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SOME REMARKS ON ROUSSEAU, MARX, CROCE AND MARXISM**

Abstract:

The aim of my article is to reconstruct and evaluate the anti-dogmatic interpretation of Marx by the young Benedetto Croce at the end of the 19th century. In the first part, I will analyse the problematic nature of the law of fall of rate of profit, briefly reconstructing how the young Croce proposed a radically anti-Marxist, albeit not entirely clear, interpretation of the epistemological model adopted by Marx for his economic investigations. From here, Croce's sharp criticism of Marx's alleged law of the fall of rate of profit. In the second part, therefore, the fundamental limits of this law according to Croce's interpretation will be clarified. In the final part, we will briefly see how Marx's "law" of fall of rate of profit attempted, unsuccessfully, to resolve on an economic level the problem originally posed by Rousseau, namely that of the origin of social inequality.

Keywords: Croce, Law of Fall of Rate of Profit, Marx, Marxism, Rousseau

Croce's writings on Marx and Marxism reflect his role in the context of the Italian debate of the time. Croce is for the most part not addressing either Marx or Marxism directly but rather striving to grasp the «real purpose and value of Marx's work»¹.

According to Marx, «If the profit rate declines more than its size increases, then the gross profit of the larger capital decreases relative to the smaller one in proportion as its rate of profit declines. This is in every respect the most important law of modern political economy, and the most essential for understanding the most important law of modern political economy, and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint. It is a law which, despite its historical standpoint, has never before been grasped and, even less, consciously articulated»².

Croce focuses on Marx's economic theory within the so-called law of the falling rate of profit. The suggestion that Marx's position is based on economics is supported in at least two ways. One is through the superstructure described in the Preface to *A Contribution to the Critique of Political Economy*, and the other is through ever increasing attention to the economic structure of modern industrial society, beginning with the *Paris Manuscripts*.

According to Croce, Marx's view can be interpreted either as a science by abstracting from concrete reality, or by considering social life in the concrete in order to describe it³.

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¹ Croce (1914), p. IX.

² Marx (1993), p. 74. On Marx's theory of the fall of rate of profit and Croce's criticisms (Croce, 1899), investigated in Tuozzolo (2020), see Rockmore (2016), esp. pp. 167 ff.; (2022).

³ Cfr. Croce (1914), p. 31; see Rockmore (2016), p. 61.

1. Croce on Marxian economics

Marx was trained in philosophy, but an autodidact in economy, which he studied over many years. According to its subtitle, *Capital is A Critique of Political Economy*⁴. The scientific status of Marxian economics has long been controversial.

Contemporary economic writings depend on databases that only arose beginning in the mid-1960s. From the present standpoint Marx's theories are at best insufficiently documented.

According to orthodox economics, capitalism is often unstable in the short run. But, despite obvious difficulties, such as the great depression and the great recession of 2007-2008, stable in the long run. In short, orthodox political economy turns on identifying practical mechanisms intended to shore up and protect rather than to tear down and replace capitalism. Marx's rival, unorthodox approach to political economy aims toward tearing down and replacing capitalism he regards as unstable in the short run and more importantly as self-destructive in the long run.

Marxian economics is, like Hegel's approach to economic phenomena, dialectical. It is, hence, directed towards grasping, in a variation on familiar Hegelian philosophical vocabulary, the cunning of economic reason so to speak. In short, the economic framework of modern industrial society, like history itself, ultimately develops in ways we finally cannot understand.

It is only recently that, through the tardy publication of Marx's writings, a reasonably complete picture of his overall economic view has come into focus. When Croce began to write about Marx's theories, the *Grundrisse* and other preparatory texts leading up to *Capital* were not yet available.

Croce's remarks that, as concerns Marx, the term "economic" seems to be both general, as well as specific, or directly focused on modern industrial capitalism.

In part, the protean nature of the Marxian theory was already addressed in Croce's remarks about others. In a chapter *Concerning the interpretation and criticism of some concepts of Marxism*, Croce turns to what he calls the *Scientific problem in Marx's Das Kapital*⁵. The problem consists in how to describe Marx's work that is little understood, and whose concerns method appears as an abstract economic investigation. Croce now turns to the labor theory of value that, he suggests, underlies the Marxian economic theory.

According to Croce, the labor theory of value draws attention to an equality between value and labor which is not an empirical but rather a logical fact. If that is correct, then Marxian economics is closer to Hegelian philosophy than, say, either to economics or to political economy as usually understood.

According to Croce, «Marxian economics is [...] a study of abstract working society showing the variations which this undergoes in the different social economic organizations»⁶. Though Marx and Engels say that their work is historical, in fact it is hypothetical and abstract, hence theoretical. According to Croce, Marxian economics is not a general economic science, and the labor theory of value is not a general concept of value⁷.

Croce seems unable, after several attempts, to specify the scientific status of Marxian economic theory. He believes Marxian economics is not a general science. Hence, it is not economics as that domain was understood at the beginning of the twentieth century, nor, one can infer, as it functions in Engels's conception of economics, and, we can add, as it is understood even now. He suggests, Marxian economics illustrates so-called comparative

⁴ Marx (1991).

⁵ Cfr. Croce (1914), pp. 48-66.

⁶ Ivi, pp. 66-67.

⁷ Cfr. Ivi, p. 68.

sociological economics. Yet that appears only to be a way to name the problem but not to give it a solution.

