



# FATAL FLAWS IN MARXISM

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Marxian thought has at least an economic component and an ontological one. I would like to address the topic of exploitation in Marxian economics, and in Marxian ontology I will examine the driving role of contradiction in human cultural evolution, the emerging forms of matter, and the reification within commodities.

## **The Marxian Theory Of Exploitation: An Assessment Of The Austrian Response**

The Marxian conception of exploitation in capitalism conceives of the latter as the appropriation - within entrepreneurial profit - of a non-remunerated portion of the wage-earner's daily working time.

The Austrian response to the Marxian conception notably consisted of highlighting the complementarity of the respective temporal preferences on the part of workers (preferring a smaller but quicker remuneration over a more tardy but greater one) and entrepreneurial capitalists (preferring the latter over the former). It also consisted of underlining the role of adjustment which operates freely determined equilibrium prices (via occasioned losses and profits). [Friedrich A. von Hayek](#) points to this when he speaks of Karl Marx's alleged inability to apprehend "*the signal-function of prices through which people [including entrepreneurs] are informed what they ought to do*" by reason of "*his labor theory of value*" – namely, Marx's theory that selling prices, at least in the long run, are fixed by production costs - and the alleged objective value of goods by the incorporated quantity of abstract labor.

It turns out that neither the complementarity of temporal preferences nor the adjustment role of equilibrium prices (in the direction of the long-run equilibrium, in which each factor finds itself to be optimally allocated) are actually inconsistent with the Marxian conception of exploitation.

The Marxian argument can be put as follows. Like any commodity, labor power is sold (at least in the context of the long-term equilibrium, i.e., the equilibrium in the presence of a completed, henceforth optimal allocation of capital) at its cost of production - therefore the employee's living cost. In the long-run equilibrium, the entrepreneurial profit strictly appropriates the remuneration of the margin between the employee's total working time and the working time strictly required to cover the employee's living costs.

That said, when the economy, in the long run, does not find equilibrium, then salary and entrepreneurial

profit will both oscillate around a level strictly equal to the production cost. Hans Hermann Hoppe's answer (inspired by [Eugen Richter von Böhm-Bawerk](#)) can be put as follows. According to Hoppe, Marx's analysis does note that the selling price of any produced good is (at least when demand is properly anticipated) greater than the wages paid to the workers involved in the production of that good. Therefore, the paid wages only cover the purchase of goods requiring fewer hours of work than those goods the wage-earners help to manufacture. Yet there is a complementarity of time preferences between the employee (who prefers a lower and faster remuneration to one more delayed and higher) and the entrepreneur (who prefers the latter to the former). It follows the selling price's superiority, besides allowing for entrepreneurial remuneration higher than the wage bill, and supposes convergent interests in the wage earner and the entrepreneur.

Actually, Marx's argument turns out to be misunderstood by Hoppe - and rigorously unaffected by the complementary of time he invokes. The exploitation phenomenon Marx describes does not lie in the difference between immediate salaries and postponed entrepreneurial remunerations, which is only a symptom of the aforesaid exploitation. Instead, exploitation lies in the furnishing of a salary which, instead of covering the whole daily working time (as it formally seems to do), strictly remunerates the working hours needed to cover the workforce's subsistence costs. Marx believes incomplete remuneration to be at the origin of the subsistence - in the long-run equilibrium - of the margin between the selling price of goods and the remuneration of production factors, said margin allowing entrepreneurs to grant themselves a remuneration greater than the distributed wages.

As for the coordination of production factors, Marx fully recognizes adjustment spurred by short-run fluctuations in the rate of entrepreneurial profit (above and below its long-run level, strictly corresponding to unpaid, surplus labor time), and by the concomitant gradual equalization between production costs and the selling price of commodities - including labor power, whose remuneration is thus rendered equal to its subsistence costs in the long run. Not only does the labor theory of value (such as understood by Marx and before him David Ricardo) claim the fixation of selling prices by production costs to occur only in the context of long-run equilibrium, but the labor theory of value itself does not occupy the center of Marx's political economy. The latter is in fact articulated around the notion of commodity fetishism, as pointed out by Soviet Marxian economist Isaak Illich Rubin.

