Crisis, Revolution, and the Meaning of Progress: *The Poverty of Philosophy* and its Contemporary Relevance

Michael Joseph Roberto

Proudhon and Marx

ABSTRACT: In 1847, Marx wrote *The Poverty of Philosophy*, his polemical response to Pierre Joseph Proudhon's *System of Economical Contradictions Or, The Philosophy of Poverty*, published a year earlier. Marx and Proudhon were the principal antagonists in the struggle for influence and control of the emerging European workers movement then fueled by the first great crisis of modern capitalism. While Marx propagated communist revolution as a solution to the crisis, Proudhon sought to preserve "good capitalism" by attempting to formulate a new political economy that would reconcile contradictions of capitalist exchange by means of reciprocal agreements and transactions; in a word, mutualism. In *The Poverty of Philosophy*, Marx took Proudhon to task for creating a massive "dialectical phantasmagoria" in the *System of Economical Contradictions*. Usually regarded as his first detailed treatment of political economy, Marx's book also contains an implicit conception of social and historical progress based on the principles of contradiction, paradox, and

practice. Today, as the U.S. experiences an irreversible and possibly terminal capitalist crisis, Marx's polemic against Proudhon remains instructive as an historical, theoretical, and practical-political guide. Key features of the Marx-Proudhon divide in the 1840s are now being recast in contemporary guises and forms. The Left must distinguish between revolutionary Marxist solutions and variations of the New Proudhonism. While Marxism holds the potential for revolutionary, socialist transformation and renewed social progress, the New Proudhonism seeks to save "good capitalism" – ironically and tragically, carrying with it the plausibility of a more coercive and barbarous system.

Contemporary Marxist discourse continues to focus more sharply on Marx's views about social and historical progress despite the absence of an explicit and comprehensive theoretical position articulated by Marx himself.[1] Teodor Shanin (1983) advanced the discourse when he called attention to Marx's studies on Russia in the 1870s and early 1880s, which brought Marx to envision an alternative path to socialism distinct from the trajectory he had outlined for Western Europe and North America in the first German edition of *Capital*. Shanin's efforts also cast light on Marx's categorical rejection in 1875 of a "historico-philosophic theory of general development, imposed on all peoples, whatever the historical circumstances in which they are placed" (Marx, 1989, 200). Close to the end and his major work behind him, Marx clarified once and for all that he could never embrace a universal theory of social and historical progress.

From the mid-1980s to the present, more studies on varied themes about Marx and progress helped to fill out the discourse. Alan Gilbert (1984, 1990) argued that Marx's moral realism was central to any considerations he had about the nature of progress. Others focused on apparent inconsistencies and ambiguities in Marx's voluminous writings; for example, whether his views on progress were technological-determinist, that is, grounded in the primacy of the development of the productive forces (Hobsbawm, 1984), or the extent to which his theory of history could be considered evolutionary, unilinear or teleological (Meiksens Wood, 1984, 1995). Recently, the

[1] Tom Bottomore (1983, 398) recognized the problem when he wrote that a "conception of progress clearly underlies Marx's theory of history though it is nowhere clearly expressed."

discussion has turned to a comparison of Marx's *early* and *late* views on progress, generally, between a linear, teleological, and Eurocentric viewpoint allegedly held by Marx from the mid-1840s through the 1850s, and what some commentators argue is a basic shift to an open, multilinear conception derived from Marx's later studies of non-Western, precapitalist societies.[2]

In the midst of this recent discussion, Paresh Chattopadhyay declared Marx "the great rethinker of progress" (2006, 45). For Chattopadhyay, Marx "reconceptualized progress in a radical way" by always placing it "in its historical context [and] never taking it as an absolute, abstract category, with a unilinear direction" (63). In so doing, Marx broke with the so-called modern idea of progress which, since its inception in sixteenth-century European thought, had defined progress as the product of reason, science, and the application of both to society. Instead, as Chattopadhyay ably demonstrated in analyzing several of Marx's writings, Marx applied Hegel's abstract "dialectic of negativity" to concrete capitalist development, thus making it possible for the first time to consider progress in historical-materialist terms. Specifically, Chattopadhyay argues that Marx was the first to view progress as the possible outcome of capitalism's contradictory processes, which established the conditions for capitalism's demise and thus the possibility of socialist transformation. Put another way, Chattopadhyay connects Marx's radical reconceptualization of progress with his goal of creating "a union of free individuals."[3]

In this paper, I propose that Marx emerged as the great rethinker of progress as a consequence of his political break with Pierre Joseph Proudhon in the mid-1840s, a period of unprecedented capitalist crisis that pitted both men in the struggle for leadership of the nascent European workers movement. I contend that the pivotal work in Marx's reconceptualization of progress is *The Poverty of Philosophy*, which Marx completed in July 1847 as a polemical response to Proudhon's *System of Economical Contradictions Or, The Philosophy of Poverty*, a massive two-volume work that was published the

[2] Löwy (2000) suggested this was the case. Others who argue that Marx's views about progress changed in his later years, mainly as the result of his studies in precapitalist and non-western societies, include Anderson (2002), and Smith (2002).

[3] Astonishingly, Chattopadyhay echoes Lenin (1963-145), who in 1894 wrote that "the gigantic step forward taken by Marx in this respect was that he discarded all these arguments about society and progress in general and produced a *scientific* analysis of *one* society and of *one* progress – capitalist."

previous October. Well aware of Proudhon's rising status among French and other European workers, Marx sought to demolish what he considered Proudhon's baseless claim of having discovered a new science of political economy. Left unchallenged, Marx was convinced that Proudhon's formulas for resolving existing economic and political contradictions, if adopted, would bring confusion and harm to the fledgling working-class movement. In criticizing Proudhon's ignorance of history, faulty dialectics, and reliance on free will, Marx signaled his historic entry into political economy. What has not been recognized to date is that *The Poverty of Philosophy* – known popularly in the nineteenth century as *The Anti-Proudhon* – also contains an implicit conception of progress that Marx defined in terms of contradiction, paradox and practice.

I begin with an overview of the crisis of the 1840s, the first of its kind in the history of modern capitalism, in order to frame the conditions whereby Marx's differences with Proudhon crystallized in 1846-47. Indeed, the historic character of the crisis – the transition to a new hegemonic form, industrial capital – determined Proudhon's and Marx's responses to it, how the latter shaped different visions of a new society, and how both explain their divergent views about social and historical progress. I offer an overview of Proudhon's political trajectory in the 1840s, beginning with a summary of his main ideas and activities. I then engage in a detailed analysis of the *System of Economical Contradictions* and mention other aspects of his thought and activities that help us to understand what Proudhon meant by progress. My purpose throughout this section is to project the main points of Proudhon's politics so the reader can identify the general character and particularities of the New Proudhonism in our era. I then turn to the genesis of Marx's conception of progress as an integral yet implicit component of his writings and activities in the mid-1840s, culminating in *The Poverty of Philosophy*. For Marx, the crisis of the 1840s occurred as part of the transition *to* a more advanced form of capitalism that intensified class struggle and made communist revolution possible. "No antagonism, no progress," he wrote in 1847 in *The Poverty of Philosophy*. "This is the law that civilization has followed up to our days" (Marx, 1976, 132). Less than a year later, Marx and Frederick Engels declared the history of class struggle to be a series of "uninterrupted fights, sometimes hidden, other times open," but always ending in "a revolutionary reconstitution of society at large, or the common ruin

of the contending classes" (Marx and Engels, 1976, 482). In the wake of revolutionary failures throughout Europe, Marx and Engels had established a theoretical cornerstone of Marxist theory: "*A new revolution is possible only in the consequence of a new crisis*" (Marx and Engels, 1978, 510). Simply put, without crisis there *was* no possibility of progress.

