

The MEGA and Marx's Studies of 19th Century Economic Crises

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Abstract: With the continuing publication of the complete works of Karl Marx and Friedrich Engels (*Marx-Engels-Gesamtausgabe*, MEGA), a bulk of new material concerning Marx's studies of economic crises and theories of economic crises has been made available – with further releases expected to follow. These publications have revealed Marx's enormous efforts to study in detail every economic crisis he lived through, the most prominent example being the three *Books of Crises* (*Krisenhefte*), which Marx compiled in 1857-8 in midst the first economic crisis of global scale. The presentation aims to provide, first, an overview over new MEGA-texts regarding Marx studies of actual occurring 19th century crises and crisis theory. In the second part, a closer look will be taken on Marx's crisis studies in the 1840s. A comparison between Marx's notes on James Mill's *Elements of Political Economy*, written in the *Paris Notebooks* (1844), and his excerpts from John Stuart Mill's *Essays on the some unsettled Questions of Political Economy*, taken in his *Manchester Notebooks* (1845), reveals Marx's changing stance on classical political economy's 'general glut controversy', i.e. the debate over the (im-)possibility of overproduction crises in commodity-producing societies. In between his stays in Paris and Manchester, Marx took extensive notes from the works of Simonde de Sismondi in the *Brussels Notebooks* (1845), which played a major role in his break from his former anthropological-essentialist thinking.

1. Overview over Marx' studies of 19th century economic crises and crisis theory

Invited to speak about the recent progress of the *Marx-Engels-Gesamtausgabe* (MEGA), the historical-critical edition of the complete works of Marx and Engels, I would like to draw your attention not only to the latest publications, but also to older however comparably neglected ones. The guideline of this will be Marx's studies on the economic crises of the 19th century. Since the beginning of the publication of the MEGA in 1975, a bulk of new material concerning Marx's studies of economic crises and its theories has been made available – with further releases to be expected. It has now become clear that Marx, until the end of his life, never stopped to look in depth at economic crises, and, in total, left a panorama over the complete industrial cycle he lived through: from his early reception of the 'general glut controversy' to the observation of the commercial crisis of 1847; from the following cycle to the first economic crisis of truly global dimension in 1857-8; from here to the panic that occurred on the British financial market in 1866 and the subsequent recession; from here to the *Gründerkrach* 1873, the advent of the so-called "long depression".

In the first part of the presentation, I aim to provide a brief (and probably incomplete) overview over the new texts by Marx related to crisis and crisis theory that were made available through the MEGA or are yet to see the light of day with the continuing publication of this edition. This overview necessarily remains on the surface and intends to demonstrate rather the variety of issues, texts, and theoretical problems Marx dealt with in the context of his studies of economic crisis.

To Marx, studies of crises meant also studies of crisis theory. Here is where the harmonic and static political economy is forced to explain crisis – which contradicted its harmonic and static concepts –, where empirical material is gathered, and practical proposals are made. It is not without purpose that Marx wrote in his draft for *Capital*, Volume 3, that “die erwähnenswerthe ökonomische Literatur seit 1830 löst sich hauptsächlich in Literatur über currency, Creditwesen, Crisen auf” (MEGA II/4.2, p. 545). As will be shown in the second part of this paper, already when making first contact with the science of political economy in Paris in 1844, Marx accused the school of Ricardo for being incapable of explain crisis, what was probably a strong motivation for Marx to turn to the science of political economy himself.

It was only after the commercial crisis of 1847 had already ceased, when Marx, in the editorials and articles like *Die Klassenkämpfe in Frankreich*, written for his journal *Neue Rheinischen Zeitung – Politökonomische Revue*, began to seriously comment on it. In the *Editorial* to the fifth issue of the latter journal, Marx and Engels attempt to analyze the industrial cycle from 1836 to 1850 (MEW 7, pp. 292-5; see Mandel 1968, pp. 63-74). Behind these articles lay the extensive Right after having been exiled to London in 1849, Marx took up his economic studies again, now being provided with the large collection of politico-economic literature of the British Museum, and hence to texts he could not access on the continent. What even the until today most comprehensive study on the 24 *London Notebooks* (Schrader 1980) has overlooked, is that the very first complex Marx examined in London is the history of the commercial crisis of 1847-8. Convinced of the existence of a link between crisis and revolution, Marx took extensive notes from *The Economist*-issues from the crisis years and from the specific historical and theoretical literature dealing with this crisis, like Morier Evans (1848), Ashburton (1847), Kinnear (1847) and Anderson (1847) (see MEGA IV/7), before focusing on the classical and recent works on the relation between money, credit and crisis in the aftermath. On the top of that, Marx looks closely at the infamous debate between *Currency School* and *Banking School*, which was not only an argument over the nature of money, but at its heart also a dispute about its proper and crisis-preventing regulation. The representatives of the *Currency School* argued that economic crisis would no longer occur after their core ideas had been implemented in

Peel's Bank Act passed in 1844, but, only three years later, the crisis of 1847 denied this optimism in practice.

Marx resumes, expands, and comments his hitherto collected notes on crises twice: First, in the middle of the *London Notebooks* in the manuscript that he calls *Reflection* (1851); second, in 1854-5 in a manuscript entitled *Geldwesen. Creditwesen. Crisen* (IISG, Marx-Engels-Nachlass, Sign. B 79). This manuscript, which might reveal Marx's stance on these matters before the outburst of the first global economic crisis, has yet to see the light of day. Recalling that it was only two years later, in the *Introduction to Grundrisse zur Kritik der politischen Ökonomie* (1857/58), when Marx placed the "world market and crises" ("Weltmarkt und d[er] Crisen", MEGA II/1, p. 43; see also *ibid.*, pp. 151/152, 187) as the categorial final of his analytical system – what he later confirmed in his 6-book plan (MEGA II/2, p. 99) –, one might conclude that at this point of his thinking, Marx probably considered to write an independent book on crises, their theory and their history, with *Geldwesen. Creditwesen. Crisen* forming its possible foundation.

Parallel to these studies, Marx analyses permanently throughout the 1850s the respective conjuncture. As is well known, Marx expected a new economic crisis to foster new revolutionary movement of emancipation, despite the failure of the revolution of 1848 and despite its following restoration – with Bonapartism emerging as a form of state-oriented modernization: "Eine neue Revolution ist nur möglich im Gefolge einer neuen Krisis. Sie ist aber auch ebenso sicher wie diese." (MEW 7, p. 440). Highly optimistic, Marx announces the outburst of a new crisis in nearly every year of the 1850s in his letters to Engels.

It still needs to be investigated if it was right at or already before the outburst of the first global economic crisis in 1857, that Marx took extensive notes from Thomas Tooke's *A History of Prices*. In this multivolume work, Tooke, a *Banking School* representative, aimed to demonstrate empirically that the currency in circulation was not the cause for the price of a commodity, and, hence, the excess in circulation could not explain falling commodity prices and the resulting crisis, as many supporters of the quantity theory of money assumed.. Marx's 1857-excerpts from Tooke are still unpublished. Marx, whose theory of money owes a lot to Tooke (see Arnon 1984), was probably inspired by these notes to carry out an own examination into the recent crisis. When the failure of a New York Bank in August 1857 (what Engels called a "crash delightful" (Engels to Marx, 29 October 1857, MEGA III/8, p. 191)) was followed by bourse crash, monetary panic and soon hit the most important industries of nearly every industrial country, it was above all England's banking system, as the center of international finance, that turned out to be the place of contagion: From here, the crisis spread to Hamburg and Italy, but hit also China, India and Australia. When the 'arrived' in

England, Marx began immediately collecting empirical documents on the crisis, which he compiled alongside with own notes, excerpts, and cuts from newspapers, such as *The Economist*, *The Times* und *The Morning Star*, to the three *Books of Crises (Krisenhefte)*, which serve as a pretty accurate documentation of the crisis' trajectory as well as of Marx's perspective on it. The three *Books of Crises* – entitled *1857 France*, *Book of the Crisis of 1857* and *The Book of the Commercial Crisis* – were published just this year in the MEGA volume IV/14 for the very first time.