## **The Flaws Of The Marxian Theory Of Exploitation**

Despite the flaws of the Austrian criticism, Marx's approach to exploitation remains wrong. Let us start

with recalling the notion of "abstract working time" in Marxian economics - abstract working time boils down to working time conceived independently of the physical or mental effort associated with the considered task. Even assuming the alleged correspondence between abstract working time and (the long-term level of) exchange value, i.e., selling price, the Marxian elucidation of entrepreneurial profit as the margin (between the exchange value of a given good and the remuneration of the involved production factors) allowed by the payment to the workforce of a wage limited to strictly covering the aforesaid workforce's subsistence costs is quite unsatisfactory.

The argument Marx invokes is that the exchange value of all goods (including manpower) revolves around a long-term level, strictly equivalent to the exchange value of the incorporated abstract working time - and therefore strictly equivalent to the production costs of the aforesaid goods, which in turn means the workforce's subsistence costs in the case of manpower.

Hence - according to Marx - wages granted in the long-run equilibrium actually leave unpaid an entire section of the daily work-time of wage-earners. The equalization (in the long-run equilibrium) between the workforce's subsistence costs and the workforce's remuneration does not imply that the actual work-time on the part of a wage earner is partially remunerated.

Rather, it implies that in the long-term equilibrium, the one established once the allocation of capital in the various branches of industry - given a certain state of economic conditions, from preferences on the part of consumers and investors to technology and demography - has reached its completion, the correct, total remuneration for a wage earner's complete performance is then fixed at a subsistence level.

It also implies entrepreneurial income is nullified at the long-term equilibrium, in which there is nothing left for the entrepreneur, once the factors of production have been wholly remunerated. Therefore, entrepreneurial profit can only exist within the framework of the process of capital allocation - with the aforesaid profit remunerating the speed (and the accuracy) of the allocation of production factors in anticipation of jointly mobile and uncertain demand. Austrian economics, especially Mises and Kirzner, extensively deals with the process through which the entrepreneur - when earning profit - adjusts the daily-generated equilibrium prices in the direction of the long-run equilibrium, in which the allocation of production factors is henceforth achieved and optimized, and in which each selling price is henceforth equal to the production costs.

The Austrian approach to equilibrium prices (and therefore the law of supply and demand) and their gradual entrepreneurial adjustment is sometimes praised for its purported realism. Yet the law of supply and demand, such as understood in Austrian economics (but also in neoclassicism), is hardly realistic. It claims, indeed, that any subjectively homogeneous product is sold at a unique price that happens to coincide with the intersection of supply and demand curves. But such claims make sense only in the framework of an auction market in which, indeed, an auctioneer may gather the different supply and demand propositions and determine the equilibrium price.

Besides, the Austrian conception of entrepreneurship applies only in the case of those of profit opportunities which are preexisting (and more or less manifested), while a number of entrepreneurs in the real world do not earn a profit through adjusting (towards the long-run equilibrium) the allocation of capital on the basis of preexistent profit opportunities, but through inventing new profit opportunities. In other words – that which results in the apparition of a new long-run direction for the economy, i.e., the breaking of the previously scheduled long-run equilibrium for the benefit of the economy's re-direction towards a new long-run equilibrium.

### **A Word About The Partnership Of Opposites In Cosmic Evolution**

Marxian thought is also ontological (besides its economic, political considerations). Marxian ontology stresses the driving role of contradiction in human cultural evolution - more precisely, the evolution of the emergent forms of matter in successive human cultures. Before looking more closely at the Marxian approach to contradiction in human evolution, let us turn to an example of the partnership between opposites in the cosmos. In addition to his unfortunate exclusively determinist view of human history, Marx precisely failed to notice the harmonious, collaborative character of opposites in the course of human cultural evolution - a harmonious character that at times accompanies conflictual character.

The concept of communication, generally defined in terms of consciousness, is an eminent example of a notion whose definition must be updated in view of a sharper distinction between those qualities of its object - the particular genre of things it subsumes - which are necessary, and those which are contingent. Conscious communication only comes as a modality of communication, so that the conscious character of a given conscious communication in the cosmos comes as a contingent (rather than necessary and constitutive) character of the genre of things called communication.

Communication should be redefined, consequently, as the interaction between two signals: the first acting as a stimulus; and the second providing a response which depends on its interpretation of the aforesaid stimulus. It is really the prerogative neither of humans nor even of animals endowed with consciousness. Like war, love, hierarchy, and sociability, communication preceded consciousness and a fortiori homo sapiens in the order of the universe. It was even prior to the point where the behavior of the Big Bang's progeny, the elementary particles, was already (and has remained to this day) the behavior of communication.