Following a summary of Marx's and Proudhon's views on progress, I suggest that contemporary versions of Proudhon's political thought – the New Proudhonism – are present in numerous responses to the current, deepening crisis of U.S. capitalism. Here, I seek to connect past and present for historical, theoretical and political reasons. Marx's differences with Proudhon emerged at a pivotal time in the development of the European capitalist core, just as world capitalism was entering a new phase of accumulation and expansion. This was a period of unprecedented capitalist expansion and economic growth that contributed to subsequent economic crises and ominous global developments – the New Imperialism of the 1880s leading to world war and socialist revolution; the Great Depression, fascist counterrevolution, another world war; decolonization and the Cold War; the end of the Cold War, neoliberal globalization and massive ecologic trauma. Today, the crisis of global capitalism, which commenced in the early 1970s (Brenner, 2006), was already deemed "irreversible" in the United States by Paul Sweezy and Harry Magdoff (1988) by the late 1980s. Here in the United States, arguably the most vulnerable of contemporary capitalism's *multiple* cores, we should grasp the relevance of Marx's differences with Proudhon more than a century and a half ago. For Proudhonism and Marxism alike, the common denominator *then* and *now* is capitalist crisis and whether their respective resolutions offer coherent and viable alternatives. Accordingly, we should make Marx's implicit conception of progress *explicit* in the service of current efforts aimed at revolutionary-socialist transformation, especially in order to critique and combat variations of the New Proudhonism.

The Crisis of the 1840s: The Paradox of Capitalist Progress

The acceleration of capitalist industrialization in England during the late 1830s and early 1840s brought dramatic changes to the European socio-economic-political

order. Industrialization fueled the "formation of a national capitalism" (Beaud, 2000, 102) and the rise of a new ruling class, simultaneously splintering older working-class formations and, especially petit-bourgeois craft industries. England took the lead as its new capitalist elites embraced "free trade" (Cain and Hopkins, 2001, 102-103). In 1846, Marx interpreted the drive toward industrialization in England two decades earlier as "the first world crisis" of capitalism, when rising demand overtook consumption, thereby accelerating the development of machinery as "the necessary consequence of market requirements" (Marx, 1982, 99). The result was increased class conflict. Employers sought to displace workers with machines, while competition from English capitalists forced their counterparts on the Continent and in North America to do the same. Simon Clarke (1994, 86) notes that these developments marked the onset of "crisis tendencies in capitalist accumulation" as capitalists increasingly looked to transform the forces of production as a means of appropriating surplus value from workers. To facilitate the swifter and more profitable movement of factory-made goods, the call for free trade sounded a death knell for those whose livelihoods were sustained in hand-craft production and small business. By the late 1830s, these tendencies were evident in other parts of Europe, particularly in France. Though it lagged behind Britain, the growing political power of the French financial bourgeoisie resulted in rapid industrialization, though with devastating effects for the majority still rooted in pre-industrial forms of commercial enterprise (Ehrenberg, 1996, 13, 19-21). Beginning in 1841, industrial production shot up by more than 50 percent compared to any preceding year and rose steadily until the 1847 crisis (Pinkney, 1986, 23-25).

Simultaneously, industrial capitalist development was accompanied by "the incorporation of new zones" into the "core" of the world system – the Indian subcontinent, the Ottoman Empire, the Russian Empire, and West Africa (Wallerstein, 1989, 129-189).[4] With Britain in the lead, unprecedented capital accumulation fueled the rising wealth of industrial and financial elites throughout the European core, setting the

[4] Critiques of world systems theory, from which we get the terms core and periphery, made by Frank (1998)), Pomeranz (2000) and others about larger Asian commercial economies in the Early Modern period, have been countered by Ellen Meiksins Wood (2002), who sees capitalist origins in the changing property relations in parts of the English countryside during the sixteenth century. Her critique of the so-called "commercialization model" of capitalist origins held by Marxists and non-Marxists alike provides a deeper understanding of the foundations for capital accumulation, commercialization, and the construction of capitalist markets at all levels of the English economy.

stage for Britain's economic surge in the 1850s and the beginning of what Eric Hobsbawm (1996) has famously termed "The Age of Capital." Propelled by the rising power of finance and utilizing emergent forms of state power (bureaucracy, taxation, military), Britain, France and the other European core states engaged in "even more ferocious campaigns of colonial expansion and conflicts over division of the colonial world, in the classic age of imperialism" that followed (Wood, 2003, 124).

But economic expansion contained boom and bust intervals that regardless of countervailing tendencies along regional lines caused rising political unrest throughout Europe. In 1850, Marx and Engels (1978, 490) reviewed the boom-bust cycle, distinguishing between the "uninterrupted depression" of industry between 1837 and 1842, followed by two years of commercial and industrial prosperity (1843-1845) fueled by speculation. The crisis of 1845-1847 that followed was different from its predecessors, consisting of several sub-crises converging to create the conditions for a general commercial and trade crisis in 1847, and then the first European-wide challenge to class rule a year later. Recovery came swiftly in 1848, as revolution on the Continent freed up markets for an even greater flow of English products – and a new and greater round of prosperity. Yet, from the broader perspective of the history of world capitalism, the crisis of 1847 was unprecedented in that it was caused by distinct tendencies of overproduction in commodities *on a global scale*.

The crisis seemingly began in 1845 with the potato blight, devastating Ireland and spreading to the Continent though with far less catastrophic results. A year later, the grain harvest failed in much of Europe, "the worst in a generation" (Sperber, 2000, 392). The consequent doubling of food prices was disastrous for two-thirds of the European population still living below or barely above subsistence levels. Relief rolls expanded in many European cities, as food riots and other public disorders were frequent and widespread (Goldstein, 1983, 180). In Brussels in the winter of 1847-1848, where Marx was writing *The Communist Manifesto*, almost one-quarter of the entire population received assistance of some kind (De Maesschalk, 2005, 31). Yet the agricultural crisis was not a subsistence crisis, since overall levels of agricultural production had increased significantly since the early 1800s, "so that even steep declines were not as catastrophic as previously" (Sperber, 393). Rather, as John Bellamy Foster (2000) has written, the

crisis in agriculture was mainly ecologic; a crisis of soil fertility that spurred the development of the fertilizer industry and pioneered the science of soil chemistry. Marx later described this aspect of the agricultural crisis in *Capital* as an "irreparable rift" in metabolism between man and nature caused by "capitalist relations of production and the antagonistic separation of town and country" (Foster, 141).

Indeed, the agricultural crisis of 1845 contributed to the downturn in commerce and industry as the majority of Europeans spent whatever money they had on food. But as Marx and Engels later demonstrated, the main causal factor of the general crisis was overproduction in certain commodities brought on by rampant speculation during the previous two years of prosperity. Simply put, the highly visible downturn in agriculture coincided and eventually became intertwined with the less apparent phenomenon of overproduction in commerce and industry that was generated by financial speculation. In England, speculation in railroads in 1845 caused share prices to rise continually which, Marx and Engels (1978, 491) later wrote, resulted in speculators' profits sucking "every class of society into a whirlpool. . . . Anybody who had a penny in savings, or who had the merest glimmer of credit to dispose of, speculated in railroad shares." Investments were made in hopeless projects, indicative of what Marx and Engels called "a superstructure of fraud." A wave of bankruptcies flowed into the following year. By spring 1846, the repercussions led to a precipitous decline of shares held by Continental shareholders forced to sell at reduced prices. The rising number of bankers and brokers in European cities who went bankrupt served to depress other areas of trade and commerce (Marx and Engels, 491-492). Then came the downturn in the cotton industry. By 1845, overproduction of English cloth fueled by speculation in East Indian and Chinese markets resulted in an industry-wide recession, compelling production and employment cuts in English factories (493-494).

All these movements contributed to a *general crisis*, the first of its kind in the European capitalist core, caused by speculation in certain commodities that masked the more fundamental problem, the tendency in accumulation toward overproduction. Mandel notes (1971, 71-72) that for Marx and Engels, the superabundant investment of English capital in railroads at home and abroad, led to the creation of many new enterprises that engaged in rampant speculation. This made it appear that speculation

was the cause of the crisis. Yet Mandel (72) reminds us that Marx and Engels later saw through the appearances and concluded that it was clearly a crisis of overproduction.[5] From the standpoint of an industrial cycle, its root cause was the enormously inflated prices due to the railroad bubble in 1845. When unbridled speculation fueled marginal projects that ultimately collapsed, so did the demand for iron (Marx and Engels, 1978, 493). Meanwhile, deposits made on railroad loans to the Bank of England, already earmarked for railroad expansion in other countries, found their way instead to overseas markets in sugar, coffee and other colonial products, thus pushing up prices and providing the impetus for even greater speculation. Meanwhile, the steady outflow of gold and silver from the Bank created panic over dwindling bullion in the money market. By May 1847, the first stage of the general crisis hit, and all credit transactions in Great Britain came to a halt. By September, speculation in the corn trade following the repeal of the Corn Laws a year earlier led to still more bankruptcies, which dovetailed with the collapse of East Asian trade caused by the routing of surplus capital into industrial production and the subsequent glut of commodities in those markets – all contributing to the collapse of the entire credit system. For Marx and Engels, the bankruptcies of 1847-48 were "unprecedented in the history of commerce" (495). Bankruptcies once exclusively in commercial enterprises had spread to minor banks, stockbrokerages, and then to the Continent, helping to spark revolution in France in February 1848.