It is striking that, unlike in the *London Notebooks*, Marx did not really care much about the specific crisis literature this time. Out of the many historical and empirical works on the crisis (f.i. Morier Evans (1859)), Marx took very brief notes only from Wirth (1858) only more than ten years later, in the face of the latest recession of 1867-8 (the still unpublished excerpts in: RGASPI, Sign. f. 1, op. 1, d. 2423). This means that Marx did not read the works of Clément Juglar (1860), the today sometimes celebrated 'discoverer' of the industrial cycle, although Marx was aware of his *Des Crises Commerciales et de leur Retour Périodique en France, en Angleterre et aux États-Unis* and annotated this title in a later notebook (IISG, Marx-Engels-Nachlass, Sign. B 128, p. 281).

The content of the *Books of Crises* is manifold. Still very much inspired by the crisis theory of Simonde de Sismondi, Marx reflects upon the role of new markets/outlets in India and China in overcoming the crisis. Another issue refers to the role of the state in mediating the crisis. Marx is very interested in the Bonapartist state's crisis management as France, unlike Britain, seemed to have gotten around the crisis. In the notebook *1857 France*, he specially designed a section entitled "Governmental Measures", in which he discusses potentials and limits of the state intervention in solving the crisis. Marx counted several "*Maßregeln des Bonaparte*", three of them stand out: The French state under Louis Napoléon supported the rail road companies with extra state credit; it furthermore prohibited the melting down of silver coins and the exportation of gold and silver (in order to guarantee the metallic basis of the monetary system); and suspended the exportation of wheat and wheat distillation ban (to enable wheat surpluses to be exported and to keep foreign alcohol from being imported to France (see MEGA IV/14, pp. 34-5)). In this respect, the French state tried to stabilize the banking and the monetary system and tried to export the crisis to its neighbours. However, the "governmental measures" were manifold, but limited to currency, budget, customs, taxation, the regulation of foreign trade, and the legality of branches. Hence, the "night watchman state" of the 19th century, even in his Bonapartist variation, did hardly dare to directly intervene into the immediate sphere of production, unlike the state of the 20th century state-oriented phase of capitalist development in all its variations (real socialist, Keynesian-social-democratic, fascist).

Not only because Marx, in his letter to Engels on 2 March 1858 (MEGA III/9, p. 86), drew a connection between the length of the industrial cycle and the reproduction length of fixed capital, the

relation between the *Books of Crises* and the *Grundrisse der Kritik der politischen Ökonomie* (MEGA II/1) is an issue at stake. It was in the latter that Marx presented the same connection between the reproduction of fixed capital and reproduction of capital as such, and, hence, derived from it the length of the industrial cycle to be “plus ou moins decennial” (MEGA II/1, p. 597). Furthermore, what is the relation between the *Books of Crises* and Marx’s articles for the *New-York Daily Tribune*? At the moment, we don’t have access to all of Marx’s articles written on the crisis of 1857-8. We can expect at least one new NYDT-article directly coping with the crisis to be published in the MEGA-volume IV/16.

In the 1860s, we can witness the breakthrough of Marx’s own theory of crisis. One highlight is the *Economic Manuscript of 1863-1865*, that includes the draft for *Capital*, Volume 3, and of course the infamous chapter 5 on credit, where Marx derived fictitious from interest bearing capital. Engels admitted that editing this chapter caused him severe difficulties. Clearly, this chapter was left unfinished by Marx, and it is safe to say that, in his editing, Engels aimed at presenting the text to be more complete than it actually was.

Thanks to Japanese researchers like Otani (2016) and Miyata (2016), we’re aware that at the heart of the ‘credit chapter’ is the relation between the accumulation of reproductive capital and the accumulation of loanable, ‘moneyed capital’. Marx tries to determine this relation in two respects: First, from the perspective of capital’s historical dynamic towards over-accumulation, and, second, by referring to the industrial cycle from the crisis of 1836-39 to 1847 and to 1857-8. Even if he considers the cycle – as the ‘particular’ – to lay ‘outside the scope’ of his analytical framework (see MEGA II/4.2, p. 431), the cycle nevertheless proves its methodological relevance as independent variable, by which the relative autonomous movement of the loanable moneyed capital can be traced. This is the reason why Marx delivers his perhaps most detailed analysis of the industrial cycle 1839-1847-1857 in the ‘credit chapter’ in the manuscript of *Capital*, Volume 3. I’d argue that this is much better seen in the unfinished manuscript than in Engels’ edition.

Marx examines how moneyed capital had accumulated in England, alongside the industrial boom 1844-6, and extended it beyond its limits, before its sudden devaluation in the crisis of 1847. This devaluation of moneyed capital accelerated the crisis of the productive capital and made the interest rate rise, despite a relative surplus of moneyed capital. In times of crisis, money is demanded in order to pay (ibid., p. 434), but moneyed capital is money in order to buy, to be borrowed, and turned into productive capital; in the crisis, however, it is turned into inconvertible capital. In the long-term development of the capitalist mode of production, this moment is repeated as a tendency: Where the accumulation of productive capital is more and more stagnating, the productive capital is

turned progressively into moneyed capital, during this phase of over-accumulation. Hence, according to Marx, “this *plethora of moneyed Capital* [proves] nothing else than the *limits of the capitalist production process*” (ibid., p. 586). But how does Marx explain the supposedly paradox, that, in times of crisis, the rate of interest reaches its peak, whereas it has a tendency to fall in the long run? I’d argue that we can trace the questions that puzzled Marx much better in his unfinished manuscript than in Engels’ edition.

To this is added another complication: It is much likely that Marx would have used his immense studies on financial markets and the Panic of 1866 in 1868 to rewrite this chapter. One reason why Marx took these notes two years, collected in six notebooks (IISG, Marx-Engels-Nachlass, Sign. B 108, B 109, B 113, P 1, P 2, P 3), after the incidents his lack of time for research, since he was in the middle of preparing the publication of the first volume of *Capital* instead. Another reason is the intensification of the crisis, or: the transformation of the panic into a crisis. The depression of trade and industry became apparent in the year 1867, after the panic, triggered by the failure of the greatest British bank *Overend, Gurney & Co.* on “Black Friday”, 11 May 1866, had long passed. This is reflected in the header in Marx’s notebook: “*Crisis of 1866 u. Nachwirkungen*” (IISG, Marx-Engels-Nachlass, Sign. B 113, p. 87).

The excerpt notebooks Karl Marx wrote in 1868 serve a double purpose: On the one hand, Marx was eager to study the crisis of May 1866 in order to continue his comprehensive studies on the cycle of business and crisis. On the other hand, since this crisis appeared to have “financial character” it could serve as a treasure chest for Marx to further work on the relation between finance and production. Therefore he analyses weekly reports on the transactions of the Bank of England by collecting massive data on the money and credit market.

