we have seen, left Marx unhappy and disappointed. However, it was soon after this very date that the industrial revolution took on a spurt in the Western countries. Although he believed that industrial market capitalism was doomed in the long run he at the same time foresaw that it had to become global and transform the world before it was finally put where it belonged, in “the dustbin of history”. At the outbreak of the great uprising in India against the rule of the British East India Company in May 1857, the so-called Sepoy rebellion, he wrote articles in the journal of the *New York Daily Tribune*, which favoured British colonialism – but only as long as it brought industrial capitalism to India through investment in railways, industry and trade. This would bring India out of its long rural sleep, he argued. He characterised the situation in India in terms of an “Asian mode of production” – later theorised so by his followers – manifested by zero economic growth, general backwardness and feudal social relations.

Marx lived long enough to see how social imperialism from the 1870s onwards became a European therapy against the class threat and against the lengthy economic crisis after 1873, at the time as we saw called the Great Depression. Social imperialism transformed the political economy of the European states. Through social imperialism the working classes were mobilised with the vulgarisation of evolution theories by Darwin and Spencer about nations struggling for survival on world markets where only the fittest would survive. Social imperialism went hand-in-hand with nationalism and protectionism and set the stage for the road towards World War I. By the end of the nineteenth century Germany and the USA had begun to undermine Britain’s economic lead. The global colonial military and economic tensions between the European powers were a major factor behind the war. The empires were mobilised for the contribution to the industry production and financing of the war machinery.

However, rather than Marx himself it was the second generation of Marxist interpreters who would give imperialism as economic, political and military practice a theoretical framework. They questioned themselves what was the reason for European colonial expansion in Africa and Asia – the expansion of what has been called “formal empire”, the transition from the informal empire of private trade companies based on colonial trade stations to formal empire with a military and administrative state power and occupation of territory to support the private exploitation of the hinterland behind the trade stations. They asked why Britain had developed as an early and eager starter. For at least a century both these questions about the transition from informal to formal empire and about the British beginning have been asked extensively and we still have no

definitive answers. At least three interpretations were put forward by the Marxists. First, Karl Kautsky, the German social democratic politician and leading theoretician – besides Engels the main architect of what later has become known as Marxism – saw the drive for colonies as an offspring of the capitalist economy's inherent contradictions. Trying to draw the correct conclusion from Marx's vast scribbles, which by Engels and others were construed as Volumes II and III of *Capital* and published after his death, there were at least two suggestions that could be used in order to explain recent European imperialism and colonialism. The first one was the notorious theory of "the falling rate of profit" and the other "the tendency for under-consumption" in capitalist economies. Hence, according to the first theory there was a steady trend that the profit rate would fall at the same time as more capital and less labour were used in production, i.e. a natural consequence of technological development when industrialisation was spreading. This would lead to a need for investors to seek investment opportunities in countries where production still was more labour intensive with corresponding bigger exploitation opportunities. The export of capital from Europe to other parts of the world especially from the 1870s onwards – when Europe became "the banker of the world", according to a famous study by Herbert Feis – was thus a mere consequence of the contradictions of capitalism as defined in Marx's labour theory of value, where Marx argued (as we saw) that surplus value is only created through exploitation of labour, which, if correct, would have meant decreasing profits when machinery ever more replaced labour.⁴⁸ However, developments would show that growing profits were quite compatible with growing investments in machinery.⁴⁹

However, from Marx's remaining manuscripts yet another explanation could be distilled. Marx followed the tradition stemming from Malthus, Ricardo and other classical political economists in Britain during the first half of the nineteenth century, emphasising that wages could not in the long run rise above the level of self-reproduction; the so-called "iron law" of wages. Ferdinand Lassalle, the German social democratic leader would later develop this "iron law" into a more rigid theory. Hence, to find enough demand would always be a precarious factor in capitalist industrialisation. Marx predicted that capitalist development was troubled by crises of over-production (or under-consumption). The main reason for this was the role played by Malthusian population increase, which caused the creation of a reserve army of labour. On the other side capitalist industrialisation craved increased consumption in order to expand. It has been debated whether Marx ever regarded over-production as so important that it is legitimate to place him alongside Malthus, the Swiss economist and historian Sismondi and others belonging to the

“school” of under-consumptionists (with later members such as Karl Marx, John Hobson and J M Keynes). However, it seems clear indeed that he believed that crises stemming from a shortage of demand, was an inherent feature of capitalism.

From this a number of his followers would suggest that empire and colonialism could work as a source of such a demand. Hence, the colonies could serve as markets for an expanding industry in Europe. Competition between the industrialists in different countries would ensure that such markets needed protection. To this extent a different form of “national preference” could be utilised, from a de facto monopoly according to the principle of free trade imperialism to formal imperialism. Thus the scramble for territory, for example, in Africa was a mere consequence of the quest for secured markets. To this extent the example of British expansion in India could be utilised. For most contemporaries it seemed clear that India – as we have seen – was acutely important for buying up the produce of the textile mills of Lancashire. As long as the British producers were able to outcompete the rest of Europe with lower costs and better quality it was possible to keep this trade at least formally open. However, as their competitive edge gradually deteriorated in relative terms to producers elsewhere the need for protection became more acute. By and large this was the explanation put forward for the intensified competition that emerged in the 1870s and triggered the so-called Great Depression of 1873 up to 1896. Marxist interpreters such as Kautsky himself but also the Polish revolutionary economist Rosa Luxemburg, the Austrian Rudolf Hilferding, as well as Lenin and Bukharin in Russia, used different mixes of such theory in order to explain the rush for colonialism during this period.