The character of the 1840s crisis is significant and relevant to our study in four ways:

(1) Historically, it was a crisis of transition in the capitalist core to a new hegemonic form, industrial capital. Put another way, the first *general crisis* of the capitalist core was a crisis of its *becoming*. Industrialization in Europe coincided with the lateral extension of capital into the non-capitalist world on the basis of the older, hegemonic form of commerce; in both cases, especially in the latter, speculation played a major role in the crisis. The birth of one form coincided with the demise of another to produce what Marx and Engels called an "unprecedented crisis." Hobsbawm implies this when he says that the acceleration of capitalist industrialization in the most advanced European national economies after 1850 marked "the foundation of a global industrial

[5] Clark (97-102) makes a similar argument in his comprehensive treatment of Marxist crisis theory.

economy and a single world history" (1975, 69). The trade crisis of 1847 was the last of its kind in the history of capitalism and, as such, the transition to something new – that moment when European industrialization made it the undisputed core of the world capitalist market. It was also a pivotal moment in the history of world capitalism, the transition to its last stage, Late Capitalism (Mandel, 1975) which, having run its course through the twentieth century, has arrived at a global crisis of "monopoly-finance capital" operating within the political economy and global framework of multiple cores.[6]

(2) Though a crisis of transition to industrialization with a key agricultural component, the latter was not about subsistence. Rather, its unique characteristic was the "metabolic rift" caused by capitalist production (Foster, 2000), resulting in unprecedented ecologic and environmental problems in town and country alike. Today, irreparable metabolic rift on a global scale threatens to bring down the whole capitalist system.

(3) Proudhon and Marx (and Engles) observed the crisis and saw its unique face, the paradox of progress in industrial capitalism, the increasing poverty of the majority in a rising productive economy whose benefits were enjoyed by the privileged few. This unique characteristic of the crisis lay in the tendency to overproduce, rooted in the acceleration of industrial transformation after 1825, as Marx later noted. Given his peasant-artisan upbringing, Proudhon was deeply affected as he watched people like himself suffer. For Woodcock (1956, 72-75) and Hall (1971, 19), this motivated Proudhon to write the *System of Economical Contradictions*, where he observed that

> Everywhere in public service and free industry, things are so ordered that nine-tenths of the laborers serve as beasts of burden for the other tenth: such is the inevitable effect of industrial progress and the indispensable condition of all wealth (Proudhon, Vol. 1, 141).

In Brussels, Marx also noted this feature of the crisis. In one of his copybooks, he excerpted the following passage from Heinrich von Storch's *Cours d'economie politique*:

[6] Here, I utilize John Bellamy Foster's use of the term (2006, 2008), which is significant to world historians because it helps to draw sharper distinctions in the frustrating yet necessary attempts at so-called periodization, at least from the standpoint of the history of capitalism.

> It is a very remarkable result of the philosophical history of man that the *progress of society in population, industry and enlightenment* is always obtained at the expense of the *health, dexterity and intelligence* of the great mass of people . . . the individual happiness of the majority of the people is sacrificed to that of the minority (Chattopadhyay, 2004, 443).

Marx witnessed firsthand Storch's contradictory and paradoxical view of modern progress. According to Edward De Maesschalk (2005, 29-31) the gap between wealth and poverty in Brussels was greater than in any other Belgian city.[7] In 1846, the upper classes lived lavishly while 9,000 out of the city's 124,000 inhabitants were employed as their servants. Yet servants were relatively comfortable compared to the thousands of poor people who streamed into the city from small towns and rural areas looking for work or relief. Many were peasant farmers or skilled artisans, the latter victims of the collapsing cottage industry in woolen linens due to the influx of cheap British cotton cloth.

From the standpoint of the present, the paradox of capitalist progress was a defining characteristic of the 1840s crisis and, since then, a systemic feature of capitalism in two ways: structural contradictions that prevented the unprecedented capacities of modern industrial production to supply all basic human needs; and the absurd spectacle of phenomenal wealth and privilege, which the ruling classes displayed ostentatiously while their advocates trumpeted it as proof of modern progress. The spectacle prompted Proudhon to write the *System of Economical Contradictions*. Subsequently, Marx took Proudhon to task because he had failed to explain the paradox as the product of capitalism's structural contradictions. As Marx would demonstrate for the first time in *The Poverty of Philosophy*, capitalist production provided the capacity for abundance, but its contradictory processes governed by class antagonisms also created the permanent tendency toward overproduction which, given a variety of variables operating at any given time, contained the potential for social crisis. The latter was characterized by rising poverty in a sea of plenty. For Marx, any possibility for future progress rested on an understanding of capitalism's contradictions acquired through scientific political economy, and then resolute political practice based on that science.

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[7] I would like to thank Liesbeth Depoorter for her translations of key passages in Dutch from De Maesschalck's very useful account of Marx in Brussels.

(4) The decade of the 1840s marked the emergence of distinct working-class political consciousness, as revolutionary intellectuals and workers alike sought to formulate plans for political action and new organizations – some guided by visions of a new society. From our vantage point, Proudhon and Marx stand out because their views were foundational *then* and are highly relevant *now*. For Marx, the new society would emerge from the passage to communism, a step-by-step process of working people engaged in the conscious pursuit of their real interests. By 1846, the establishment of the Brussels Correspondence Committee as the starting point for building a European-wide workers' movement reflected Marx's guiding principle of the unity of theory and practice. Opposed in every way to Marx was Proudhon, whose vision of the new society partially recast an idealized past with a utopian scheme of his own. Rejecting socialism and any political action toward proletarian state power, Proudhon's view of revolutionary change called for the creation of organized workshops operating on the principle of "progressive association" or, as he termed it, *mutualism*. His mutualist plan for social reorganization, which he later envisioned as federated communities, aimed to restore the economic and social power of the small producer. In rejecting political revolution, Proudhon thought he was furthering an economic one.

Proudhon's "Phantasmagoria": Capitalist Contradictions to Capitalist Equilibrium

Coming of age in the 1830s and 1840s, Proudhon grasped the plight of the petty bourgeoisie in France, "trapped between landed property and big capital" (Ehrenberg, 11). This was the underlying theme in his most celebrated work, *What is Property?*, to which he replied, property is theft. Both the title and answer were misleading since Proudhon never rejected private property but rather interest, rent and what he deemed as excessive profit. Quite the contrary he believed the end of private property would bring chaos and social disintegration (Gray, 240-1). As the crisis of the 1840s deepened, Proudhon observed idle, non-producing capitalists robbing actual producers, the workers, of their labor and the things they produced. The spectacle of rising inequity and injustice prompted him to envision a new society based on the principles of *producerism* (Woodcock, 1956, 45; Ehrenberg, 51-53). For Proudhon, those who worked had the *right*

to possess their means of production as well as the products they made. This was not property in a legal bourgeois sense, i.e. the *right* to property, but property as *possession*. In *What is Property?* Proudhon sought to universalize possession as the means to create an egalitarian and just society: "the right to occupy is equal to all" (Woodcock, 47).[8]

Proudhon was immersed in the culture and politics of the artisan classes and intimately connected to the semi-clandestine world of trade fraternities and mutual aid societies then flourishing in France (Sabel and Zeitlin, 1985, 143). In 1843, he moved to Lyon, whose once thriving silk and clothing industry based on small ownership and skilled craftsmanship was declining in the face of large-scale production resulting from the concentration of French capital and English competitors (Ehrenberg, 59-60). There he established close ties to silk workers in one of the many "progressive associations" or *societes de secours mutuels*, the Mutualists (Vincent, 1984, 160-1).