In these notes, taken from *The Economist* (issues from January 1866 to December 1868) and *The Money Market Review* (May 1866 to December 1868), Marx is interested in price movements, the credit market, the failures of the great banks, railroad companies, and last but not least the French credit societies like *Crédit Mobilier*. Marx also studies the respective crisis literature through the newspapers: Here, we find his reception of the specific literature on the crisis of 1866, f.i. a review of Fowler (1866) and *Economist*-articles by Walter Bagehot, whose work is often said to be an expression of the emerging modern financial system with a central bank as its pivot, and of whom not having read Marx was accused of several times. (He further annotated the works of Baxter (1866), Guthrie (1866), Smith (1866), Maunder (1867), Morier Evans (1867), but probably haven’t read these; see IISG, Marx-Engels-Nachlass, Sign. B 128, p. 0b-0d.) He further studies and comments the *Commercial Reports* (1863-1867) of the British ambassadors (IISG, Marx-Engels-

Nachlass, Sign. B 128), the latest theory of the monetary system (Goschen (1866), Laing (1868), Macleod (1868), Patterson (1868)). This massive collection of theoretical and empirical material is about to be published in the MEGA-volumes IV/18 and IV/19 for the first time (the only research on these notebooks is the one on notebook B 113 by de Paula (2015) und Takenaga (2016)).

Before the outburst of the Panic of 1866, the British credit market had been fueled with surplus capital set free by the crisis of the British cotton industry. The cotton industry was in trouble after the Union's blockade of harbors in the South during the American Civil War had cut off Great Britain from its main supplier of its main industry's resource: cotton. This led to a flight of surplus capital to the financial sphere; formerly reproductive became loanable moneyed capital. When Marx wrote in *Capital*, Volume 1, that the crisis of 1866 was of "predominantly financial character" (MEGA II/5, p. 540), he just got aware of the depths of the depression and seems to identify a credit fueled expansion of retail branches not covered by production of surplus value as the cause of the crisis. However, he actually offers another explanation for the crisis. The rapid improvement of machinery during the cotton crisis caused an over-accumulation, so that after the supply with raw material cotton had been restored with the end of the American Civil War, production increased too quickly (ibid., p. 356). An extra-economic factor creating a scarcity in raw materials may have caused the crisis in the first place, but the rise in the organic composition of capital created a depression after the supply with raw materials had been back on track. Therefore, one cause was over-accumulation of the British cotton industry in the preceding years.

Thus, related to Marx's interpretation of the Panic of 1866 is not only the question whether he considered the possibility of an 'independent' financial crisis or to what extent these panics result from over-accumulation of reproductive capital, but also the study the conjuncture of the cotton industry itself, as well as the question what social damage the crisis caused. In his notes on the panic of 1866, Marx gets aware of its immense effects on the global working population. He discusses the social outcomes of the crisis in chapter 23 on the 'general law of accumulation' in the section on the historical illustration of the law as an exemplification of the tendency of the surplus population to rise. There he registers an increase in pauperization of 20% in London for 1866 compared to 1865 (MEGA II/6, 419). But this time, the crisis hits not only Britain, but also France¹ and India. One

¹ The crisis led to the failure of *Crédit Mobilier* in 1867 and to the collapse of the whole budget of the city of Paris in 1868. – To Marx, *Crédit Mobilier* constituted the materialization of the worst tendencies in French politics: the insidious alliance of the 'reactionary sects' of early socialism with a new form of modern dictatorship under Louis Bonaparte. *Crédit Mobilier* was founded by the brothers Émile and Isaac Péreire in 1852, who were inspired by the theories of Henri de Saint-Simon, who demanded the common ownership of goods, the abolition of the right of inheritance and expressed the believe that credit could create socialism. Saint-Simon's critique of capitalism focused mainly on private property as a cause of a wrong and inefficient distribution of the means of production, what led him to advocate forms of centralization, especially the centralization of money as a more equal mode of distribution of property. Because also

attempt of British politics to restore the level of cotton imports was to guarantee new suppliers, which were soon found in its colonial projects India and Egypt. The value of cotton imports from India tripled from £15 Million in 1860 to £52 Million already in 1864 (Tugan-Baranowsky 1901, p. 138). The turn to India is reflected in Marx's notebooks. Rising cotton prices motivated Indian farmers to grow cotton on fields that had just been cleared or on which corn had been cultivated before. The transition in farming from cultivating food to growing cotton is apparently one factor for the huge famine 1866 in Orissa causing the death of millions, that is mentioned twice in *Capital*, Volume 1 (MEGA II/5, p. 419; II/6, p. 676). Marx studied this famine through his lecture of parliamentary reports on the catastrophe in Orissa (East India 1867). In 1866 we're dealing with devastating consequences: a massive famine in India and 'deaths by starvation' in the metropolises.

Marx returns to the crisis-problem in the 1870s, when the world faced a possibly new type of crisis emerging from the panic of 1873 (*Gründerkrach*), which triggered a depression of hitherto unknown length in Europe and North America lasting from 1873 until at least 1879. In Britain, it was known as the *Long Depression* (lasting even two decades), caused by the weakening dynamics of the British industry (see f.i. Hobsbawm 1968, p. 149), expressed by reduced growth rates in the manufacturing sector (ibid., p. 51), and accompanied by a rapid financial expansion, of which the panic of May 1866 was the first indicator. His letters indicate that Marx was aware of the unique character of this long-term depression and saw the necessity to study it (MEW 34, p. 359, 370/371). This fact has motivated several scholars to see herein the reason why Marx either had to revise central aspects of his theory of crises like the law of the falling rate of profit (Heinrich 2013), or could not finish his work on *Capital*, Volume 2 and 3 (Krätke 1998, p. 43). We'll have to wait until the publication of these notes to really grasp and make sense of 'late Marx's' theoretical development. Since Marx didn't publish too many things after the release of *Capital*, Volume 1, the excerpts he wrote in the final fifteen years of his life, are of highest significance, because they allow us, at least, to reconstruct the logic of his research.

It does not seem as if Marx wanted to "escape *Capital*". Whereas in the 1860s he studied first agriculture and rent (MEGA IV/18) and afterwards finance and crisis (MEGA IV/19), Marx reverses

Pierre-Joseph Proudhon proposed a credit oriented path to socialism (his main proposal for reform was the *crédit gratuite*, credit without interest, issued by a *banque du peuple*), Marx accused the French socialists for a lack of understanding commodity production and exchange, that led them to a wrong theory of money; and from a wrong theory of money to a false understanding of credit. More general: A critique of capitalism that recognizes only its 'abstract' side (market, money, credit) and not its 'concrete' (state, labour, industry) leads to a wrong conception of the post-capitalist society (state control over market, centralized money and credit system). This is why Marx begins all of his main economic works – be it with the value form analysis in *Capital*, Volume 1, with the refusal of the crisis theory of the Proudhonist Alfred Darimon in *Grundrisse*, or be it with the attack on Proudhon himself in *Zur Kritik der politischen Ökonomie* (MEGA II/2, 157) –, with combating rivaling socialist theories of crisis and money.

this order in the 1870s, when he looks at finance and crisis first (MEGA IV/25), before turning to the latest insight of geology (MEGA IV/26) and chemistry (MEGA IV/31). Hence, Marx still continued to work on the relevant issues for *Capital*, Volume 3. There are two novelties in his crises studies: First, his sources are no longer just of English origin (Gassiot 1867), but also French (Rey 1866, Bonnet 1859), as well as Russian (the notes from and on Kaufman (1873-7) alone amount to about 170 pages), and US-American (Mann 1872, Walker 1876). Second, his subject is not just the recent panic (*Gründerkrach*), but Marx seems to go back to the crises of 1857 and 1866, and, therefore, attempting to reconsider the complete 19th century industrial cycle.