Croce suggests that the Marxian social program cannot be derived, deduced or otherwise constructed on the basis of pure science. Despite Engels's claims, Marxian economics is not independent of philosophy, but rather intrinsically philosophical, based on Marx's reading of and reaction to Hegel.

Marx thinks that his supposed law is the single most important economic law. Yet it is paradoxically unclear if such a law even exists. Marx, who has no doubts, follows a tendency among then contemporary economists, who at the time accepted but later rejected this so-called law. Ricardo, who criticizes Smith, thinks that average profit only falls if wages rise. Marx counters that the tendency of the rate of profit to fall is intrinsic to capitalism. «The progressive tendency for the general rate of profit to fall is thus simply *the expression, peculiar to the capitalist mode of production*, of the progressive development of the social productivity of labor»⁸.

Marx sketches this law briefly in *Capital I* and in more, but still insufficient detail in chapter 13 of *Capital III*. Marx's view of the falling rate of profits has led to a complex and lengthy debate in the literature.

Piketty has recently noted that there is not now and never has been any empirical economic evidence to support this view, which suggests the theory is false in practice⁹. His overall reaction seems to be that «there is no purely economic justification for claiming that this phenomenon entails the collapse of the system»¹⁰.

Piketty thinks that the law of the falling rate of profit cannot be deduced. He plausibly contends that technical improvement does not decrease but rather increases profit¹¹. Marx seeks to demonstrate that to augment fixed as opposed to floating capital does not improve but rather undermines the financial prospects of capitalism. Croce believes the tendency illustrated by this supposed law is counteracted by other factors. This suggests that additional investment does not lead to the decline but rather the strengthening of modern industrial society, hence the opposite of what Marx seeks to prove¹².

Now we recall that, according to the labor theory of value, value is produced through work or labor only. Since technical improvement increases output, it simultaneously decreases the number of workers required for a given output and increases unemployment. With that in mind, Croce formulates a rival economic law as follows: «Technical improvement, supposing all the other conditions remain unchanged, causes a decrease in the *amount* (not the *rate*) of surplus-value and of profits»¹³. As Croce hastens to point out, «an equal amount of profits with a smaller total capital means an *increased rate of profits*»¹⁴, or precisely the opposite of Marx's claim. In short, increased investment does not weaken but rather strengthens capitalism.

Marx's mistake lies, Croce contends, in that he «attributed a greater value to the fixed capital, which after the technical improvement is worked by the same laborers as before»¹⁵.

⁸ Marx (1991), p. 318.

⁹ Piketty (2014).

¹⁰ Graeber, Piketty (2014), p. 61.

¹¹ Cfr. Piketty (2014), p. 88.

¹² Cfr. Croce (1914), pp. 145 ff.

¹³ Croce (1914), p. 147.

¹⁴ Ivi, p. 150.

¹⁵ Ivi, p. 154.

2. Croce's criticism of Marx's law

The precise nature of this supposed law as well as what counts as supporting evidence are both much debated and unclear.

Marx suggests an alliance between workers and philosophers in his early article entitled *Hegel's Philosophy of Right: Introduction*.

In his second model, Marx proposes a theory of capitalism as relatively stable in the short or medium term but unstable in the long term. He repeatedly claims, but never demonstrates capitalism is destined for self-destruction in the long run.

This passage refers to what Marx thinks will happen, but not to why it will happen. The answer lies in three economic mechanisms, including overproduction, under consumption, and, above all, the supposed law of the tendency of the falling rate of profit. According to Marx, an economic crisis will arise that is incompatible with the continued existence of capitalism. Marx thinks that in the final analysis capitalism will not and simply cannot survive. Its continued existence will lead to a series of economic crises and finally to a giant economic crisis that will destroy it.

In the *Paris Manuscripts* he describes his conception of economic crisis in terms of necessity (*Notwendigkeit*). He says, for instance, that the reduction of wages «necessarily leads to revolution»¹⁶. In the Preface to the first German edition of *Capital*, he describes «natural laws of capitalist production... working with iron necessity towards inevitable results»¹⁷.

It is unclear if there is in fact a law of the tending of the falling rate of profit as Marx and a number of nineteenth century economists used to believe.

Croce thinks that, if Marx had had the time, he would have detected the mistake in his view and either discarded or corrected it¹⁸. He suggests «this strange mistake»¹⁹ probably derives from the location fact that this law lies at the very center of Marx's theory as the realization of his theory in practice.

3. Conclusion: What is living and what is dead in Croce's Marx?

This paper has examined occasional essays Croce collected in the initial version of his book on Marx and Marxism and later revised in successive editions.

Marx thinks his so-called law is the single most important economic law but Croce thinks it is not a law at all.

According to Marx, his law shows there is an economic solution to Rousseau's problem, or the origin of social inequality. If, on the contrary, Marx's law does not lead to replacing capitalism by communism, then it suggests the failure of his as well as any other economic solution to Rousseau's problem. Beginning at the turn of the twentieth century, this obvious failure continues to lead Lenin's successors towards dictatorship of various kinds, including capitalism as well as post-Leninism as the remedy for other kinds of dictatorship.

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¹⁶ Marx, Engels (2010a), p. 270.

¹⁷ Marx, Engels (2010b), p. 9.

¹⁸ Cfr. Croce (1914), p. 155.

¹⁹ *Ibidem*.

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