In the spring of 1916, Lenin wrote his book *Imperialism, the Highest Stage of Capitalism*. There, he saw the war as being fought between the German and British empires as a consequence of imperialist competition, and he argued that Russia was in its fight on the side of Britain and France used as a tool of their imperialism. In the view of Lenin, imperialism paved the way towards the highest and last stage of capitalism based on monopolies before the final world revolution. Lenin could build his theory on Rudolf Hilferding, who in his main publication *Das Finanzkapital* had analysed what he understood as the last stage of capitalism, the fusion of industry and finance capital, although instead of a violent revolution he saw the social-democratic peaceful takeover of the state apparatus as the final step. The export of capital promoted imperialistic politics. In a similar vein, although with a focus on the conditions of the reproduction of capital, as opposed to Hilferding’s analytical focus on money and monetary circulation, Rosa Luxemburg developed her

imperialism theory from an analysis of how the meeting between capital and labour created surplus value. The exploitation of the non-capitalist environments of the artisan producers and the farmers, in particular, in the colonies was an exploitation that guaranteed lasting accumulation of capital.⁵⁰

Lenin, as well as the neo-Marxists Hilferding and Luxemburg, based his general analysis of imperialism on the British writer J A Hobson, who as a reporter for the liberal *Manchester Guardian* followed the Boer War in place and depicted it as a consequence of the expanding forces of international capitalism. Hobson was by the way not a Marxist but depicted in dark colours how Cecil Rhodes and the mine owners in Transvaal sought control over the gold and diamond fields, and manipulated, according to Hobson, the British government into the war with the descendants of the Dutch settlers, a European war between imperial powers on African ground. The British victory against the Boers was the tool to profit maximisation in the mining industry. Upon his return to England, Hobson strongly condemned the war. He explored the links between the war and imperialism in *War in South Africa* (1900) and *Psychology of Jingoism* (1901). His third work after his return, the opus magnum *Imperialism* (1902), made Hobson well known and a frequently quoted source. There he developed his idea that imperialism was the direct consequence of the expanding forces of modern capitalism. This work inspired Lenin when he formulated his theory on imperialism. The claims by the mining capitalists for the use of public resources for private profit had been enforced by their financiers, who seduced the government to embark on the war, “our latest and most costly exploit”.⁵¹ The war was “the clearest and most dramatic instance of the operation of the world-wide forces of international finance”.⁵²

Hobson connected his criticism of imperialism to his demand-orientated under-consumption theory. The elimination of the situation of under-consumption by increasing people’s purchasing power was a tool to tame the capitalist lust for imperialist expansion. Purchasing power for the lower classes was part of the argument for democracy and equal opportunities. By criticising the supply-orientated Say’s Law, named after the French businessman and economist, stating that products always find their purchasers, he contributed to a big debate on glut and under-consumption. In a sense his under-consumption theory echoed Sismondi in the glut debate back in the 1820s and heralded Keynes.

Lenin, Hilferding and Luxemburg developed Hobson’s ideas in a more deterministic direction. Imperialism was the latest and probably the last stage of capitalism, they argued. Free competition did no longer exist. Trusts, cartels and monopolies were the standard. New technological

advances had resulted in a fall of the profits as a consequence of the growing share of capital invested in machinery as opposed to labour. Capital had because of this development been compelled to turn to underdeveloped areas where more satisfactory yields could be made. In particular, they agreed with Hobson that the fatal tendency of capitalism toward irrational accumulation was linked to the fact that a large part of the working class was at the level of existence minimum resulting in a propensity to produce commodities without a simultaneous development of domestic markets to absorb this production.

WINNERS AND LOSERS

Many no doubt felt that their lot had improved as a consequence of industrialisation and the growth of markets. However, there were also many who believed something else. In the age of Marx the opening up of a world market for cheap industrial produce from the West and increased demand for raw materials from Asia and Latin America implied price shocks which greatly affected income relations.⁵³ For the losers in this global event the conclusion to be drawn was that free trade on a world scale was detrimental to their interests. It implied that the West was the winner and the benefits of free trade – in contrast to what British political economists in the beginning of the nineteenth century like David Ricardo had claimed. But what about income inequality and negative versus positive effects in the industrialising core countries? Since more than a century a debate has raged concerning the “standard of living” in Europe as a consequence of the industrial revolution. Early pioneers of social history such as Sidney and Beatrice Webb, Barbara and John Hammond and many others took for granted that the standard of living among ordinary working men had deteriorated as a consequence. On the whole this was also Karl Marx’s opinion. On this basis a debate broke out in the 1950s concerning whether this picture was correct or not – not only including Britain but also other major countries in Europe. New quantitative data seemed to suggest that while there might have been a slight detour in the 1830s and 1840s the general trend after 1850 was a steadfast rise of real wages. If we accept this – which not everybody does, arguing that even the “hungry forties” experienced at least a slight increase of the real wage – what seems to have happened was something political economist David Ricardo had warned of in 1823, namely that the introduction of labour-saving machinery on a grand scale would lead to the decline of the wages for workers when they were replaced by machines. “I am convinced,” Ricardo said, “that the substitution of

machinery for human labour, is often very injurious to the interests of the class of labourers.”⁵⁴ Without doubt a case for this can be built on the fate of the hand-loom weavers in the textile industries, not only in Britain but also in Germany (Silesia) and Northern France (Picardie) before 1860. Numerous contemporary reports vividly illustrate that while many weavers in non-mechanised “sweat” shops struggled on to keep pace with mechanised production – where increased productivity made possible lower prices for the finished goods – others were feeding the queues of the unemployed. Particularly in Germany and France this led to hunger riots in the late 1840s with working men and women smashing doors and windows in order to get access to food and other livelihoods – as well as destroying property and burning mechanical machinery which they accused of stealing their jobs. Not just something striking out from a clear sky, the revolutions of 1848 were a reaction to the miserable conditions of this decade.⁵⁵

However, at the same time the picture is varied and complex. This is also why it is so difficult to provide a generalised answer to the question whether the standard of living rose or declined as a consequence of the industrial revolution in a general sense. In certain localities and branches of industry there was undoubtedly a rise of real wages even during this period. In other places and industries there was a clear decline. Moreover, it is difficult to construct a clear-cut definition of how the standard of living should be measured. With nominal wages going in different directions and the prices of food and industrial manufactured goods developing unevenly it is difficult to generalise. To what extent the real wage rose or fell thus to a large extent depended on how the consumer basket for different families and individuals looked. Against this background, the British social historian Edward Thompson drew the conclusion that not only such (sometimes) quantitative data should be used in order to determine the “standard” of living. Also men’s experience of what they considered was right or wrong, their customs and expectations of life should matter for a more general assessment. To judge whether the standard of living has increased or not for a handloom weaver living in a small village in the countryside, perhaps combining handicraft work with a small farming plot, to the factory town of Manchester is cumbersome. Here he might have received a nominally higher wage but had to stay with his family in a filthy quarters without clean water.⁵⁶ In a complex manner it is to compare two very different ways of life and to draw general conclusions in a manner that can imply a “fallacy of composition”, which social scientists warn against.