Another crisis-relevant text of the 1870s is the French edition of *Capital*, Volume 1 (1872-5), which is not just a mere translation, but the last edition of *Capital* Marx personally revised and prepared for publication. It therefore contains many of Marx's last words on political economy. The enormous variations between the second German edition (1872) and the French one are evident especially in the chapter of chapter 23 on the 'accumulation of capital'. Here, Marx not only distinguishes for the first time between the concentration and centralization of capital, but also deepens his theory of unemployment and the long-term growth of a surplus population redundant to the needs of capital, and reflects a final time the relation of cyclical crises and capital's historical dynamic (see Graßmann 2017).

Here, one more time, Marx heavily blames the superficiality of political economy which took the expansion and contraction of credit to be the sole cause of crisis. Then, Marx states that there is no reason to consider this length [of the cycle] as being fixed. To the contrary, "one should infer that according to the laws of capitalist production, such as we have to develop them, it is variable and the periodisation of cycles will be gradually shortened." (MEGA II/7, p. 557) So, by referring to 'the laws of capitalist production', Marx links the business cycle and its periodical up and downs to the general law and his theory of capitalism's historical development (see Clarke 1994, p. 260). Not only the boom phases, in which workers achieve higher wages, would be shorter, but also the periods of the whole cycle, with an increased pace of technological innovation. When Marx claims that beneficial periods of boom and the conjuncture will progressively shorten, he even echoes the rhetoric of the *Communist Manifesto*, according to which solving commercial crises only paved the way for more extensive and more destructive ones.

To sum up, Marx took notes on every crisis he lived through and probably nearly every crisis theory that existed in the 19th century. The hereby touched variety of issues is broad, with many theoretical and historical questions left open: the relation between finance and production, the relation between the accumulation of capital and the working resp. surplus population, the role of new outlets and of governmental measures in shaping and overcoming the crisis, the different types

of crisis, the interconnectedness of world system. The enormous amount of texts corresponds only with an enormous lack of research on this new material. It is striking that these texts and issues are absent in recent debates on Marx's crisis theory. In the second part of this paper, I aim to look at the origin of Marx's crisis studies, that is to say his first reception of the of the 'general glut controversy'.

Table 1. Texts by Marx on economic crises made available through the new MEGA

Year	Content	MEGA-volume
1844-5	<i>Paris Notebooks</i> and <i>Manchester Notebooks</i> General glut controversy	MEGA IV/2 and IV/4
1845	<i>Brussels Notebooks</i> and <i>Manchester Notebooks</i> Excerpts from Sismondi, John Wade and Thomas Tooke	MEGA IV/3 and IV/4
1850	<i>London Notebooks</i> Studies on the crisis of 1847 Banking vs. Currency School	MEGA IV/7-9 and IV/10-11 (to be published)
1851	<i>London Notebooks</i> Manuscript <i>Reflection</i>	MEGA IV/8
1854-5	Excerpt of former excerpts <i>Geldwesen. Creditwesen. Crisen.</i>	<i>MEGA IV/13 (to be published)</i>
1857	Excerpts from Thomas Tooke (1857)	<i>MEGA IV/13 (to be published)</i>
1857-8	<i>Krisenhefte</i> on the first global economic crisis 1857-8	MEGA IV/14
1857-8	Newspaper articles for the <i>New-York Daily Tribune</i>	MEGA I/16
1863-5	Draft for <i>Capital</i> , Volume 3	MEGA II/4.2
1868-9	Studies of the Panic of 1866 and its theories (Fowler 1866, Bagehot etc.)	<i>MEGA IV/19 (to be published)</i>
1868-9	Studies of the depression following the Panic of 1866, its spread around the globe, and its effect on the working and surplus population	<i>MEGA IV/18-19 (to be published)</i>
1868-9	Theorie des Geldwesens (Goschen (1866), Laing (1868), Macleod (1868), Patterson (1868)) and Crisis (Wirth (1858))	<i>MEGA IV/18-19 (to be published)</i>
1872-5	French Edition of <i>Capital</i> , Volume 1	MEGA II/7
1878	Excerpts on the theory of money, banking and crisis Marx's sources are Russian (Kaufman (1873-7)), English (Gassiot (1867)), French (Rey (1866), Bonnet (1859)) and US-American (Mann (1872), Walker (1876))	<i>MEGA IV/25 (to be published)</i>

2. From Paris to Manchester via Brussels. Marx' reception of the 'general glut controversy', 1844-5.

2.1 Paris, Summer 1844

On the surface it may appear that the theme of economic crisis is completely absent in Marx's infamous *Economic and Philosophic Manuscripts* (EPM), emerged in Paris in 1844. Although they were written at the same time and although they contain a significant amount of comments and freely formulated text by Marx, his notes on Jean-Baptiste Say's *Traité d'économie politique* and his *Cours complet d'économie politique pratique*, David Ricardo's *Principles of Political Economy, and Taxation*, John Ramsay McCulloch's *A Discourse on the Rise, Progress, Peculiar Objects and Importance of Political Economy*, James Mill's *Elements of Political Economy* are usually not treated as a part of the compilation called "Economic Philosophical Manuscripts", but as a mere excerpt.² After having ignored the EPM in the first place and having published them only as supplemental volume in 1968, the *Marx-Engels-Werke* (MEW) leave out Marx's notes on Ricardo, Say, and McCulloch entirely. Admittedly, the notes on Mill are included in MEW, but only right before the EPM's supposedly 'main text', hence presenting the texts in an arbitrary order contrary to their date of origin, and leaving the reader without a hint to the connection between 'excerpts' and 'manuscripts'. But even in the MEGA², the 'manuscripts' and 'notebooks' are misleadingly published in separate sections: the former in the 'works'-section I (MEGA I/2), the latter in the excerpt-section IV (MEGA IV/2).

This is why, at first sight, Marx's first contact with the 'general glut controversy' appears to play a minor role in his very first own politico-economic reasoning. Jean-Baptiste Say and James Mill were the first to deny the very possibility of a general overproduction of commodities in commodity producing societies through their statement that productions are bought only with productions, what is nowadays seen as the core of so-called 'Say's Law'. To Say and Mill, since exchanging commodities means that products are exchanged against products and that every purchase is at the same time a sale, they regard money to be a neutral 'veil', a means of facilitating the exchange, but not affecting the exchange itself. Since the ability to consume depends on the ability to produce, one can only buy when one has something to sell. Therefore total aggregate output determines total consumption. Hence, there could never be a 'general glut', i.e. a state of overproduction of all commodities. However, in the face of the economic depressions occurring

² Rojahn (1983, p. 20) argues that the EPM should not be treated as a 'works', i.e. a uniform piece of writing coherent in either form or content, but a process of gaining knowledge through a complex of excerpts, summarizing paragraphs, critical comments, own reflections, new excerpts, new reflections (ibid., p. 44).

during and after the Napoleonic Wars, Mill and Say argued for the possibility of a partial glut, i.e. the overproduction of one commodity caused by the underproduction of another, that could be quickly overcome when, through the price mechanism, the capital employed in the sector of the overproduced commodity simply moved to the branch where the underproduction had occurred. The idea of ‘partial glut’ (and the inquiry into the causes of its underlying disproportion) is one main contribution of Ricardo and his school (Say, James Mill, McCulloch) to crisis theory (the other being the ‘Quantity Theory of Money’).