Throughout the cosmos, individual and collective entities are communicating with each other by means of words, chemical signals, or gravitational force - and communicating according to patterns of opposition (integration and differentiation, fusion and fission, or attraction and repulsion), whose iteration pursues itself at each level of emergence. Let us take the very first entrepreneurs of the cosmos - namely the quarks (of which there happens to be six varieties) - communication - via the phenomenon known as "strong force" or "strong interaction" - between two quarks-entrepreneurs, which are of the same variety, will be a communication of their mutual repulsion.

Nevertheless, the communication between two quarks which are exactly different in the right way will be one of mutual attraction - and one of their attraction towards an additional quark which is of the type suitable for mounting the proton start-up (composed of two quarks "up" and one quark "down"), or the neutron start-up (composed of two quarks "down" and one quark "up").

### **The Flaws Of Marxian Ontology - The Approach To Contradiction And Matter**

[Heraclitus](#) understood the collaborative character of opposites. He nonetheless failed to grasp the perpetually declined (as well as complexified) character of their partnership - and the evolving character of the cosmos (including human societies).

Marxian ontology certainly has the merit of stressing the role of contradiction in the becoming of the forms which matter acquires in the world of humans - especially the industrial organization of the mineral or human material, as well as the ideology and the law structuring a human society. Nevertheless, it erroneously deals with the evolutionary process in question - and with the driving role of contradiction in the latter.

First, there is its denial of the informing action (and the existence) of the archetypal, supra-sensible forms. Second is its retention of only the passive ideological and legal "superstructures" of the sort of matter which happens to reside in the "relations of production," which themselves serve as the passive organization that emerges from other sorts of matter that are the technological resources available at a given time.

What is more, Marxian ontology, thus delivering an incomplete understanding of the material foundations for law and ideology, reduces the aforesaid foundations to technology and to the "relations of production." This renders Marxism entirely ignorant of the truly biological component of the material backing of ideologies and legal systems – that is, the set of genetic dispositions shaped and selected over the course of human biological evolution in groups and individuals.

As for contradiction in the process of human evolution, Marxian ontology exclusively conceives of it as a tearing apart whose particular version (characteristic of a particular time of human history) calls for its resolution through the "leap" (to quote Lenin) to a superior bearing of human history, the course of which is, besides, seen as rigorously determined – and thus seen as being spurred – through the successive resolution of the different encountered cases of contradiction – towards a prefixed final stage of human history.

Instead, contradiction should be envisioned as a harmonious (though sometimes it can be simultaneously tearing) partnership, between opposites, which perpetually manifests itself in various modes over the course of the wholly improvised process of human (and even cosmic) evolution.

Such misunderstanding in Marxian ontology is all the more devastating as the aforesaid ontology envisages the interindividual or intergroup conflict as rooted in economic life alone – and as fated to disappear through a purportedly inevitable return to primitive communism, while, nonetheless, conserving advanced technology.

Interclass struggle can no longer simply be reduced to a struggle that involves properly economic classes, technology; and the relations of production cannot be envisioned as the sole and necessary origin of ideologies. Thus, a given ideology does not necessarily accompany a given economic system – so that, for instance, capitalism of the globalized and digitized type is not necessarily accompanied by a cosmopolitan ideology (in the sense of moral relativism and universal leveling).

What is more, their perceived economic interests - instead of idealistic considerations or their perceived ethnic interests - do not serve as the only and necessary motives on the part of the dominant economic classes, for promoting the particular ideologies whose standard bearers they pretend to be. The fact is class struggle does not necessarily occur between economic classes and for economic motives - instead it comes as a derived form of the "struggle for life," and likely to engage all kinds of classes and motives.

This point was remarkably raised in Vilfredo Pareto's *The Socialist Systems*: "The class struggle is only one form of the struggle for life, and what is called 'the conflict between labor and capital' is only one form of the class struggle. In the middle ages, one could have thought that if religious conflicts disappeared, society would have been pacified. Those religious conflicts were only one form of the class struggle; they have disappeared, at least in part, and have been replaced by socialist conflicts.

Suppose that collectivism is established, suppose that "capitalism" no longer exists, it is clear that then it will no longer be in conflict with labor; but it will be only one form of the class struggle which will have disappeared, others will replace them. Conflicts will arise between the different kinds of workers in the socialist state, between "intellectuals" and "non-intellectuals," between different kinds of politicians, between them and their citizens, between innovators and conservatives."