However, after 1850 it seems safer to conclude that living standards also for working men rose steadily even though there were exceptions,

and comparisons over time are difficult to make. Rising real wages for workers probably also led to decreasing income differences within the core industrialising countries during the last half of the nineteenth century as a generalised pattern. To a large extent this was a consequence of the move from the countryside to towns with employment in the new mechanised industries, so called “gains of transfer” based on higher productivity and increasing wages. However, this did not stop the emergence of a new class of rich people not only based on rank and landholding as in the old society. Instead, this was the new “age of capital” with opportunities to gain great fortunes based on manufacturing or providing enterprises with fresh capital. A new kind of society divided up between workers and capital had seen its light. In this new social environment class distinctions seemed even more pronounced than before. Workers trying to carve out a new life for themselves and their families in a new and sometime strange environment compared their lot with those who owned factories and banks. Hence, even if their living standard might have risen in an absolute sense – and even perhaps in a generalised relative sense – their feelings of injustice and class oppression were based on another set of comparisons. In this comparative sense Marx lived on as a point of reference for a better and more righteous world. At the same time industrialisation opened up hopes and prospects for a better life in the future that were also shared by the working classes. Revolution was not necessarily the final stage. The struggle for gradual reforms was a muddling-through process where the means became the goal. Reformism did not exclude the belief in a final revolution and the triumph of the working class at the end of history, however. On the contrary, the belief in being on the winning side of history underpinned the endurance in the reformist everyday struggle for improvement.

GLOBALISATION OF WORK

A guiding principle with Marx was that international labour at the end would defeat international capital. The united workers of the world would untie the fetters that bound them to the liberal bourgeois nation states. Working-class solidarity would transcend the national borders.

Labour migration, too, transcended national borders. Transnational labour migration was a phenomenon, which seemingly fit well with the theoretical prediction about international working-class solidarity. In practice, however, it rather contributed to segmentation and division among the workers when they as cheap labour spread across the globe in

their search for occupation and in the search for profits by those who attracted them to move.

It is often said that capital is much more mobile than labour. Yet during the nineteenth century and as a consequence of industrialisation the world saw a great upsurge of global migration.⁵⁷ This was not something that affected only the newly industrialised areas. On the contrary the shockwaves of the industrial revolution – the world of Marx – caused a great upsurge of immigration in many places. Few were unaffected by the effects of changing relative prices, cheaper industrial goods and increasing demands for raw or semi-finished goods together with decreasing costs of transportation.

In the 1820s the global migration pattern changed dramatically and became much more of a mass movement than earlier. The number of migrants and the distance they moved increased to levels far beyond what had earlier been the case. The most intense migration movement was across the Atlantic. By 1820 some 11.3 million had travelled to the New World. Some 80 per cent of them, around 8.7 million, were slaves from Africa for the American plantations. Among the rest were many convicts and indentured servants from Europe. The New World recruited labour through coercion and contracts. The contracts as a rule meant prepaid travel to jobs with paltry pay and miserable working conditions. Furthermore, the contracts as a rule were signed for years of work. As opposed to slaves they were signed by “free” individuals. The difference between slaves and “free” labour was often subtle. Only in legal terms was the distinction clear.

In the 1830s the flow of free migrants exceeded that of African slaves, which had dominated the trade until then. The change from trade with slaves to the “free” movement of “free” humans seems to be big. However, the term “free” was often a euphemism. For millions, the emigration was a coerced escape from wretched living conditions, hunger and starvation, or political oppression and persecution. Many of the migrants moved to other forms of exploitation and subjugation, although most of the migrants probably experienced that they had improved their living conditions.

During the previous 300 years, since the beginning of European colonisation, 8 to 9 million had left the continent. After 1820 the number increased rapidly. During the century that followed, the European exodus numbered some 55–60 million. The European emigrants left for the New World in waves. Before 1850 the vast movement came from Britain and Germany. Thereafter, a rising tide of Scandinavians joined these streams followed by Italians, Spaniards and Portuguese in the 1880s and Poles, Russians, Austro-Hungarians and other East Europeans in the 1890s. The

movement of the migrants' place of departure, like rings on the water from the British origin, must be related to the spread of industrialisation after the beginning in Britain. More than two-thirds went to North America, some 80–90 per cent to the USA and 10–15 per cent to Canada. About 20 per cent migrated to South America, in particular to Argentina, Brazil, Uruguay, Peru and Chile, and 7 per cent to Australia and New Zealand.⁵⁸

The European emigration culminated between 1880 and 1914. At the end of the 1880s 800,000 Europeans emigrated annually to North America and after 1900 the figure rose to 1.3 million. In comparison with this European exodus few immigrants came from other continents. Between 1849, when the gold rush to California began, and 1882 300,000 Chinese arrived, mainly attracted by gold fever and job opportunities as navvies in the railway industry. The Chinese Exclusion Act in 1882 prevented further immigration. The Act excluded Chinese skilled and unskilled labourers and Chinese employed in mining from entering the country for 10 years under penalty of imprisonment and deportation. Many Chinese were relentlessly beaten just because of their race. The Knights of Labor, a US trade union, supported the Act since it saw the Chinese cheap labour as a threat to established wage levels. Concern about labour standards was embedded in racist language in the American debate around the Act.

There were two gigantic global migration movements during the century after 1820, the European exodus and the Asian exodus. Each involved some 50–60 million people on the move; the number of European migrants was somewhat larger. Fifty million or more moved from India and South China to Burma, Ceylon (Sri Lanka), South-East Asia, the Indian Ocean islands, East Africa, South Africa, the Pacific Islands, Queensland (Australia), Manchuria, the Caribbean and South America to feed the booming labour demand in the tropical plantations and estates for production of sugar, coffee, tea, guano, rubber and other primary products. Between the 1830s and the 1930s India supplied 30 million – 24 million of them returned. The net migration was thus 'only' six million, a small share of India's total population.⁵⁹

The historic settlements of Chinese were predominantly urban and commercial. Chinese merchants played important roles in the economies in South-East Asia, for instance. However, there were also rural settlers and labourers in plantations and mining industry. Chinese workers opened up tin mines in Malaysia and worked goldfields in Australia, South Africa, and California. Their labour contributions to colonial plantation economies undergirded the expansion of cash crop production in the nineteenth-century emerging world economy of mass production

and mass consumption. The south-east coast of China was in the middle of the nineteenth century the leading region from which colonial administrators worldwide sought contract workers for labour-strapped economies. Shiploads of Chinese workers left Fujian and Guangdong for places like Java, Belize, Cuba, Martinique, Peru, Demerara and Hawaii, in addition to the more conventional destinations in the Straits Settlements. The Chinese workers were crucial for the success of sugar plantations in the islands. They knew sugar production from southern China and they spread their competence in Cuba, on Oahu and in Thailand, just to mention a few places.