Marx’s first reading of James Mill’s *Elements* – its French translation, to be precise – focuses on the non-monetary dimension of ‘Say’s Law’. It comes to a surprise that Marx heavily praises Mill for his analysis of the role of money in the exchange of goods:

Sehr gut und das Wesen der Sache in einen Begriff gebracht, ist es, wenn Mill das Geld als den Vermittler des Austausches bezeichnet. Das Wesen des Geldes ist zunächst nicht, daß in ihm das Eigenthum entäussert wird, sondern daß die vermittelnde Thätigkeit oder Bewegung, der menschliche, gesellschaftliche Akt, wodurch sich die Producte des Menschen wechselseitig ergänzen, entfremdet und die Eigenschaft eines materiellen Dings ausser dem Menschen, des Geldes wird. Indem der Mensch diese vermittelnde Thätigkeit selbst entäussert, ist er hier nur als sich abhanden gekommener, entmenschter Mensch thätig; die Beziehung selbst der Sachen, die menschliche Operation mit denselben, wird zur Operation eines Wesens ausser dem Menschen und über dem Menschen. Durch diesen fremden Mittler, – statt daß der Mensch selbst der Mittler für den Menschen sein sollte – schaut der Mensch seinen Willen, seine Thätigkeit, sein Verhältniß zu ändern als eine von ihm und ihnen unabhängige Macht an. Seine Sklaverei erreicht also die Spitze. (MEGA IV/2, pp. 447)

Marx turns Mill’s analysis critically, and understands ‘money’ as the correct and necessary mediator of alienated social relations. Because exchange relations are, according to Marx, no true human relations, but rather an abstract relation of one private property to another, commodity exchanging humans do not relate to each other as humans, but as a personification of abstract things.³ James Mill’s merit is to have told us this truth, though so in a cynical and affirmative manner, when he fixed this alienated mediation of social relations as the essential, original, and ‘natural’ form of social interaction (MEGA IV/2, p. 453).

According to Michael Heinrich’s (2006, p. 109) interpretation of Marx’s first reading of James Mill, Marx, in his comments, tended to rephrase the issues of political economy as anthropological ones (“den nationalökonomischen Begriffen [...] anthropologische [unterlegt]”). Marx translated the ‘economic’ language of the Ricardians into his Feuerbach-oriented essentialist-

³ „Die vermittelnde Bewegung des austauschenden Menschen ist nämlich keine gesellschaftliche, keine menschliche Bewegung, kein menschliches Verhältniß, es ist das abstrakte Verhältniß des Privateigenthums zum Privateigenthum, und dieß abstrakte Verhältniß ist der Werth, dessen wirkliche Existenz als Werth erst das Geld ist. Weil die austauschenden Menschen sich nicht als Menschen zu einander verhalten, so verliert die Sache die Bedeutung des menschlichen, des persönlichen Eigenthums.” (ibid.)

anthropological one.⁴ Marx's critique of wage labor ("*Erwerbsarbeit*"), that the worker is forced to work in order to live, is rephrased by him as alienation of the worker from the labouring subject as well as from the object of the labouring process (ibid., p. 455). That individuals relate to each other only through money, is rephrased by Marx as self-alienation of humanity from its species-being ("*Gattungswesen*"). Marx's first critique of political economy, then, is less directed towards its specific concepts, but rather a critique of political economy's standpoint: By treating its subject as the eternal and natural form of human production, political economy, according to Marx, affirms the alienated humanity; hence, it is "Wissenschaft nur *innerhalb* der Entfremdung" (Heinrich, p. 110). But it may be premature to state, as Heinrich does, that Marx criticizes only political economy's standpoint as an affirmative anthropological one, and didn't have much to complain about its concrete concepts and analyses.

Quite the opposite: Marx not only critically turns Mill's analysis, he also criticizes it for being insufficient: Money is not only a means of exchange, but, in the current society, it becomes an end in itself, it becomes "the real god"⁵, with humanity impoverishing the stronger this mediator gets⁶. However, although Marx was still capable of making sense of the transition from C-M-C (as expressed in 'Say's Law') to M-C-M' within his Feuerbachian concepts, he might have sensed an 'internal problem' of his essentialist reasoning at another point.

This 'internal problem' becomes evident in his notes on Say's *Traité* and Ricardo's *Principles*.⁷ Here, Marx states explicitly the Ricardo School's inability to bring their 'Law of the Market' in harmony with the actual existing crises.

Die Nationalökonomie hat nicht nur das Wunder von Ueberproduktion und Ueberelend, sondern auch von einem Wachsthum der Capitalien, wie ihrer Anwendungsweisen einerseits und dem Mangel an produktiver Gelegenheit durch dieses Wachsthum andererseits [zu erklären]. [...] Was Ricardo nicht beantworten kann und ebenso wenig Herr Say (der mit ihm übereinstimmt [...] und der zuerst das Princip aufgestellt hat, daß die Nachfrage nach Producten nur durch die Production selbst beschränkt ist), woher die *Concurrenz* und die daher erfolgenden Bankerutte, Handelskrisen etc, wenn jedes

⁴ In the *Communist Manifesto*, Marx and Engels accuse German socialists of the same method of 'translation': "Es ist bekannt, wie die Mönche Manuskripte, worauf die klassischen Werke der alten Heidenzeit verzeichnet waren, mit abgeschmackten katholischen Heiligengeschichten überschrieben. Die deutschen Literaten gingen umgekehrt mit der profanen französischen Literatur um. Sie schrieben ihren philosophischen Unsinn hinter das französische Original. Z.B. hinter die französische Kritik der Geldverhältnisse schrieben sie ‚Entäußerung des menschlichen Wesens‘, hinter die französische Kritik des Bourgeoisstaates schrieben sie ‚Aufhebung der Herrschaft des abstrakt Allgemeinen‘ usw." (MEW 4, pp. 485-6)

⁵ "Daß dieser Mittler nun zum wirklichen Gott wird, ist klar, denn der Mittler ist die wirkliche Macht über das, womit er mich vermittelt. Sein Cultus wird zum Selbstzweck. Die Gegenstände, getrennt von diesem Mittler, haben ihren Werth verloren." (ibid.)

⁶ "Der Mensch wird also um so ärmer – als Mensch, d.h. getrennt von diesem Mittler als dieser Mittler reicher wird." (ibid., p. 448)

⁷ Marx reads the French translation by Constancio of the second edition of Ricardo's *Principles* (Paris 1835), with comments by Say.

Capital seinen gehörigen emploi findet? wenn der emploi immer im Verhältniß zur Zahl der Capitalien stehe? Durch diesen einen Satz würden die Herrn die Concurrenz, ihr Hauptprinzip aufheben, wie auch den *Grund* dieses Principis und ihrer ganzen Weisheit, nämlich daß jedes Individuum (versteht sich ein Individu non démonétisé) am besten weiß, was seinem Interesse und folglich (ein Inhaltsschweres folglich) dem der Gesellschaft angemessen ist. Wie kämen diese *weisen* Individuen dazu, sich selbst und andre zu ruiniren, wenn es für jedes Capital ein gewinnreiches, nicht besetztes emploi giebt? (MEGA IV/2, p. 416-7)

Just to repeat the philological argument: This phrase should, according to Rojahn (1983), be placed at the centre of the so-called *Economic and Philosophic Manuscripts*, but instead, it is excluded from the MEW, and even in the new MEGA published only far off the ‘main text’ as a so-called *Paris Notebook*. Contrary to this peripheral status, it is a passage of highest theoretical significance, since it allows us to see accurately at what point Marx’s disagreed not only with the standpoint but also with the concrete concepts of the Ricardo School. First, Marx ascribes the origin of the ‘Law’ to Say, not to Mill, something that is debated until today. Later, in *Zur Kritik der politischen Ökonomie*, Marx would accuse Say of having plagiarized James Mill (MEGA II/2, p. 166).

Second, Marx does not yet provide a critique of ‘Say’s Law’ as such, but remains quite immanent, and criticizes Ricardo and Say for their incoherent and contradictory theory. He starts with ‘accepting’ the premises of ‘Say’s Law’, and sees it contradicting other aspects of Ricardian theory, such as competition. ‘Say’s Law’ abstracts from this competition and neglects the fact that, under the system of private property, individual and social interests are not the same. Hence, Ricardo and Say “cannot answer [...] the origin of competition and the resulting bankruptcies and commercial crises”. It is striking that Marx disagrees with a concrete concept like ‘Say’s Law’ right at the point where it fails to explain the actual existing economic crises.