A year later, Proudhon met Marx in Paris, where their well-known, all-night discussions during the winter of 1844-5 resulted in the sharpening of their philosophic and political differences. A longstanding controversy remains over who was primarily responsible for Proudhon's subsequent misuse of Hegelian dialectics (Hoffman, 90; Vincent, 90-94). While most commentators attribute Proudhon's dialectics to his reading of Fourier and Kant (in translation), Hoffman (93) claims they were uniquely his. Nonetheless, Hegelianism was quite "alien" to Proudhon (Woodcock, 97). He did not accept the Hegelian principle of synthesis as negation of negation, as transcendence. Instead, as he explained it in the *System of Economical Contradictions*, Proudhon saw thesis and antithesis becoming absorbed in an eventual fusion of opposites rather than a qualitative change to a new entity. De Lubac (1948, 151-152) and others have shown that Proudhon's dialectic was never Hegelian, primarily because he posited the persistence of antinomies and contradictions.[9] In fact, Proudhon was convinced that negation of negation or transcendence was Hegel's "error" (De Lubac, 153).

Proudhon's peculiar dialectics flowed from his deep belief that men could freely chart a new course out of social inequality and toward a just society. He merely rejected

[8] Marx (1975, 220) praised Proudhon's book in 1842 as a "the sharp-witted work" . . . [that] cannot be criticized on the basis of superficial flashes of thought, but only after long and profound study."
[9] As he wrote to a friend in 1861: "Everything has always to begin all over again. People would like to see an end to it all, but I tell you again, *there is no end at all*" (cited in De Lubac, 155).

the established order, as well as republicans, socialists, communists; indeed, all whose "social, political, and religious utopias which disdain facts and criticism are the greatest obstacle which progress has to conquer" (Proudhon, 1972, I, 281). His solution was reconciliation and harmony between all antagonists. Thus, in the introduction to the first volume of *The System of Economical Contradictions*, he wrote:

> Modern society has demonstrated that in a conflict of this nature the truth is found, not in the exclusion of one of the opposites, but wholly and solely in the reconciliation of the two; it is, I say, a fact of science that every antagonism, whether in nature or ideas, is resolvable in a more general fact or in a more complex formula, which harmonizes the opposing factors by absorbing them, so to speak, in each other. Can we not, then, men of common sense . . . prepare ourselves for the great transition by an analysis of the struggling powers, as well as their positive and negative qualities? (I, 51).

Proudhon's 950-page book appeared in October 1846, as much of European society endured its second year of acute crisis. The spectacle of increasing misery in a sea of plenty brought Proudhon to view progress as a "privilege" (I, 161-162). The impact of bad harvests that brought great deprivation to peasants, and the commercial downturns that ruined petty bourgeois shopkeepers, fueled his outrage at the existing order and pushed him closer to an alternative (Ehrenberg, 81). The challenge lay in creating a new political economy based on "reciprocity of services" (Hall, 60) or equal exchange without fundamentally altering the social order. For Proudhon, the problem of increasing misery and privilege was an organizational one created by *the poverty of its philosophy* and manifested in a *system of economical contradictions*. Lay bare the contradictions, Proudhon argued, to establish the foundations of universal association:

> to show how the products of collective labor *come out* of society is to explain how it will be possible to make them *return* to it; to exhibit the genesis of the problems of production and distribution is to prepare the way for their solution (I, 130-131).

The goal was justice made from "law of liberty and fraternity" (I, 281).

Proudhon's whole project depended on reconciling the contradiction between use value and exchange value. He argued that the value of any commodity should be "constituted" solely on the basis of the value of the labor that went into making it, thus removing surplus normally appropriated by the capitalist as profit. In keeping with his producerism, he sought to measure value according to the needs of those directly engaged in production, since "valuation always is an arbitrary matter" (I, 81), a point Marx would later vigorously dispute. For Proudhon, history revealed that free will was responsible for the opposition between use value and exchange value (I, 76-82). Now, the time had come for men to freely reconcile the antinomy in order to resolve the crisis. Surplus value created by capitalist agriculture and industrialization meant disproportionate profit to "swindlers." It was now necessary to put the whole system of exchange back into the hands of actual producers, all who are buyers and sellers at once (I, 236). Equitable exchange of products required the mutual satisfaction of needs between buyer and seller on the basis of utility, which determined their true exchange value (I, 81).

For this to be possible, Proudhon assumed that all buyers and sellers possessed more of the products they made than what they consumed. Accordingly, he proposed to other men, "my collaborators in various functions, to yield me a portion of their products in exchange for mine" (I, 75). Social reorganization would proceed from acts of free will based on the presumption of abundance. Proudhon then worked out his own determination of value. He agreed with previous political economists that labor was the source of all wealth but then insisted that his predecessors had not recognized the true meaning of wealth, that it was *social*, and should be regarded as a "totality" of values, of which each part stands in proportion to another as a part of the whole (I, 91). Thus, his new system required that value be determined primarily as the cost or price of production, since the "constituted" value of any commodity must necessarily be based on a fair and just exchange of that commodity for another of equal value. Given free contract based solely on utility, prices would be fixed at the level of production and a true valuation of commodities would emerge since, as Proudhon maintained, "in value, there is nothing useful that cannot be exchanged, nothing exchangeable if it be not useful: value in use and value in exchange are inseparable" (I, 85).

Convinced that he had reconciled the antinomy between use and exchange on the basis of free will, Proudhon took delight in criticizing previous political economists whose theories he considered incomplete or merely opinion. For example, he acknowledged that proportionality was a "common idea " found in previous works of political economy, though "no one has yet dreamed of attributing its rightful importance" (I, 92). He also considered it a profound advance to reduce two historically conditioned realities, supply and demand, to "nothing more than ceremonial forms" that brought use value and exchangeable value face to face in order "to provoke their reconciliation" (I, 90). Moreover, his proposal for a more complete "synthetic idea of value . . . [,] the fundamental condition of social order and progress[,]" was only "dimly seen" by Adam Smith and other political economists (I, 106). Since contradictions were the historic product of free will, one only had to reverse course and constitute value on "the proportionality of products." This implied that the exchange of two or more products represented "an equal degree of utility and venality, indivisibly and harmoniously united" (I, 104). Indeed, on the basis of voluntarism alone, Proudhon transformed contradictory notions of use value and exchange to constituted value, likening the process to

> a reciprocal penetration, in which the two elementary concepts, grasping each other like hooked atoms of Epicurus, absorb one another and disappear, leaving in their place a compound possessed, but in a superior degree, of all their positive properties, and divested of all their negative properties. . . . a product of a complete fusion . . . entirely new and distinct from its components (I, 105).

For Proudhon, the social "corollary" of this formula lay "in the spheres of morality, history, and political economy" where similar cases of a "higher idea" eventually appear (105). In all eleven economic categories in the *System of Economical Contradictions*, Proudhon eliminated whatever was "bad" in each order to preserve and strengthen the "good." So, for example, it was essential to preserve the good side of competition while making sure not to eliminate it altogether; doing so would prevent further progress because production could not maximize its potential (1, 240). The solution was to make competition "universal," thus removing or modifying capitalists' domination of workers and facilitating the reorganization of labor on the principle of the workshop (I, 244).

For Marx, all these efforts amounted to a "dialectical phantasmagoria" (Marx, 1982, 97). Proudhon had constructed an elaborate, metaphysical "scaffolding of categories, groups, series, and systems . . . [and] in spite of all the trouble he has taken to scale the heights of the *system of contradictions* M. Proudhon, has never been able to raise himself higher than the first two rungs of the simple thesis and antithesis" (Marx, 1976, 165). Marx was certain that Proudhon had failed because he rejected negation as transcendence; in other words, Hegelian dialectics properly understood as negation of negation (*Aufhebung*), that point when thesis and antithesis "fuse together into a new category" (168). Applying Hegelian dialectics to history and society, and particularly to crisis, Marx interpreted transcendence as the beginning of a qualitatively new entity – either revolutionary reconstitution of society or the common ruin of the contending classes, as he and Engels stated in *The Communist Manifesto*. On the other hand, the application of Proudhon's dialectic to social reality was even more problematic. Following Proudhon's own logic, society could never solve its problems, since permanent flux meant the continuous appearance of new problems added to unresolved antinomies and contradictions (Hall, 58-59). Here then was the crisis point in Proudhon's methodology. On the one hand, he saw persistent antinomy as the motor force for progress. "Remove the antinomy," Proudhon wrote, "and the progress of beings is inexplicable; for where is the force which would produce progress" (2005, II, 383).[10] On the other hand, he seemed equally certain that progress ultimately lay in the fusion of opposites, meaning eventual reconciliation and a newly arrived at equilibrium.[11]