Havana had at the end of the nineteenth century the second biggest Chinatown in the world. It comprised 44 square blocks during its prime. Chinese immigration to Cuba started in 1847 when Spanish settlers brought in Cantonese contract workers to work in the sugar fields. Hundreds of thousands of Chinese workers were brought in from Hong Kong, Macau, and Taiwan during the following decades to replace the labour of African slaves. After completing eight-year contracts, the Chinese immigrants generally settled permanently in Cuba, where their descendants have since intermarried with local Cubans. After the Cuban Revolution of 1959, many Chinese Cuban entrepreneurs fled the country for the USA.

Sensing that the lack of available land and low wages made Peru unattractive to European workers, the Peruvian government decided to import Chinese contract labour, beginning in 1848. The hope was to duplicate the success of the sugar export trade in the West Indies and Cuba. Between 1848 and 1874 over 100,000 Chinese, almost all of them male, entered Peru with contracts despite international and local criticism of the use of semi-servile labour. Over 80 per cent worked on the sugar plantations of the north coast, although several thousand laboured, and often perished, in the guano mines. Others worked in urban areas as domestic workers, artisans, or unskilled labourers, and about 6,000 Chinese were employed in the high-risk building of a railroad line through the Andes Mountains.

Chinese workers also ended up in the Peruvian Amazon and settled in larger towns such as Iquitos and Huánuco. Some had fled oppressive plantation labour and were joined by free immigrants and those who had legally finished their contracts. People from Japan began migrating to the USA and Canada in significant numbers following the political, cultural, and social changes after the 1868 Meiji Restoration. In the United States, particularly after the Chinese Exclusion Act of 1882, Japanese immigrants were sought by industrialists to replace the Chinese immigrants.⁶⁰

The umbrella term for the Asian workers in other continents was coolie. Etymologically the term was derived from the Urdu word for (day) labourer. It was linked to the Turkish word *qul* for slave and to a Chinese word with the same phonetics, meaning “bitterly hard use of strength”. Coolie became embedded in a mythical aura. They were Asian labourers who worked under hard or inhuman conditions in the guano pits in Peru, in the gold mines in South Africa, in the sugar cane fields in Cuba or in the railroad works in the USA, Uganda or British Columbia. They were often seen with contempt by the white workers. The Californian Anti-Coolie Act of 1862 preceded the US Chinese Exclusion Act of 1882 by twenty years.

The transatlantic economy offered one migration economy while the rest of the world offered another, as Timothy Hatton and Jeffrey Williamson have noted. Although the meaning of “free” in the free labour markets on both sides of the North Atlantic varied, the difference was considerable as compared with Africa, Asia and during almost half a century also with the southern half of the transatlantic economy. There “unfree” is the proper label for the various forms of indentured contract labour. Migrants from India, China and Japan travelled to the plantation and raw materials producing economies stretching from South-East Asia to South America and Africa. The mass migration in this segmented sphere of indentured servitude and contract labour expanded as time went on, driven on the demand side by improving terms of trade for primary products from tropical estates, plantations and mines, and on the supply side by falling world transport costs. The difference between the “freer” North Atlantic labour markets and the rest, was not because there was more of a free market of jobs in the North. On the contrary, here gradually more rules emerged that regulated the market freedoms.

The migration to Africa was smaller than to America.⁶¹ A special kind of migration was the intercolonial movements within the British Empire. The migration flow went in particular to Africa. There are more than one million Indians in South Africa today, most of whom are descendants from indentured labourers who were brought to the Natal colony on the South African east coast for work in sugar plantations or coal mines. Subsequently Indian traders immigrated. In the eighteenth century, Indian Malays were brought to the Cape Colony as slaves by the Dutch colonial power.

Also, smaller Chinese communities emerged in the nineteenth century South Africa. At the end of the century, migrant workers came in particular to the gold mines around Johannesburg. They were outnumbered by a wave of immigrants from Taiwan during the Cold War. The apartheid regime had diplomatic relations with Taiwan and therefore

these immigrants were like those from South Korea classified as honorary white, granted the same privileges as the white. The descendents of the Chinese mine workers from Mainland China were classified as non-white and subject to numerous restrictions in residence, voting, education, work, and free movement.

Among the new mining settlements from the 1860s onwards, dependent on immigrating labour, the gold and diamond mines in South Africa and the copper mines in North Rhodesia (Zambia) were among the most important. The rise of the mining industry to the leading sector in the South African economy resulted in a short time in fundamental changes in the composition of the population. In the late 1860s diamonds were found in the later Kimberley on the Orange River. In the 1880s followed gold discoveries in Witwatersrand in the Boer Republic of South Africa (Transvaal). The finding proved to be the biggest gold deposit in the world. At the end of the nineteenth century more than a quarter of the global gold extraction came from South Africa. This was at a time when the gold standard was the monetary point of reference and this status had not only financial implications but influenced also very much the labour markets.

In a very short time, the demand boomed for workers in the mines and for maintenance of transport ways and provision of food and other commodities. As with the gold rushes in California in 1848–49, in Australia in the 1850s and in Colorado at the end of the 1850s, prospectors and gold diggers arrived in big crowds from Europe, North America and Australia together with a great number of labourers from Africa and to some extent also from China in a region which until then had almost no settlements. Johannesburg was a tent-and-hut camp for gold diggers established in 1886 at Witwatersrand. At the turn of the century in 1900 more than 1 million African workers lived there.