In his comments on John Ramsay McCulloch’s *Discourse*, Marx makes the same argument.

Den Ricardiens ist es also nur um das allgemeine Gesetz zu thun. Wie das sich durchsetzt, ob Tausende darüber ruinirt werden, ist dem Gesetz und den Nationalökonomien vollständig gleichgültig. [...] Die Infamie der Nationalökonomie besteht darin, unter der Voraussetzung der durch das Privateigenthum feindlich getrennten Interessen so zu spekuliren als wären die Interessen nicht getrennt und das Eigenthum gemeinschaftlich. So kann sie beweisen, daß wenn ich alles consummire und du alles producirst, Consumption und Production in Bezug auf die Gesellschaft in gehöriger Ordnung sind. (MEGA IV/2, p. 482)

The presupposition of equality of production and consumption rests upon the idea that all individual interests coincide with each other. Competition is ignored in ‘Say’s Law’, although competition – between manufacturers for production, between traders for the outlet, and between workers for the wage – is nothing but a social fact, and although classical political economy knows this fact and states it somewhere else. Hence, by abstracting from competition, political economy abstracts from reality. In this way, Ricardo and his school conceive reality as unimportant, and take the abstraction for reality. Marx thinks that the abstract laws of political economy meet only a given moment of

reality, but never the “*wirkliche* Bewegung, wovon jenes Gesetz nur ein abstraktes, zufälliges und einseitiges Moment ist, wird von der neurn Nationalökonomie zum Accidenz gemacht, zum Unwesentlichen.” (MEGA IV/2, p. 447) This is the reason why Marx, in 1844, tends to accept neither ‘Say’s Law’, nor the labour theory of value.

Hence, Marx sees a serious limitation of political economy and its cynical reasoning. These economists are unable to explain or even recognize the actual existing and recurring economic crises. With their harmonic laws, they cannot grasp the actual disruptions and antagonisms. But why, Marx must have asked himself, do opposing interests lead to a state of economic crisis? And why, then, isn’t a society divided alongside private property and under force of competition always in a state of crisis? Why, then, is crisis not permanent?

In this constellation, Marx must have noticed an internal problem of his own reasoning. When Marx sees the laws of political economy as cynical but accurate expressions of an alienated reality, then their immanent problems hint at problems of the essentialist-anthropological approach of Marx, too. Every time when Marx ‘stumbles’ and fails to translate the economist’s laws into his Feuerbachian terminology, he might just have gotten aware of his own theory’s flaws. Therefore, the limits of political economy are the limits of Marx’s Feuerbach-oriented critique, and this is indicated every time Marx fails to rephrase the language of political economy. Hence, his criticism of the concrete concepts and analyses put forward by political economy is at the same time a self-criticism of his own thinking.

It is exactly the problem of ‘crisis’ that Marx seems unable to rephrase in Feuerbachian terminology. Thus, unlike the suggestions of Heinrich, Marx’s ‘break’ from anthropological philosophy is not only due to an external factor such as Max Stirner’s critique of Feuerbach’s essentialism expressed in *Der Einzige und sein Eigenthum* published in autumn 1844, but at least evenly to the internal problems of an essentialist approach Marx sensed in his self-criticism. Just as political economy, philosophy is static and harmonic, i.e. very well prepared to critique the alienated actual state, but unable to grasp the ‘real movement’, the actual dynamic of economic activity.⁸ In his sixth thesis *ad Feuerbach*, written in a notebook in spring 1845, Marx criticizes Feuerbach for the same lack of dynamism, when writing that Feuerbach’s essentialism is forced to “abstract from the real historical trajectory” (“ist daher gezwungen: 1) von dem geschichtlichen Verlauf zu abstrahiren”; MEGA IV/3, p. 21).

⁸ Interestingly, Marx is already able to criticize the Saint-Simonians for their credit-oriented path to socialism: That the credit system seems to break the power of the alienated mediator money, is the basis for the illusion that the banking system would be “eine stufenweise Aufhebung der Trennung des Menschen von der Sache, [...] der Trennung des Menschen vom Menschen. Das organisirte Bankwesen ist daher ihr Ideal.” (MEGA IV/2, p. 450)

2.2 Manchester, Summer 1845

During a six-week summer trip to England with Engels in 1845, Marx wrote a bulk of excerpts from works of British political economy that were hardly available on the European continent. Among these notes are excerpts from John Stuart Mill's recently published *Essays on Some Unsettled Questions of Political Economy* (1844), in which we find Mill's contribution to the 'general glut controversy' in an essay entitled "Of the Influence of Consumption upon Production". Mill is torn between accepting and rejecting 'Say's Law': Some passages show him haughty against the opponents of the 'Law' and their "palpable absurdities"⁹, but still, Mill wants to examine the origin of this opposition and "inquire into nature of appearances, which gave rise to the belief that a great demand is the cause for national prosperity" (Mill 1844, p. 50), i.e. what economic appearances created the false intellectual basis for people to argue against the 'Law'.¹⁰

At first, Mill accuses the opponents of 'Say's Law' of mixing up different levels of abstraction. Mill admits that, most of the time, a part of a national capital is idle, i.e. constantly not employed. But this may be so for different reasons. Capital may be idle because of the 'want of some one to exchange with his commodities' (ibid., p. 59). Therefore, it may appear that the access of a foreign merchant to a local market increases the local prosperity, since it increases the aggregate produce of that area.¹¹ But what counts for a village or a town is not necessarily true for the national level. On the national level there is competition for the outlet, this is the reason why a part of the capital is idle, and, for instance, 'employed' in the unproductive sphere of distribution (Mill thinks of the rent that is paid for the ownership of a shop, which is of no advantage to the producer and adds nothing to the national produce, but which only purpose is to attract the customers living nearby). Hence, 'Say's Law's' opponents draw false conclusions. The access of a new unproductive consumer is of no advantage to the national prosperity, but an evil. When an English merchant goes to Paris, he "deprives any other of the Paris dealer of a similar advantage" (ibid., pp. 61-2).¹²

But all over sudden, Mill turns against his father and his assumption that every seller of a commodity is at the same time a purchaser of another one, and, hence, supply and demand would

⁹ "In opposition to these palpable absurdities it was triumphantly established by political economists, that consumption never needs encouragement. All which is produced is already consumed" (Mill 1844, p. 47).

¹⁰ For a discussion of J. St. Mill's version of 'Say's Law', see Hollander (1985, ch. 7).

¹¹ "It follows from these premises, that the arrival of a new unproductive consumer (living on his own means) in any place [...] is beneficial to that place, if it causes to any of the dealers of the place any of the advantages above enumerated, without withdrawing an equal advantage of the same kind from any other dealer of the same place." (Mill, p. 60).

¹² "The arrival, therefore, of the strangers (say from England), while it creates at Paris a market for commodities in value to their funds, displaces in the market other commodities to an equal value. To the extent of the increase of exports from England into France in the way of remittance, it introduces additional commodities which, by their cheapness, displace others formerly produced in that country." (ibid., p. 62)

always and with “metaphysical necessity” be in state of harmony. This critique of Mill will severely inspire Marx’s (later formulated) own critique of the ‘Law’. Later, Marx not only uses the formulation ‘metaphysical necessity’ to characterize the approach of Mill Senior (see MEGA II/2, p. 166), more importantly: Mill accuses the “Ökonomischen Lügner[n] der Überproduktion”, as Marx comments (MEGA IV/4, p. 341), and, hence, his father, of having derived this ‘metaphysical necessity’ of supply and demand to be in harmony from an insufficient theoretical model. What Say and Mill analyzed was a barter economy,¹³ in which goods are exchanged against goods, and money plays no constitutive role. To Mill Junior, money is not only a means of circulation, but also a store of value. It separates the act of exchanging into two different operations – purchase and sale –, thus, introduces also the possibility of a temporal distance between these two. Therefore, a general glut of commodities in relation to money is temporarily possible.