### **The Flaws Of Marxian Ontology - The Approach To Commodity**

In addition to excessive Marxian emphasis on economy when it comes to the backing of superstructures and the background of conflict, a word deserves to be said about the Marxian definition of merchandise. The latter retains (as necessary, constitutive characteristics of the merchandise genre) use-value and exchange-value, as well as the above-mentioned "fetish" character. This amounts to retaining the outlet for the purpose of offering goods for sale, where matter is the aforesaid merchandise - which, in the Marxian approach, sees itself notably assimilated to the "concrete" and "abstract" work incorporated in the manufacture of the aforesaid merchandise. Finally, its form, which is exclusively perceived as the reification of the relations of production.

Such conception notably commits the error of omitting the commodity's efficient, external cause - namely the entrepreneurial expectations on the course of the demand for consumption or investment. Those expectations then become the only effective, rational aspect of economic calculation, which means that economic calculation is simply impracticable in the absence of the private ownership of



capital - and the central planning Marx praises and prophesizes is necessarily dysfunctional and irrational.

Marxism also commits the error of developing a simplistic approach to the form of merchandise, which really consists of a reification above all of the immaterial capital of fantasy - the stock of dreams and legends which inspires the economic not less than cognitive development in humans.

## **Conclusion - And A Word On Herbert Spencer**

The Marxian approach to exploitation in capitalism is flawed in that it misunderstands the alleged equalization (in long-term equilibrium) between subsistence cost and earned wage, as leaving unpaid a whole portion of the work-time. Instead, such equalization implies the work-time's properly correct and total remuneration strictly equates a subsistence level in the long-run equilibrium. Thus, entrepreneurial profit does not exist outside the allocation of capital goods; it is not rooted in exploitation - but into the speed (and the accuracy) of anticipations before an uncertain, mobile demand.

As for the Marxian approach to the emerging forms of matter in human evolution, it neglects, for instance, the biological compartment of the involved matter - and restricts the material foundations of ideology and the law to the economic, technological component. Thus, Marxism believes ideologies come only and necessarily as the "superstructure" of the "relations of production," themselves the superstructure only and necessarily of technology.

The truth is that a certain ideology or legal system is not necessarily indissociable from a certain economic system (just like a certain economic system is not necessarily indissociable from a certain ideology or legal system). By the way, Marxian ontology fails to notice - among merchandise's reified components - the presence of the infrastructure of fantasy, thus neglecting the reification of human dreams and restricting itself to just one of the relations of production.

As for the Marxian approach to contradiction in human evolution, it commits the double mistake of restricting intergroup conflict to the struggle between economic classes for economic motives - and restricting contradiction to disharmony and tearing. It also commits the mistake of believing human evolution to be rigorously predetermined - and scheduled to gradually reach its predefined finish line

through gradually solving and dissipating the different successive encountered cases of contradiction.

The [Spencerian](#) vision of cosmic and human history is materialist (in the sense of denying the ideational, archetypal field) like the Marxian vision of human history. It also has this characteristic in common with its great rival that it underlines the driving role of contradiction - although it conceives of the aforesaid contradiction as a harmonious tension manifesting itself perpetually. Nonetheless, the Spencerian also approach remains flawed.

Herbert Spencer rightly believed that the partnership between differentiation and integration, discerned by [Karl Ernst von Baer](#) in the growth of the embryo, to be transposable to the evolution of the cosmos and of humanity. Nevertheless, he made the mistake of considering that collaboration exclusively in the mode of the increase in the division of labor. As if, as the division of labor progressed on the scale of the world, individuals became more and more differentiated in their professions; but also more and more integrated in a humanitarian embryo leveling the nations and dissipating the borders. That faith in the advent of a division of labor, supplanting the nations (and thus war between the nations) to let subsist sole individuals producing and exchanging on the scale of the world, fits very well with Spencer's anarcho-capitalism.

It fits less well with anthropological and historical reality - namely that, as the economic and military interaction between nations increases, those, far from disappearing (for the benefit of a humanity integrating increasingly uprooted, denationalized individuals), only further differentiate - and only further oppose each other.

Thus, the executed integration comes down to an intensification of the intergroup "struggle for life;" and applies as much to the individuals engaged in the global division of labor, as nations engaged in increasingly integrated military and economic competition.

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*The [image](#) shows "Iron and Coal," by William Bell Scott, painted can 1855-1860.*