The work organisation in the mining industry was hierarchically organised. A few European engineers and experts controlled a great number of African labourers, who undertook badly paid and injurious operations under high risks. Between the 1910s and the 1950s, 20,000–40,000 Europeans controlled and managed 200,000–300,000 African workers. The majority did not come from the British colonies or the Boer republic but from the exclave Basutoland (Lesotho), the South-East African Nyasaland (Malawi) and, in particular, from the Portuguese colony Mozambique. Around 1900, 60 per cent of the African labour in the gold mines came from Mozambique. The employers in the mining industry recruited ever more cheap African workers to keep the supply of labour up at a high level. Agricultural and mining interests clashed because the farmers were concerned about the rising prices for labour.

Political agreements with Portugal guaranteed supply from Mozambique to prevent upward wage competition. The more the labour potential in the provinces and colonies north of the mountains was exhausted, the louder the employer voices for support in the recruitment of foreign labour. Between 1904 and 1907, 64,000 workers from the East Chinese provinces of Shandong, Hebei and Henan were hired on three-year contracts. Because of the miserable work, life and wage conditions the political and public reservations grew. The recruitment became an episode. With a few exceptions the Chinese were transported back home when their contracts had expired. The mining employers had managed to hire African workers without wage increases.

The immigration of Indian labour to the plantations in Natal was of greater permanence.⁶² Cash crops like sugar, acacia, and later tea and bananas boomed. Since the native population disposed of sufficient land for their own subsistence the labour supply was small. The Indian workers were contracted for five years at wages below any comparison. In 1904 there were more than 100,000 Indians in Natal, in 1911 152,000; half of whom returned to India after the contracts had expired. Many of these Indians were not working in the plantations, however. There, by the beginning of the twentieth century, instead a numerous African labour market reserve was at the disposal of the plantation owners. Many Indians had arrived in the framework of a migration tradition across the Indian Ocean established since 1875 involving petty shopkeepers and merchants, railroad workers and coal miners for the coal district in northern Natal.

The Chinese and Indian migration to Africa should be seen in the larger framework of the European imperial scramble for Africa from the 1880s on, in order to close the last continent exposed to colonialism. New European rivals like Germany, Italy and Belgium as well as the Atlantic and Pacific newcomers among the global powers, USA and Japan, competed on a worldwide scale against the old European powers of Britain, France, the Netherlands, Russia, Spain and Portugal on markets where they could sell their industrial products and buy raw materials. The informal empire, where colonialism was centred around private trade companies, was transformed into a formal empire under direct government control and more military strength. There was a close connection between this shift and the migration issue. The colonies in their new form and the administration of them needed more manpower at all levels of the job hierarchy.

Labour migration across the Atlantic, the Pacific and the Indian Ocean confirms Marx's argument about a rootless proletariat without a fatherland, but rejects his belief in the class solidarity of this proletariat. Some

of the migrants climbed to middle-class status but more went under in miserable living conditions without experiencing any solidarity from fellow workers sharing their situation. The solidarities were local and contextual, at most national, but did hardly involve the very poorest. The global labour markets that attracted workers despite exploitation never brought the cosmopolitan working class identity that Marx had predicted.

NATIONALISED SOCIALISM

The fact that Marx's prognosis of a transnational working class became experiences of national working classes on a global labour market had not least to do with measures taken by the economic and political establishments in the industrialising world to ward off the threat of class struggle socialism. These measures oscillated between repressions and concessions. Marx told his story as an inside story from the viewpoint of the working class. He depicted the adversary representatives of capital and what he saw as their extended arm in the state apparatus in a rather stereotypical way. The play on the stage of history offered more opportunities for improvisation than Marx imagined. He ignored the flexibility of the ruling elites in their politics for copying with the social question and the class struggle threat. They came to use concessions for national social integration much more than Marx had imagined. They offered a kind of national socialism as an alternative to class struggle socialism inviting the working class to struggle for reform and gradual improvement rather than destruction of the order that, after all, gave many of them bread.

The modern working class movement in the Western countries started out as an international movement recognising that the new capitalist order and the forces set free by its industrialising force did not stop at the state borders.⁶³ When the International Workingmen's Association was inaugurated in 1864 at a meeting at St Martin's Hall in London a great number of different left-wing and socialist groups and organisations from many European countries had turned up with delegates. Marx was appointed (by manipulative methods, according to his critics) to become secretary and wrote the address for the congress (often called the First International). In the beginning the French Proudhonists (after its leader Pierre-Joseph Proudhon, 1809–1865) dominated the scene and especially after the Basle congress in 1869 the confrontations between the followers of the Russian anarchist Michail Bakunin (1814–1876) and the rest became acute (the followers of Marx were never more than a small minority) as we saw earlier in this chapter. In 1872 at The Hague

conference there was an open split; Bakunin was expelled from the organisation and the General Council moved from Greek Street in London to, at that time, remote New York. Soon afterwards (in 1876) it was laid in its grave.

Even though it is easy afterwards to draw the conclusion that this First International ridden with internal political conflict and without a solid base in their home countries was doomed to be a failure, it should be judged by its own merits and by the standards of its own time. First of all, it was a genuine attempt to form an international association with a strong emphasis on international issues and with European peace as one of its most important issues. The Crimean War (1853–1856) was still in everybody's memory and there was a danger of new wars about the Balkans between not only Russia and the failing Ottoman Empire, but also the other empires: Britain, France and Habsburg, who all had strategic and geopolitical interests in the area. In the German lands the great showdown between Austria and Prussia had just begun. The border conflict between Prussia and Denmark developed into a war the year after the foundation of the German Social Democratic Party (*Allgemeiner Deutsche Arbeiterverein*). Many expected that France would be the next victim of Bismarck's project for German unification with blood and iron. In this context to take a definitive anti-militarist stand for peace – as at the Brussels conference in 1868 – arguing that socialism was an international project was highly significant. To what extent the socialists, if unified, could have been a better opposition force against coming disasters than what the European labour movement proved to be in 1914 we will never know. However, after the failure of the Paris Commune in 1871 the split between a more radical wing (including the Marxists) and a more moderate wing became too wide to grapple. In ordinary historiography it is most often recognised that the Paris Commune and the breakup of the International Workingmen's Association signalled the definitive split between those who later would become communists and those who become socialist reformists.⁶⁴

However, more important than this split in the wake of the failure of the Commune is probably the fact that socialism became less international and more based upon national ground. The struggle between revolutionaries, reformists, anarchists, syndicalists and so on went on in national frameworks. Hence, against the upsurge of industrialisation, the following decades saw the build up of strong socialist workingmen's parties, often connected with newly started trade unions and with mainly national agendas in order to plea for social and political reform or (a group increasingly in a minority position) for revolution.