Marx’s immediate reaction reads as follows:

Dieser *Mill Junior* ist ein merkwürdiges Beispiel von der Verzweiflung, worin der *theoretische Bourgeois* gerathen ist. Erst sagt er die Oekonomen haben Recht, man versteht sie nicht, sie stellen scheinbar paradoxe Sätze auf. Dann zeigt er, daß diese Sätze wirklich abgeschmackt sind. Die Heilmittel, die er giebt sind eben so abgeschmackt. Und schließlich hat er dann den ökonomischen Satz, den er widerlegt hat, bewiesen! Beispiel wie er die Ueberproduktion beweist (MEGA IV/4, p. 340)

Marx remains immanent again: He criticizes Mill for being eclectic and attempting to mediate between unmediable contradictions. In the end, Mill says, both his father and his critics are right and wrong at the same time. The argument of Mill Senior is correct, that “All which is produced is already consumed”, that consumption needs no encouragement, and, in the end, that the fear of poverty is groundless, since the commodity exchanging mode of production will bring prosperity to everyone. But his critics are also right, a general glut is possible, if only temporarily.

Why does Marx refer to Mill’s eclecticism as an expression of a “despair the theoretical bourgeois has gotten into”? Mill’s essay collection was published in 1844, although they were already written in 1829-30, ergo after “capitalism’s first general crisis” (Eric Hobsbawm) of 1825. Mill’s essay reacts precisely to this crisis. He admits that production is the largest always in times of great demand, but such a state would in no way be a desirable one, because if the whole capital was in operation, this would give rise to ‘speculation’. Mill here repeats, without reference, the explanation John Ramsay McCulloch had offered at the outburst of the crisis of 1825, according to whom the crisis was caused by miscalculations by the producers and merchants due to rising prices

¹³ “this argument is evidently founded on the supposition of a barter; and, on that supposition, it is perfectly uncontestable” (ibid., 1844, p. 69)

(in consequence of ‘speculation’ or increasing ‘currency’).¹⁴ These encouraged production and returns meanwhile depreciation was already about to take place: “And hence, an increase of production really takes place during the progress of depreciation, as long as the existence of depreciation is not suspected” (Mill 1844, p. 67). The difference between Mill and McCulloch is that Mill calls this a state of ‘general superabundance’ (ibid., p. 68). To Marx, Mill’s ‘theoretical despair’ was precisely his conflict between accepting ‘Say’s Law’ while rejecting its crisis-related implications in the face of capitalism’s first general crisis.

Later, Marx argued that Mill’s theoretical despair was also a practical one. Marx sees Mill as a symptom of a less determined bourgeoisie, whose self-confidence and belief of superiority had been severely shaken through the recurrent crises. Later, Marx explained the transition from Mill Senior to Mill Junior with the increasing claims of the struggling proletariat.¹⁵

In the above statement, Marx admits that he does not consider Mill a vulgar economist, but that there is something interesting about him. In the middle of writing down Mill Junior’s critique of ‘Say’s Law’ as derived from an insufficient model of a barter economy neglecting the role of money in commodity exchanging societies, Marx extends his own critique of ‘Say’s Law’:

Die Krise von 1837 schleppte sich fort. Es wurde beständig mehr producirt, als consummirt. 1840 trat scheinbar eine bessere Wendung, 1842 die Krise ein, die eigentlich die von 1837 beendet. Wenn gesagt wird, z.B. von *old Mill*, daß demand und Zufuhr identisch sind, weil jeder Zuführer ein demandeur ist, so vergißt er, abgesehen vom Geldpunkt, (es handelt sich nicht um Tauschhandel,) daß jeder von dem andern kaufen will, um mit Profit zu verkaufen, nicht um irgend ein unmittelbares Bedürfniß zu befriedigen. Da aber von jeder Waare nach der Voraussetzung zu viel producirt ist, kann keine mit Profit verkauft werden. (MEGA IV/4, p. 342)

Inspired by Mill Junior, Marx now attacks Mill Senior in a quite different manner than he had done one year ago. In Paris, Marx praised Mill for having cynically but correctly analyzed commodity exchanging social relations. Now, he thinks that it was not the actual capitalist commodity exchange, but only a barter, that Mill has reflected upon. In Paris, Marx praised Mill for having cynically but

¹⁴ See [John Ramsay McCulloch:] ART. III.—The late Crisis in the Money Market Impartially considered. In: *Edinburgh Review*. June 1, 1826. S. 70-93.

¹⁵ “Die kontinentale Revolution von 1848 schlug auch auf England zurück. Männer, die noch wissenschaftliche Bedeutung beanspruchten und mehr sein wollten als bloße Sophisten und Sykophanten der herrschenden Klassen, suchten die politische Ökonomie des Kapitals in Einklang zu setzen mit den jetzt nicht länger zu ignorierenden Ansprüchen des Proletariats. Daher ein geistloser Synkretismus, wie ihn John Stuart Mill am besten repräsentiert. Es ist eine Bankrotterklärung der „bürgerlichen“ Ökonomie [...] Unter diesen Umständen teilten sich ihre Wortführer in zwei Reihen. Die einen, kluge, erwerbslustige, praktische Leute, scharten sich um die Fahne Bastiats, des flachsten und daher gelungensten Vertreters vulgärökonomischer Apologetik; die andern, stolz auf die Professoralwürde ihrer Wissenschaft, folgten J. St. Mill in dem Versuch, Unversöhnbares zu versöhnen.” (MEW 23, 21) – “Herr J. St. Mill versteht es, mit der ihm geläufigen eklektischen Logik, der Ansicht seines Vaters J. Mill und zugleich der entgegengesetzten zu sein. [...] Die weder umfangreichen noch gehaltreichen Originalforschungen des Herrn J. St. Mill im Gebiet der Pol. Ök. findet man alle in Reih’ und Glied aufmarschiert in seinem 1844 erschienenen Schriftchen: ‚Some Unsettled Questions of Political Economy.‘“ (MEW 23, p. 138-9)

correctly analyzed money as an alienated mediation of social relations. Now, he says that money is not only a neutral veil, but of an own quality. In Paris, Marx criticized ‘Say’s Law’ for being static and unable to grasp the obvious and crisis-prone dynamic of the current economic system. Now, Marx shows himself already a bit more capable to analyze the functioning of the economic dynamic, when he gives a brief account of the crisis-ridden economic cycle from 1837 till 1842 and writes “Es wurde beständig mehr producirt, als consummirt”.