For all these reasons, Proudhon was incapable of developing or sustaining coherent views about progress. For Hoffman (1972, 6), he was "a maverick, adapting a heritage of received ideas to his own idiosyncratic patterns, or straying from it far enough to criticize many of its principal elements, while still colored by its effects." Ehrenberg (63) notes that Proudhon could never "systematize his own innate sense of dialectics and contradiction." His dialectic reflected a chaotic worldview; as Aaron Noland (1967, 318) describes it, a universe composed of "contradictory, inharmonious, and antinomious

[10] The translation is mine. Volume two of the *System of Economical Contradictions* has not been translated into English.
[11] Later in his *Theory of Property*, Proudhon reaffirmed that his *System of Economical Contradictions* was nothing more than "a working out of equilibrium" (cited in De Lubac, 158).

elements and forces, perpetually in a sort of Quasi-Hericlitian state of flux." Added to this was Proudhon's deep pessimism about human nature. Despite a self-professed atheism, his pronouncements seem utterly Catholic: man is at once "spirit and matter, spontaneity and reflection, mechanism and life, angel and brute" (Proudhon, I, 433); he is "vicious because he is illogical . . . his life is one of compromise and obedience . . . his inferior attractions is the baptism which prepares the way for his reconciliation with God and renders him worthy of that beatific union and eternal happiness" (I, 434). Within this cosmology, Proudhon viewed unresolved, immanent contradictions as the driving force of progress, yet these same contradictions were seemingly dissolved at some point by a parallel, transcendent presence aimed at establishing equilibrium; persistent antinomies of men's actions were eventually neutralized by a moral force that Proudhon saw operating apart from them. Temporally, this transcendent presence materialized as justice (Gray, 235; Hall 35), the byproduct of twin forces, reason and liberty, moving through history (Proudhon, I, 183-184). But the mysterious, transcendent force of a well-disguised *deus ex machina* also drives humanity toward eventual reconciliation. Reason and humanitarian atheism mark the final chapter in man's moral and intellectual development, the last phase of philosophy, which demolishes religious dogma, and opens up the world to science and its true practitioners. Yet Proudhon's scientists need "the hypothesis of God to show the tie which unites civilization with Nature" (I, 27-28). Indeed, the hypothesis of God "means that society is governed with design, premeditation, intelligence . . . judgment which excludes chance [and thus] the foundation of social science" (I, 26).

John Bellamy Foster (2000, 128-129) highlights the unresolved tension between free will and providential design in his discussion of Proudhon's symbolic use of Prometheus, who represents "both God and not-god, that is, alienated humanity, bourgeois and proletariat." At times, Prometheus is the motor force for progress, stealing fire from heaven, teaching man to conquer nature, and inventing the categories of political economy. It is Prometheus who teaches humanity to attain justice by reordering political economy according to proportionality of values:

> [He] assures his existence by providing himself with the least costly, and consequently most necessary, things; then, as fast as his position becomes secure, he will look forward to articles of luxury, proceeding always, if he is wise, according to the natural position of each article in the scale of prices (I, 96-97).

Could Prometheus, part God, ever be wrong? Proudhon doesn't say. As long as the proportionality of value is practiced, each new machine condenses labor and reduces cost, thereby decreasing the labor time of workers and causing a fall in the prices of the things they produce, thus assuring "a movement in relation of values, progress toward new discoveries, [and] advancement of the general welfare" (Proudhon, I, 168, 174-175). Machinery begins as the cause of man's misery, but then becomes the source of reconciling contradictions in existing division of labor. For Marx, it was "absurd" that Proudhon would consider machinery first as "*antithesis* of the [capitalist] division of labor" and then "the *synthesis* restoring unity to divided labour" (Marx, 1976, 186).[12]

Finally, there is Proudhon's subjective idealism. History was the unfolding of providential design and delivered through the efforts of "social genius" manifested talented individuals and not the people at large (Proudhon, I, 172, II, 204-205; Harbold, 33). He agreed with the *philosophes* in the "progress of the human mind" – social change came through intellectual enlightenment by a gifted minority acting on behalf of the masses (Callinicos, 1983, 45). Accordingly, Proudhon believed he was the sole architect of a new political economy and the leader of the economic revolution (Harbold, 28). He declared himself to be "one of the prophets" who would discover solutions to existing social contradictions, though also admitting the presence of "an invisible influence" pushing him toward his goal (I, 39). Frequent diary entries attest to his hubris, i.e., claiming to be "the voice of the people . . . the spontaneous and reflective reason of the proletariat" (Ehrenberg, 85). Such feelings intensified in later years, particularly as his prognostications failed to materialize – along with the self-loathing of misunderstood genius: "Owing to the trend of my ideas I have almost nothing in common with those of my contemporaries" (Schapiro, 1945, 718; Ehrenberg, 85). In 1861, four years before his death, he wrote: "More than ever I wonder whether I belong to this world, whether I

[12] Foster, 129-131, cites these passages to make his case.

stand for anything in it or whether I ought to consider myself as a lost soul coming back to scare the living and to whom the living refuse their prayers" (De Lubac, 20).

When the *System of Economical Contradictions* appeared in October 1846, Proudhon's influence was widespread among the laboring classes in France and elsewhere on the Continent (Hyams, 1979, 104). To that point, Marx considered Proudhon a key ally in his plans to build a European workers' movement. As Gilbert (1981, 122) noted, Marx's attitude toward Proudhon reflected his "multifaceted political approach to his differences with other radicals," distinguishing between various elements of the working class to be won over, recruited, or rejected outright. Earlier that year, Marx, Engels, and their political associates had founded the Brussels Communist Correspondence Committee, the first step toward "a new conception" of a working-class party (Löwy, 2003, 120). Proudhon was invited to organize a similar committee in Paris. Marx's letter of invitation shows his prescient understanding of proletarian internationalism by stressing the importance of breaking down national barriers to prepare for concerted European working-class action (Marx, 1982, 38-39). Proudhon replied that he wanted no part in the creation of any new authority, opposing participation in unions, strikes, and any revolutionary "jolt . . . as the means of social reform" (Hoffmann, 343-344). He declared his opposition to political revolution, though he had stated in the *System of Economical Contradictions* that "every society in which the power of insurrection is suppressed is a society dead to progress" (Proudhon, I, 169). His book was replete with attacks on socialists and communists for their utopian visions, their faulty science, their attempts to rob mankind of individuality and liberty, their rejection of traditional institutions such as marriage and family, and their alleged desire for a new authoritarian state. It is hardly surprising that Marx ceased further collaboration once he had read it. Surely, Marx took Proudhon at his word when the latter implored, "Be gone, communists! Your presence fouls the air and the sight of you disgusts me" (II, 267).

The Poverty of Philosophy: Marx's Concept of Progress

The Poverty of Philosophy has long been regarded as a pivotal work in Marx's intellectual and political development.[13] Marx himself often noted its significance, the first of his writings to appear in book-length form. In 1859, he wrote that it held the "salient points" of his and Engels' conception of political economy "first outlined in an academic, although polemical, form" (Marx, 1987, 264).[14] In 1880, he recalled (1989, 326) that the book contained "the seeds of the theory developed after twenty years' work in *Capital*." But as we shall demonstrate here, *The Poverty of Philosophy* also contains an implicit conception of progress based on (1) contradiction and antagonism as the driving forces in history and only grasped by a method of political economy grounded in historical materialism; (2) the paradox of growing poverty in the midst of potential plenty, a defining feature of modern capitalist development as it entered its industrial stage; and (3) the necessity of conscious political activity aimed at a theoretical understanding of the paradox for the purposes of smashing it – in other words, practice as the foundation of revolutionary theory in the making of socialist revolution. For these reasons, *The Poverty of Philosophy* signaled the historic moment when Marx became Chattopadyhay's "great rethinker of progress."