The standard here is often set by the achievements of German social democracy.⁶⁵ Its origins can be sought in Ferdinand Lassalle's *Allgemeiner Deutsche Arbeiterverein*, started in 1863 – with a much more national programme than the Association in London – agitating for social reform, a united Germany and universal male suffrage. In 1869 the two Marxist leaders August Bebel and Wilhelm Liebknecht started the *Sozialdemokratische Arbeiterpartei*. At a party gathering in Gotha in 1875 it took a new party programme, which turned out to be a combination of Marx and Lassalle – and was heavily criticised by Marx. According to him the party programme hailed the German (Prussian) state too much and had forgotten all about internationalism. Bismarck's *Norddeutsche Zeitung* was correct in claiming, he wrote, “that the German working class party in its new party programme has abandoned internationalism”.⁶⁶

Hence, the parties that founded the Second International in 1889 (the German social democrats, the Belgian and French socialist parties, the Swiss social democrats, the Swedes, etc.), were nationally founded and from the beginning deeply involved in the life and struggles of the working class in each country. In general they fought for political recognition, joining whatever parliament there was in their own country and even if possible to have seats in government. Of course, there were loud minorities against such approaches, for instance the Marxists in France in the 1880s guided by Jules Guesde and Marx's son-in-law Paul Lafargue. The Second International was of a very different kind than the first. There was much more politics of reform for gradual improvement of social standards than in the First International, which was much more guided by the class struggle parables. The national parties making up the Second International were busy organising their working classes for national goals within the context of political reform and – in different forms – contributing to the establishment of what at the time was known as the social state.

The very plea for a social state was as much as the creation of the working class movement a response to the industrial revolution and the emergence of a global market not the least made possible by the revolution in transport. The building of railways and the emergence of steamships made it possible to permeate foreign markets. Together with fast increasing productivity in manufacturing this caused a rapid change of relative prices, which triggered dramatic changes concerning the international division of trade. This, in turn, led to the rise of businesses, industrialisation and de-industrialisation, a rapid increase of international capital movements and international migration.

Peoples and states confronted with such challenges responded in different ways, with anger, wry acceptance or saw in them great opportunities to build new futures and riches. As we saw, one clear effect of the dramatic effects of the new global economic order was increasing differences of income. Hence, there were clearly losers and winners in this process of change. On the global level there is much to speak for an absolute increase of material standard as a consequence of the industrial revolution. On the other hand, there is also much that speaks for a growing relative gap between the richest and the poorest countries in income terms at the same time. Hence, Europe and from the late nineteenth century the USA and the other so-called European offshoots expanded in wealth and national income while especially Africa and Asia fell more behind than earlier.

Hence, the rise of the social state and the emergence of more national economic policies and schemes at the end of the nineteenth century belong to a class of phenomena that Polanyi, as we saw, defined as “the re-embedding counterforces” of industrial expansion with its simultaneous rise of a more global capitalist market economy. We have already mentioned the clear tendency of increased tariffs from the middle of the 1870s and onwards. Depending on their position in this new situation states searched for protection for their production, their workers and their peasants.⁶⁷

Such “counter-forces” were not least attempts by ruling elites to contain and integrate social protest against the shadow sides of the emerging industrial capitalism. The states did not appear as the instruments of capitalism as Marx had prognosticated. Instead of being instruments of exploitation and suppression they became instruments of social integration. Bismarck’s social legislation in the 1880s is a well-known case in point.⁶⁸ His old-age pensions, sickness and work accident insurances were the first in the world and became the model for other countries and the basis of the modern welfare state. He could build on welfare programmes in the reform bureaucracies in Prussia and Saxony that had begun already in the 1840s in order to prevent new revolutions after those in 1789 and 1830. His attempt to appropriate the vocabulary about the social issue from the socialists meant that he in many respects came close to their agenda, and he even had occasional contacts with the social democratic leader Ferdinand Lassalle. But he was also keen to get rid of competition from them. Consequently the organisations of the socialists were forbidden from 1878 until Bismarck’s dismissal in 1890.

Already a decade before Bismarck, Benjamin Disraeli had, against the backdrop of the threat that the experiences of the Paris Commune

represented, in 1874–1875 launched a government programme of social reform. The programme signalled a new academic-political approach to national integration in Europe which would speed up with Bismarck in the 1880s. National integration came to mean social integration of the working classes. The British prime minister had manifested his attention to the social question already in his 1845 novel *Sybil, or the Two Nations* (the rich and the poor), where he referred to “the only duty of power, the social welfare of the people”. In 1874, his concern became political, with a programme for social reform in housing, savings and labour relations, against slum buildings, and for public health. The Employers and Workmen Act 1875 established equality before the law regarding labour contracts. Other laws allowed peaceful picketing and regulated labour standards in factory work. At about the same time as Bismarck’s reforms Count Eduard von Taaffe, prime minister in Cisleithania, the Austrian half of the Habsburg double monarchy, introduced a similar social conservative reform scheme connected with Christian social doctrines: factory inspection for the control of working conditions (1883), prohibition of factory work for young people under fourteen and night work for female workers (1885), a maximum 11-hour working day, work accident insurance (1887) and sickness insurance (1888).