2.3 Brussels, Spring 1845

In these sentences, Marx seems to advocate an underconsumption theory of crisis. I’d argue that it was the heavily inspiring reading of the works of the Swiss historian and political economist Simonde de Sismondi that shaped Marx’s early understanding of economic crisis and that allowed him to overcome the ‘internal problems’ of his anthropological stance. It may appear that Marx had already read the works of Sismondi in Paris before commenting on James Mill. But in 1844, all of Marx’s references to Sismondi are superficial and do not indicate a closer reading. In Paris, right after his notes on McCulloch und Mill, Marx intended to read the important appendix of Sismondi’s second edition of his *Nouveaux principes d’économie politique* – consisting of three articles by Sismondi in which he defended his views against his critics McCulloch, Ricardo, and Say –, but eventually, Marx didn’t do so and deleted the title from the cover of his notebook (see MEGA IV/2, p. 471, facsimile).¹⁶ The only quotation from Sismondi, which Marx presents even twice in 1844, in *Notebook I* of the EPM and in his comments on Ricardo’s *Principles*, was taken from the book of the Sismondi-disciple Antoine-Eugene Buret *De la misere des classes laborieuses en Angleterre et en France* (Paris 1840, 1.1, pp. 6-7).¹⁷ Furthermore, when recognizing that Say and Sismondi had to “jump out” of political economy and leave its standpoint in order to criticize its inhumanity, Marx is able to give the exact reference of Say but not of Sismondi.¹⁸ In 1844, Marx probably had no more

¹⁶ Despite this deletion, Rojahn (1983, p. 41) suggests that Marx read this appendix of Sismondi’s second edition of his *Nouveaux Principes* already in summer 1844, because, at some point, Marx calls McCulloch a “disciple of the cynical Ricardo”, just as Sismondi had called him “un disciple de M. Ricardo” in his appendix. But Sismondi does not call McCulloch by name, since he replies to McCulloch’s anonymously published article in the *Edinburgh Review* – and perhaps was never aware that this was written by McCulloch.

¹⁷ “Sismondi sagt mit Recht, daß nach dieser Ansicht von Ricardo der König von England, wenn er durch Maschinen im ganzen Lande dasselbe revenu erhalten könnte, des *englischen Volks* nicht bedürfte.” (MEGA IV/2, p. 421; see also MEGA I/2, p. 222)

¹⁸ “Wenn aber Say und Sismondi – was ersten betrifft siehe l.c. p. 192 not. 1 und p. 195 not. 1., eben so seine Nationalökonomie, wo der Satz aufgestellt wird, daß die Unterscheidung von revenu net und brut nur für die Privatpersonen, nicht für die Nation Bedeutung habe, bei Smith ist die Bedeutung des Revenu brut eine menschliche, die Nationalökonomie besiegende Schwäche – den Ricardo bekämpfen, so bekämpfen sie nur den *cynischen* Ausdruck einer nationalökonomischen Wahrheit. Vom Nationalökonomischen Gesichtspunkt aus ist Ricardos Satz wahr und consequent. Was beweist es für die Nationalökonomie, daß Sismondi und Say *aus ihr* herauspringen müssen, um unmenschliche

than a very broad idea about the basic concepts of Sismondi. In fact, Marx read him only in Brussels in spring 1845 after his escape from Paris. Here, he took extensive notes from the politico-economic main works of Sismondi: Unfortunately, we can access only Marx's excerpts from Sismondi's *Études sur l'économie politique*, whereas the ones from *Nouveaux principes* are unrecorded.

Sismondi's powerful critique of political economy must have made a deep impression on Marx. As seen above, Ricardo and his school neglected the demand-side and stated the primacy of production, what Marx confirmed as being a proper expression of the current alienated mode of production, in which the "mediator" money had become the purpose of production. But Marx objected this view as static and incapable of explaining the actual existing economic crises, and he struggled to rephrase the lack of dynamic in his Feuerbachian terminology. For a similar reason, Marx rejected the labour theory of value as missing the "real movement" of production, too.

It was precisely Sismondi who was able to formulate a theory of crisis on the basis of the labour theory of value and overcome political economy's lack of dynamism. Marx knew already in Paris that, according to Ricardo, accumulation is not necessarily accompanied with an increase of worker's wages (MEGA IV/2, pp. 416-7). However, that the accumulation of capital causes increasing rates of unemployment and workers' wages to go down was the core of Sismondi's theory of accumulation. To Sismondi, in capitalism, there is a tendency to produce more than can be consumed, because, through an increasing application of machinery, this system has the tendency to blindly increase production, but at the same time a tendency to reduce consumption, because the increasing application of machinery sets free labourers and reduces their incomes, and, thus, forces aggregate demand to go down – unless the emergence of a new sector of luxury production would re-absorb the working force.

Although Sismondi developed the core of this thought in *Nouveaux principes*, he repeated and developed his arguments in *Études*, a collection of essays. In Marx's excerpts from *Études*, we find nearly all of Sismondi's crisis-relevant ideas: his critique of the wrong and unrealistic abstractions of the Ricardo school (which Sismondi calls the "chrematistic school") which is echoed in Marx's critique of Feuerbach in his theses *ad Feuerbach*; his theory of capitalist reproduction, according to which production increases faster than consumption (MEGA IV/3, p. 129); his explanation of the crisis of 1825, which he saw mediated through an expansion of international credit, such as the government loans issued by the new American Republics that had recently gained independence, which fueled British industry and covered its overproduction for a while (Sismondi

Consequenzen zu bekämpfen? Weiter nichts, als daß die Menschlichkeit *ausser* der Nationalökonomie und die Unmenschlichkeit *in ihr* liegt." (MEGA IV/2, p. 421)

describes a ‘deficit circle’ and states the British products had been bought on British credit) (ibid., p. 183-5, 197); and, last but not least, that, according to Sismondi, in the commercial society, the incentive to produce is no longer the use value, but the preserve of exchange value¹⁹ – what Sismondi saw as the origin of competition, an increasing misery of the workers, the deterioration of the material side and the recurrent economic crises.

Regarding the development of Marx’s theory, two important conclusions can be drawn from his Sismondi reading. First, Sismondi’s ability to formulate a convincing theory of crisis on the basis of the labour theory of value may have been, perhaps, one reason for Marx to accept the labour theory of value, too. This way Marx was able to overcome the Ricardo school’s shortcomings, which reflected the shortcomings of his own anthropological reasoning, with the Sismondi-oriented stream of restriction, competition, immiseration, and crisis.

Second, one might sense what Marx’s critique of ‘Say’s Law’ would have looked like at this point of his thinking. When commenting on the Mill family in Manchester in 1845: “Es wurde beständig mehr producirt, als consummirt” (MEGA IV/4, p. 342), Marx seems to have in mind an ‘excess commodity theory of crisis’, as Makoto Itoh coined it, that is to say a crisis theory of under-consumption. Marx’s stance on crisis was close to that of Sismondi, and it probably remained so for a long time.

¹⁹ “Nach Sismondi haben die Erdprodukte valeur intrinsèque, unabhängig v. Austausch, vorhergehend jedem Handel. Erst der Industrielle producirt für fremden, nicht für seinen eignen Gebrauch; diese Güter fangen ihm erst im Moment, wo er sie vertauscht, an nützlich zu werden. Sie machen also den Handel od. l’art des échanges nöthig. Sie sind nur appréciés par leur valeur échangeable. p. 161. Der Handel hat den Dingen, den Reichthümern ihren primitiven Charakter v. Nützlichkeit geraubt; c’est l’opposition entre la valeur usuelle et la valeur échangeable à laquelle le commerce a réduit toute chose. p. 162.” (MEGA IV/3, p. 176) – “Quand la valeur échangeable ne s’augmente pas, le commerce compte l’augmentation de la quantité pour rien. Sobald er sich aller Producte der menschlichen Arbeit bemächtigte, wurde alle Production einem einzigen Umstand untergeordnet, der vente ou l’écoulement. p. 164.” (MEGA IV/3, p. 177)

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Scribal Abbreviations

MEGA – Marx-Engels-Gesamtausgabe. Berlin 1975ff.

MEW – Marx-Engels-Werke.

IISG – Internationales Institut für Sozialgeschichte (Amsterdam)

RGASPI – Rußländisches Staatliches Archiv für Sozial- und Politikgeschichte (Moskau)

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