The genesis of Marx's conception of progress was already present in Marx's Paris writings in 1844, as he began applying Hegelian dialectics to history, discovering for himself the contradictions between capital and labor, and recognizing the necessity of practice in changing the world.[15] All pointed to the historic mission of the proletariat – "a class with radical chains" – as the driving force of revolutionary transformation to communism and the progress of humanity (Marx, 1975a, 186). In the 1844 manuscripts, he grasped the economic antagonisms between capitalists and workers, delineated levels of human alienation in capitalist society, and concluded that only communism offered "the

[13] Mandel (53) writes: "From the standpoint of the evolution of Marx's economic ideas, it is the first work that offers an overview of the origins, development, contradictions and future collapse of the capitalist system."
[14] McLellan (1973, 165) notes that Marx recommended *The Poverty of Philosophy* as an introduction to *Capital*.
[15] In fact, it is possible to see the earliest signs of Marx's conception of progress in his romantic poetry of 1836-1837, his treatment of Epicurean practical materialism in his doctoral dissertation in 1841, and in his stint as a correspondent and then editor for the *Rheinische Zeitung* in 1842.

genuine resolution of conflict between man and nature and man and man" – the "positive expression of annulled private property" (Marx, 1975b, 296). Marx recognized the decisive role of action as the outcome of association among workers and the need for theory to guide them (1975b, 313). The Silesian weavers' revolt of 1844 confirmed all this as the proletariat became the agent of progress (Marx, 1975c, 201).

In Paris, Marx also determined that the "task of history is to establish the truth of this world," thus relegating philosophy to "the service of history" (Marx, 1975a, 176).[16] With Engels, he extended this notion in *The Holy Family* by noting that "history is nothing but the activity of man pursuing his aims" (Marx and Engels, 1975, 93). Linking history to practical activity, Marx and Engels criticized Bruno Bauer and other former associates for holding that revolutionary consciousness could never come from proletarian struggle but only injected by an outside force, "Critical Criticism." "*Ideas cannot carry out anything* at all," Marx and Engels countered (1975, 119), challenging the alleged importance of their carriers. Here, they recalled previous communist and socialist writers who had already shown that "even the most favourably brilliant deeds seemed to remain without brilliant results, to end in trivialities, and, on the other, *all progress of the Spirit* had so far been *progress against the mass of mankind*, driving it into an ever more dehumanized situation" (84).

Shortly after he arrived in Brussels in February 1845, Marx took the final steps toward a practical materialist outlook that marked his decisive break with an idealist view of progress. That spring, he composed the *Theses on Feurbach*, a "new *Weltanschauung*" based on the *philosophy of practice* (Löwy, 104). His criticisms of Ludwig Feuerbach's one-sided materialism, specifically, the latter's failure to grasp materialism as "*sensuous human activity, practice*," was a crucial step toward the development of what Sklair calls (1970, 48-49) "the first fully activist theory of progress." As men change their circumstances, so they change themselves (Marx, 1976, 3-5). This position was central to the subsequent formulation of historical-materialist theory in *The German* Ideology. An activist conception of progress was implicit in Marx's and Engels' critique – Marx wrote

[16] "All history," he wrote, "is the history of preparing and developing 'man' to become the object of *sensuous* consciousness, and turning the requirements of 'man as man' into his needs. History itself is a *real* part of *natural* history – of nature developing into man. Natural science will in time incorporate into itself the science of man, just as the science of man will incorporate into itself natural science: there will be *one* science (303-304).

most of the manuscript – of "true socialism," Feuerbach's anthropomorphism, and Max Stirner's egoism.[17] As in *The Holy Family*, they took their former associates to task for maintaining that ideas make history. On the contrary, they argued, ideas are products of "real individuals, their activity and the material conditions of their life, both of which they find already existing and those produced by their activity" (Marx and Engels, 1976b, 31). The potential for social progress only came from revolutionary practice: "Liberation is a historical and mental act, and it is brought about by historical conditions" (1976b, 38). For Avineri (1968, 144) *The German Ideology* offered a thorough critique of all previous philosophic positions that viewed social change as the product of enlightenment or the progress of the human mind.

Nevertheless, it was not until *The Poverty of Philosophy* that Marx's conception of progress emerged as a significant, though implicit subtext. Now, the task of refuting Proudhon's claim became the catalyst for Marx's method of political economy, which also brought forth a conception of progress based on dialectics and historical materialist theory as well as the paradoxical nature of capitalist production and relations. By demonstrating that Proudhon's political economy was untenable, Marx also exposed his vision of a new society as a fantasy conjured of anachronistic and utopian elements. Simultaneously, in laying out his own method of political economy, Marx presented a conception of progress that reflected the realities of capitalism and the concrete possibilities of socialist transformation.

Marx (1982, 95) hinted at this in a letter to P. N. Annenkov in December 1846. Proudhon, Marx wrote, saw progress in history but not from human effort: men "were mistaken as to their course" and fortunately "benefactors of universal reason" and other "mystical causes" (95-96). Incapable of grasping real historical development, Proudhon instead provided "a dialectical phantasmagoria." Proudhon's history took place "in the nebulous realm of the imagination," a "sacred history" in which "man is but the

[17] Ignoring the social realities present at every stage in history, Stirner, Marx wrote, "takes the world as his conception of the world, and the world as his conception is his imagined property, the property of his conception, his conception as property, his own peculiar conception, or his conception of property; and all this he expresses in the incomparable phrase: 'I relate everything to myself'" (126-127). For Marx, Stirner's egoistic man was an abstraction, cut off from the historical process, so that the ego alone is the driving force in history. "Thus, history becomes a mere history of illusory ideas, a history of spirits and ghosts, while the real, empirical history that forms the basis of this ghostly history is only utilized to provide bodies for these ghosts" (130).

instrument used by the idea or eternal reason in order to unfold itself" (97). Proudhon believed he could "choose this or that society" simply by ignoring concrete historical conditions extending from one period into the next (96). Sacred history was the source of his "methodological error" in the treatment of economic categories (100). Thus, he could not grasp the transitory nature of economic formations and the categories they represented, erring with bourgeois economists who regarded the categories as eternal and governed by equally eternal laws. Proudhon's "mystical inversion" made the categories the driving force of history and the source of progress.

For Marx, Proudhon's main difference with bourgeois economists was his defense of petty bourgeois interests against the powerful *haute bourgeoisie*. Faced with the deepening crisis, Proudhon sought to be an economist and a socialist at once, "dazzled" by the wealth of the upper classes while expressing deep compassion for the sufferings of the people. "A petty bourgeois of this kind deifies *contradiction*," Marx wrote, "for contradiction is the very basis of his being. He is nothing but social contradiction in action" (105). For Marx, Proudhon was like all compassionate bourgeois, wanting the impossible: competition without the "pernicious consequences of competition . . . the conditions of bourgeois existence without the consequences of those conditions" (103). Simply put, Proudhon wanted to preserve the *good side* of capitalism by jettisoning the *bad*. His solution to capitalist contradictions and the paradox of capitalist progress lay not in "public action but in dialectical rotations of his brain" (103). Thus, Proudhon's book aimed "to make bourgeois society more social" (Foster, 127). For these reasons, Shorthall (1994, 38) describes Marx's struggle against Proudhon's bourgeois socialism as "the driving imperative of Marx's theoretical efforts [and] an important catalyst in the development of [his] theoretical project towards a critique of political economy." Here, we add that Marx's conception of progress became an integral feature of this project.

In beginning *The Poverty of Philosophy*, Marx argues that Proudhon's failure to grasp history and dialectics reduces his claim of having revealed the "genesis" of exchange value as "an act of transubstantiation" (Marx, 1976, 111). To resolve the contradiction between use value and exchange value, Proudhon simply chose to begin anew by proposing to other producers that they "cede" to him part of their products in exchange for his. So much, Marx said, for Proudhon's "historical and descriptive

method" (1976, 113). He had dismissed the actual genesis of exchange value in its historic forms since the Middle Ages, ignoring that exchange value is always the product of conflict "between the marketable value of the supplier and the marketable value of the demander" at a given moment (118).

Proudhon argued that buyers and sellers could agree on which commodities had the greatest utility, and then determine their cost which must then equal their selling price; only then could prices be proportional to the amount of labor expended in their production. Here, he proclaimed "the most logical of conclusions: that things whose use is necessary and quantity infinite must be gratuitous, while those which are without utility and extremely scarce must bear an inestimable price" (Proudhon, I, 80). Recognizing that both extremes were impossible but driven to achieve equilibrium between utility and exchange, Proudhon substituted *estimation* value for exchange value to determine the cost of a product, thereby establishing one part of the proportionality of total value. Not surprisingly, he gave to the most useful products the almost magical power of spontaneous production, making it easier for buyers and sellers to freely estimate the exchange value of products in proportion to the value of labor in them.