Bismarck could build his social reforms not only on the experiences from Prussia and Saxony. He also received academic support. In 1873, a number of reform orientated professors in *Nationalökonomie* and sociology including Gustav von Schmoller and Adolph Wagner founded the *Verein für Sozialpolitik*: the Association for Social Politics. The task of the association was to become a forum in which academic, economic and political-administrative elites could communicate about necessary measures to be undertaken on the basis of social scientific research results. An urgent requirement was the establishment of a public debate about what was referred to as the “social” or the “class question” and how to solve it. State and society necessarily had to be activated in order to establish a balance between the social interests drifting apart, the professors argued.⁶⁹

The arguments of the professors, who saw themselves as responsible representatives of the state, laid obviously out an alternative future scenario to that of Marx and an alternative view of the state to the Marxian imagery of a repressive instrument in the hands of the representatives of capital. They were soon labelled as *Kathedersozialisten*, alluding to their academic chairs. Their association saw itself as a mediator between socialists and market apologetics. They were politically conservatively or social-liberally orientated, and did not only have an external face towards the public but also a face towards the internal

academic debate. Moreover, they all belonged to the so-called historical school, which had emerged in Germany in the early nineteenth century in conflict with the British classical economists. The historical school rejected the assumptions of universal laws governing economic performance, the discovery of which many classical economists saw as their task. The search for the universal economic and social laws had made classical economy blind to the growing social problems in the wake of industrial capitalism, the historicists argued (this was undoubtedly unfair). In contrast to universalism they preached that each country based its development on its historically given norms, practices and institutions. The same problem could be approached very differently from country to country depending on the specific historical heritage.

In France, the development was similar, although there the academic discipline was sociology, in particular in the version developed by Émile Durkheim in his work on the differences between the mechanic solidarity of traditional societies and organic solidarity based on division of labour in modern societies.⁷⁰ With his concepts of solidarity and division of labour he demonstrated the increasing interdependence – instead of independence – of individuals in industrial societies. Also in French political science there was a movement from the assumption of universal laws explaining economic and social behaviour towards historically derived theories in favour of state intervention. There were in France basically two lines of thought on social state institutions. The most influential was *solidarisme*, the main interpreter of which was Léon Bourgeois, who was strongly influenced by Durkheim. The second line of thought was the state interventionist approach with basic academic domicile in political economy, where ever more protagonists found the laissez-faire attitude unacceptable and promoted reinforced state activity to mitigate the class clash.⁷¹

In Italy, the *liberalisti* among the political economists, persistent adherents of the liberal theory and advocates of radical free trade lost ground to the *statalisti*. The *statalisti* was a heterogeneous group of economists who got together in the *Associazione pel progresso degli studi economici* in a response to the foundation of the *Società Adamo Smith* in 1874 by the liberals. They incorporated in the statutes of their association a list of political measures to be promoted by their association. The *statalisti* took over the debate in the 1870s.⁷²

The development was similar in Sweden. The influence of the German Katheder socialists was obvious in political economics and social sciences. In the years around 1900 conservative political science professor Rudolf Kjellén suggested national socialism as an alternative to class struggle socialism. He also argued that the nation had to be organised as

a home of the people. Like Bismarck in Germany a couple of decades before, Kjellén aimed at appropriating the language of the social and of people and nation from the socialists. The social democrats were not uninterested in the idea of the *folkhemmet*, but wanted to give the home of the people a different design. A 30-year discursive struggle about giving meaning to the concept of the people followed until the social democrats in the 1930s took over the priority of interpretation and maintained it for half a century.⁷³

The outdrawn crisis of liberalism since the 1870s and the ever louder voices all over Europe for state interventions in the economies culminated in 1914 when the outbreak of World War I activated the states for reinforced resource mobilisation. Social integration was important for supportive home fronts. The state leaders were successful. The rhetoric of international working-class solidarity disappeared when the social democrats in almost all European countries rallied behind their governments in support of national war efforts. Socialism was nationalised. The war meant massive expansion of the tasks of the states, also in the social area. Experiences of how the state apparatus could be used for regulation of economies and the social services were accumulated. These experiences, in turn, provided a new basis for envisaging the welfare state.

The gloomy Russian war performance, with its subsequent supply problems, precipitated the revolution in 1917.⁷⁴ The Russian revolution radicalised Marx's state theory in a different direction than the Western social states. It did so under the assumption that after what Marx saw as the necessary stage of the dictatorship of the proletariat, the socialist statelessness somehow would emerge. The Soviet state anxiously watched this stage against signs of dissolution. What followed was a much more radical state model under the label of the dictatorship of the proletariat and somewhat later socialism in one country. The state became a bastion for the defence of the revolution. Marx reappeared a generation after his death through the lenses of Lenin. He, and even more, his successor Stalin, overstretched the theory of Marx about history as class struggle under confusion of their interests to maintain the power after the revolution in the name of the working class and the material and immaterial interests of the people. The Soviet state of the dictatorship of the proletariat (or rather of the Communist party) became permanent, which does not mean that it was perpetual as we know. It lasted until the anti-communist revolutions in 1989–1991.

MARX TODAY

What remains of Marx today? Did his thoughts die with Lenin and Stalin? Is there anything in his writings worth reflecting on and to perhaps even try to recuperate today? By trying to reading him without the filter Lenin and Stalin?

Perhaps most of all Karl Marx was – together with Friedrich Engels – a perspicacious observer of his time and of the social injustices in the wake of the spread of industrial capitalism. He drew attention to an ever bigger social problem through the growing tension between property and poverty, and he understood how to translate what he saw into a charismatic action-orientated language. He saw the global dimension in the exploitation of the new category of wage labour. He was a man of vision, although his vocabulary was not only compelling but his theoretical reasoning was also obscure and ambiguous.

However, when he tried to translate what he saw into a more general theoretical reasoning he was less successful. He certainly understood how to develop the contentious thoughts of the Smithian and the Ricardian schools, and their debate on under-consumption or over-production in new directions. He understood the dramatic consequences for the whole social organisation that followed upon the emergence of contract-based wage labour. He understood, to give a theoretical framework to his observations, that growing concentration of capital of a new and different kind than the old landed property went hand-in-hand with increasing proletarianisation; that property and poverty were not exclusive categories but closely linked. He understood the dimension of conflict in industrial capitalism, whereas the classical economists often had emphasised interest harmony. He developed an alternative determinism to that of the classical economists who laboured with development laws intrinsic in the economy itself. Not the anonymous machinery of the economy but the working class of flesh and blood, the acting humans, had the future in their hands. The working class and the class struggle gave the economy a face. There was also a determinism built into this history, although the degree of determinism varied in his thought depending on the context, and, in particular, in the ex-post interpretations by the exegetics of the master.