In response, Marx showed why capitalist antagonisms made Proudhon's formulations untenable. First, he reaffirmed the findings of Sismondi, Lauderdale and Ricardo, all of whom had determined that the exchange value of a product depended on its abundance or scarcity *but always in relation to demand*. Proudhon simply "forgot" the last part, ignoring its role and the antagonistic social relations that determined it (Marx, 1976, 115). Marx provides historical examples of producers restricting production of useful products in order to raise their exchange value, i.e. prices (116). Putting demand aside, Proudhon arbitrarily equated use value with abundance and supply, and estimation value with scarcity and demand. For Marx, this attempt to reconcile two "incommensurable powers," utility vs. estimation, free buyer vs. free producer, amounted to "a futile abstraction" (117). The real conflict, Marx said, occurred between "the marketable value demanded by the supplier and the marketable value supplied by the demander" (118). The usefulness of a product was determined only by the consumer who bought it, while for the producer its exchange value was determined only by all the marketable values that went into its production. At every phase of

production and exchange, the value of the product was determined by *contradictory* interests. Proudhon's effort to transcend these contradictions was purely metaphysical since it required eliminating real production costs set by competition and class antagonisms. Therefore, Marx said, Proudhon's so-called "knights of free will," producers and consumers, buyers and sellers, were hardly free. Here, Marx effectively pulled up one cornerstone of Proudhon's new society.

For Marx, Proudhon's efforts at revaluation ultimately collapsed with his claim that supply and demand were merely "two ceremonial forms" serving to bring use value and exchange value toward their reconciliation. To that end, Proudhon took credit for another discovery, *constituted value*, which made the exchange or "estimated" value of a commodity equal to the labor embodied and necessary to his law of proportionality. Constituted value would enable commodities to be exchanged on the basis of equal values, which was central to his quest for a fair system of exchange as the basis of a just social order. Its realization would eliminate surplus value appropriated by capitalists which, Proudhon believed, caused the price of a commodity to diverge from its "true value" based solely on the labor put into its making (Shortall, 40); it would also replace money with the use of letters of credit or exchange issued by a "people's bank." When value was so constituted, social reorganization along mutualist lines could proceed.

Against Proudhon, Marx relied on Ricardo's law that the *relative value of commodities* corresponds exclusively to the amount of labor required for their production. Proudhon erred because he confused the value of the specific commodity labor with the value of a commodity measured by the labor time embodied in it. This made it possible for Proudhon to constitute value arbitrarily so as to reward the actual producer with the apparent value of the commodity and not by labor time in the form of wages (Gilbert, 1981, 84). This was Marx's moment as a "Ricardian socialist," committed to Ricardo's labor theory of value, or more correctly, the version of it advocated by the Ricardian socialists who had turned Ricardo's theory against him and bourgeois political economy in general (Shortall (1994, 42-43). Here, Marx used Ricardo to demonstrate Proudhon's muddle: Proudhon "insisted that the value of commodities was not determined by the labor required to produce them, although it *should* be" (Shortall, 43); this was the basis of his claim to the "discovery" of constituted value. Marx would have none of this,

adhering to the Ricardian socialists who held that the value of a commodity was determined by labor – except that in the course of production part of that labor was appropriated by the capitalist as surplus value (43). For Marx, Ricardo had revealed "the real movement of bourgeois production" that constitutes value, as opposed to Proudhon, who in leaving out that movement invented "new processes to achieve the re-organization of the world on a would-be new formula." While Ricardo used existing conditions as his starting point to demonstrate how value was constituted, Proudhon took constituted value as his starting point "to constitute a new social world with the aid of this value." Proudhon had come full circle: constituted value became "once more the constituting factor in a world already constituted according to this mode of evaluation" (123-124).

Marx then summarized his position. As a commodity itself, labor is measured by the labor time needed to produce a labor commodity, but just enough labor time to sustain the laborer, which Marx then called "the natural price of labor" or the "minimum wage."[18] In the face of this reality, Proudhon's attempt to constitute value on the basis of his own version of the labor theory of value, which virtually eliminated labor as a commodity, was sheer fantasy. For Marx, the Ricardian evaluation of labor time, derived from the cost of production based on competition as it related to supply and demand, was "inevitably the formula for the present enslavement of the worker" and not as Proudhon hoped, "the 'revolutionary theory' of the emancipation of the proletariat" (125).

In the end, Marx said, Proudhon had to resort to yet another abstraction to arrive at his version of constituted value, namely, the inversion of reality itself. "Measure the relative value of a product by the quantity of labor embodied in it," Proudhon proposed, and supply and demand come into equilibrium; production corresponds to consumption, making the product forever "exchangeable." Moreover, as long as the formula is adhered to, the price of the product will always "express exactly its true value." For Marx, such a formula could only be justified by a law he attributed to Proudhon:

> Products in the future will be exchanged in the exact ratio of the labour time they have cost. Whatever may be the proportion of supply to demand, the exchange of commodities will always be made as if they had been produced proportionally

[18] At the time, this was Marx's position on the minimum wage. Later, in volume I of *Capital* (chapter 25), he considered how capitalist production could drive the price of labor power below its value.

> to the demand. . . . [A]s an economist, he [Proudhon] will have to prove that the time needed to create a commodity indicates exactly the degree of its utility and marks its proportional relation to the demand, and in consequence, to the total amount of wealth. In this case, if a product is sold at a price equal to its cost of production, supply and demand will always be evenly balanced; for the cost of production is supposed to express the true relation between supply and demand (132).

This was the formula upon which Proudhon based his plan for social reorganization and future progress, postulating free will as the means of reconciling opposites. But, as Marx had demonstrated, Proudhon's whole project rested on yet another futile abstraction: that the most useful things cost the least time to produce, causing society to produce them first and then the production of objects that cost more labor time and corresponded to a higher order of needs. Here, profane history showed something quite different from what Proudhon imagined:

> The very moment civilization begins, production begins to be founded on the antagonism of orders, estates, classes and, finally, on the antagonism of accumulated labour and actual labour. No antagonism, no progress. This is the law that civilization has followed up to our days. Till now the productive forces have been developed by virtue of this system of class antagonisms. To say now that, because all the needs of all the workers were satisfied, men could devote themselves to the creation of products of a higher order – to more complicated industries – would be to leave class antagonism out of account and turn all historical development upside down (132-133).

Against Proudhon's contention, Marx said that food prices, especially for necessities like corn and meat, had risen while prices for manufactured goods and luxury items declined. "In our age," Marx wrote, "the superfluous is easier to produce than the necessary" (133). Against Proudhon's abstract ideal of proportionality and constancy of prices, Marx reasoned that prices fluctuated in different historical epochs according to prevailing social conditions determined by class antagonisms. In fact, products of the least utility, such as cotton and spirits, had replaced flax and wool and beer and wine respectively on a

massive scale, and with highly negative impact. Potatoes, now a staple of the poor, had produced scrofula. Such products were "the pivots of bourgeois society" because their production required the least amount of labor, which meant the lowest prices. Marx asked:

> Why does the minimum price determine the maximum consumption? Is it by any chance because the of the absolute utility of these objects, their intrinsic utility, their utility in as much as they correspond, in the most useful manner, to the needs of the worker as a man, and not of the man as a worker? No, it is because in a society founded on poverty the poorest products have the fatal prerogative of being used by the greatest number. To say now that because the least costly things are in greater use, they must be of greater utility, is saying that the wide use of spirits, because of their low cost of production, is the most conclusive proof of their utility; it is telling the proletarian that potatoes are more wholesome for him than meat; it is accepting the present state of affairs; it is in short, making an apology, with M. Proudhon, for a society without understanding it. (133-134)

Rejecting Proudhon's "apology," Marx concluded that a new society was possible only with the end of class antagonisms. Only then would conditions arise in which "use will no longer be determined by the minimum time of production; but the time of production devoted to an article will be determined by the degree of its social utility" (134).