However, despite all this, his theory remained a torso. He never managed to develop a fully fledged alternative to the model of wealth and peace through commerce and distribution of labour that emerged in the first half of the nineteenth century (but which had more to do with Richard Cobden than Adam Smith). In the German-speaking world after

the turn of the century, the *Kathedersozialisten* and the historical school seemed to have delivered much more convincing answers for social and economic developments than Marx with his emphasis on the class struggle.

Still, Marx provoked questions that the classical economists did not address or circumvented under the general assumption that the economic growth, which they envisaged, would mitigate social problems. He discerned sharply major problems in capitalism such as recurring crises, speculation bubbles, overproduction and under-consumption, but when he tried to interpret what he saw, and translate the contemporary developments and events to his theoretical thought he failed repeatedly and changed his mind all the time. In 1848 his view shifted from hope to realism to disappointment in a short time. In 1870 he – and Engels – was supportive of Bismarck's war on France – because they envisaged that the Prussian victory would lead to a centralised German state that would provoke the emergence of a centralised German organisation of labour and prove that the French socialist and anarchist Pierre-Joseph Proudhon was wrong in his disbelief in the organisation of the class. When Marx saw the old German lust for Alsace pop up, he turned vehemently against the war.

Leaving aside his angry intervention in a letter to Engels against his son-in-law Lafargue and Guesde in 1883 that “if they were Marxist he was certainly not a Marxist himself” what it has meant to be a Marxist has been the subject of endless exegetic expositions of a more or less sectarian kind. One of the most frequent bones of contention in these struggles has been the question of revolution or reform, where Marx automatically stood for revolution. The problem was only how to recognise whether the situation was revolutionary or not. The belief in gradual reforms under maximal exploitation of the power situation was a sin against the true doctrine. Practices by social democrats and communists came to demonstrate that reform and revolution belonged together instead of being opposite categories, however. On this point Max Weber stood for a perhaps better theory, when he in his *Protestant Ethics* showed how the religious belief in worldly steadiness and conscientiousness resulted not only in worldly success but went in tandem with the belief in final triumph at the last judgment.⁷⁵

However, despite the shortcomings of Marx's theory, and of the hypocritical and bloody practices of it, referring to some exegetic expounding of the theory rather than applying it, Marx no doubt touched a tender spot of the capitalist order, which still is with us: the question of social inequalities and exploitation.

NOTES

1. There are a large number of biographies published on Marx. See, for example, Wheen (1999) and Hosfeld (2009).
2. For a lively description see Goodway (2002).
3. Clark (2006, p. 490).
4. Marx (1975 [1850]).
5. Marx and Engels (2002 [1848]).
6. Concept used by Brunner (1937). On “proto-industry” in Europe in the Early Modern Age, see the contributions in Cerman and Ogilvie (1996).
7. For an overview of this development with references, see Stråth (2016a, Chapter 2).
8. On this theme, see for example, Jones (1983).
9. Jones (2002; 2004).
10. Jones (2002).
11. Marx (1859). The arguments were further developed in the first volume of *Capital* with the subtitle Critique of Political Economy: Marx (1976 [1867]).
12. Engels (1845).
13. Marx (1859); Wagner (1990, pp. 157–8).
14. Charles Taylor (2006).
15. Marx (1965 [1845], pp. 44–45).
16. Marx and Engels (2002 [1848]).
17. For an elaboration, see Magnusson (2009, especially Chapter 3).
18. Presented at length first in Marx and Engels (1971 [1845/46]).
19. Marx, (2007 [1852]).
20. Marx and Engels (2002 [1848], p. 90).
21. A seminal overview of Marx’s political economy is presented in Howard and King (1975).
22. On this see Howard and King (1989, Chapter 3).
23. On the history of the First International, see for example, Stekloff (1928).
24. Marx (1986 [1871]).
25. Hirsch (1970 [1891]).
26. Marx (1986 [1871]).
27. Katz (1992).
28. Hilferding (1975 [1910]).
29. Shanin (1983).
30. More on this in Magnusson (2009).
31. Refer, for example, to Crafts (1985). For a recent synthesis see Allen (2011).
32. Marx (1848).
33. For the following, see Magnusson (2003).
34. Cobden (1835; 1836).
35. Bairoch and Burk (1989).
36. Nye (2007).
37. Gallagher and Robinson (1953).
38. List (1841, p. 141).
39. Cain and Hopkins (1993, Chapters 3 and 4).
40. Mommsen (1981).
41. Lenin (1917).
42. For a new interpretation of European imperialism, see Beckert (2014).
43. Marx (1979, p. 217).
44. See, for instance, Marx (1979).
45. For an overview, see Ray (2011).
46. Marx (1947, 1962 [1867], p. 455).
47. Marx (1947, 1962 [1867], p. 455). Williamson (2011, p. 75f).
48. Feis (1930).
49. On Marxist interpretations of imperialism, see Brewer (1990).
50. Hilferding (1975 [1910]) and Luxemburg (2003 [1913]).

51. Hobson (1902, p. 380).
52. Hobson (1902, p. 380). On Hobson, see for example, Magnusson (1994).
53. Strongly emphasised by Williamson (2011).
54. Ricardo (1951, p. 388).
55. On the classical debate on the standard of living in Britain during the industrial revolution, see Taylor (1980).
56. Thompson (1980). For a recent assessment, see Allen (2009).
57. Hatton and Williamson (2008).
58. Hatton and Williamson (2008).
59. Hatton and Williamson (2008).
60. Hatton and Williamson (2008).
61. Hatton and Williamson (2008).
62. Hatton and Williamson (2008).
63. On the internationalism in the early working class movement, see Hobsbawm (1988).
64. See Stekloff (1928) and Katz (1992).
65. Potthoff and Miller (2006). More of the historical context in Berghahn (2005 [1994]).
66. Marx and Engels (1970, p. 13).
67. Polanyi (2001 [1944]); Stråth (1996).
68. For a comparison of the emergence of state responsibility for welfare after 1870, see Stråth (1996) who compares Germany, Japan, Sweden and Britain. See also Hennock (2007).
69. Von Plessen (1975); Lindenlaub (1967).
70. Durkheim (1893).
71. Wagner (1990).
72. Wagner (1990).
73. Trägårdh (1990; 1993).
74. A modern interpreter of the Russian revolution is Fitzpatrick (2008).
75. Weber (2002 [1904, 1905]).