Marx attributed the causes for the paradox of progress in capitalist society to the antagonistic processes of capitalist production leading to overproduction and eventual crisis. Through increasing competition and monopolization capitalism delivered an abundance of goods to society. However, abundance did not mean the production of the most useful goods, but those costing the least based on the minimum time it took to produce them (136). As competition intensified, the compulsion for capitalists to produce an ever increasing amount of commodities in the market required the "continual *depreciation* of labor" to maximize profits. This fueled the so-called anarchy of capitalist production, which forced capitalists incessantly to develop the productive forces, thus intensifying the antagonistic relations between capitalists and workers. Simon Clarke (1994, 85) reminds us that for Marx competition was a "superficial expression" that

masked the real cause of industrial anarchy and overproduction, which is "the evaluation of commodities by labor time" (Marx, 1976, 136). For workers, this meant the minimum wage in the most general sense. For capitalists, the increase in the quantity of products lowered their value, driving some producers from the market. Survivors relied on greater mechanization, producing even greater quantities of product that further lowered their value and, consequently, brought down prices. The combination created product glut, depreciated labor in the form of lower wages, and massive fluctuation of prices as capitalists sought to make up for losses caused by the declining value of commodities. These processes, Clark says, eventually broke down "the proportionality of production and consumption" (1994, 85), allowing Marx to conclude that "production was inevitably compelled to pass in continuous succession from vicissitudes of prosperity, depression, crisis, stagnation, renewed prosperity and so on" (Marx, 1976, 137).

Moreover, Proudhon's idea of "proportional relation" was an anachronism. Before the advent of large-scale industry, production and consumption operated more or less in proportion because production followed consumption, demand dominated supply. Modern industry changed all that. Compelled by the motives and machines at its disposal to produce on an ever-increasing scale, supply no longer waited for demand. Now supply compelled demand (137). In proposing a way out of the existing paradox, Proudhon wanted to restore the proportional relation of the past, motivated by his defense of small ownership and interests. Thus he could not grasp that the "source of so much misery, is at the same time the source of all progress" (137). Proudhon straddled the fence by attempting to restore proportional relations of the past while preserving what he considered good about modern capitalism; Marx argued it could only be one or the other:

> Either you want to the correct proportions of past centuries with present-day means of production, in which case you are both reactionary and utopian.
> Or you want progress without anarchy, in which case; in order to preserve the productive forces, you must abandon individual exchange. Individual exchange is consistent only with the small-scale industry of past centuries and its corollary of "correct proportion," or else with large-scale industry and all of its train of misery and anarchy (138).

In the end, Proudhon failed to comprehend the contradictory and paradoxical nature of capitalist progress. To demonstrate this, Marx applied Proudhon's dialectic to the category of slavery and the problem of attempting to preserve its good side by eliminating the bad. Leaving aside the latter, Marx asked, what was worth preserving? Proudhon would have to respond along the following lines. Direct slavery in the Southern United States was just as much the "pivot of bourgeois industry as machines" or any other capitalist component (167). Without slavery no cotton, without cotton no modern industry. Slavery gave the colonies value and a vital role in world trade, and both were indispensable to the development of large-scale industry. North America, "the most progressive of countries," would fall back into anarchy and complete decay if slavery were eliminated. Accordingly, Marx said, Proudhon's failure to view slavery, even its "undisguised" forms, as an integral part of capitalist production demonstrated that he did grasp the real dialectical movement in any particular category, which for Hegel and Marx was "the co-existence of two contradictory sides, their conflict and their fusion into a new category." Moreover, any attempt to eliminate the bad side in a category "cut short" dialectical movement itself (168). Thus, Proudhon's dialectic was Hegelian "only in the language."

Marx's view that the bad side produces the movement that makes history, "by providing a struggle" (174), led him to the third component of his conception of progress, revolutionary practice aimed at socialist transformation. Unlike Proudhon, Marx posited that the bad side of capitalist crisis, rising poverty, was the driving force of progress once its causes were understood and made the basis of conscious revolutionary practice. At the same time, the emergence of revolutionary leadership was impeded by the progress of capitalism itself. The development of the productive forces had to reach a level that provided abundance but in doing so also produced increasing poverty and eventual crisis. These contradictory movements would ultimately put the proletariat in a position to constitute itself as a class through revolutionary practice and scientific theory. For Marx, the critical point came when proletarian theoreticians "no longer need to seek a science in their minds." Instead, Marx wrote:

> they have only to take note of what is happening before their very eyes and to become its mouthpiece. So long as they look for science and merely make systems, so long as they are at the beginning of the struggle, they see in poverty nothing but poverty, without seeing its revolutionary, subversive side, which will overthrow the old society. From this moment, science, which is a product of the historical movement, has associated itself consciously with it, has ceased to be doctrinaire and has become revolutionary (177).

To that end, Marx promoted the critical role of combinations and strikes and thus his opposition to Proudhon, who argued that workers should not struggle for higher wages since, as he understood the value of labor, wages alone constituted, *or should constitute*, the cost of production. For Proudhon, rising wages would fuel higher prices. Marx denied this assertion by pointing to the contradictions in the actual processes of production. For example, industries relying on more machines and fewer workers were eventually forced to lower prices due to competition. While competition drove down the rate of profit, industries still relying on workers saw their profit levels rise *above* the general rate. However, since competition consistently leveled the playing field, industries in this category would eventually be forced to rely on mechanization and consequently go the same route on profits. Thus, rising wages could never lead to rising prices as Proudhon had claimed, but in fact just the opposite given the increased reliance on machines (207).

For the first time in *The Poverty of Philosophy*, Marx presented the inherent tendencies of capitalist production as antagonistic and potentially crisis-ridden. As the use of machinery expanded in production, capitalists reduced the numbers of skilled workers while increasing the numbers of the unskilled workers, resulting in a general lowering of wages. This accelerated the organization of workers (combinations) and forms of protest (strikes), which in turn compelled capitalists to rely more on machines to acquire more surplus value. Objectively, this widened the gap between wealth and poverty, while taking on the spectacle of increasing misery in a sea of plenty. Proudhon only saw the latter and sought a solution by bypassing its causes. Marx argued that the oppressed class had to understand the paradox *structurally* and then proceed to make revolutionary change on that basis. Only science could do this. As Marx later wrote:

> It is also paradox that the earth moves around the sun, and that water consists of two highly inflammable gasses. Scientific truth is always paradox, if judged by everyday experience, which catches only the delusive appearance of things (Marx, 1985, 127).

Marx and Proudhon on Progress: A Summary

Marx's conception of progress was a byproduct of the 1840s crisis and his efforts to organize the working class in what he and Engels called "the line of march" toward communism (Marx and Engels, 1976, 497). The integral relationship of all three factors cannot be minimized. Without crisis, there would have been no revolutionary communist enterprise, and thus no opportunity to interpret progress from a historical-materialist standpoint. This affirms Chattopadhyay's view that Marx was the great rethinker of progress: Marx's radical reconceptualization of progress did indeed mark an historic break with the modern idea of progress, an abstract and idealist category that reached its highest expression in Hegel's "cunning of reason" as the fulfillment of *Geist***.** Yet it is not enough to see this in Marx's writings alone. We must also recall Leslie Sklair's observation in 1970 that Marx had established the first fully activist theory of progress, which Alan Gilbert (1981, 83-122) later validated in his superb treatment of Marx's prolific political activities during his time in Brussels (1845-1848). Marx's decision to write his *Anti-Proudhon* reflected a conscious commitment to connect theory and practice in refuting a formidable political adversary. No doubt, this is why Engels hailed Marx's polemic as the basis of "our programme" shortly after its publication.[19]

Eric Hobsbawm once remarked that for Marx "progress was objectively definable, and at the same time pointing to what is desirable" (1965; 12). Once more, Gilbert (1984, 154-155) provided a valuable service by demonstrating how Marx's conception of progress required a "coherent (if implicit) moral theory" based on his explicit social theory. This certainly captures the spirit and purpose of Marx's combined efforts in Brussels. As a "moral realist," Marx rejected theories of progress like Proudhon's that

[19] Editors' note in vol. 6 of Marx-Engels *Collected Works*, 672.

sought to reform capitalist society according to abstract moral notions of justice and fairness. He also dismissed an important corollary of this position, held by Proudhon, which viewed progress as always possible, but highly unlikely due to man's avaricious nature and eternal need to compete. To get around this contradiction, Proudhon made justice a transcendent gift to man, knowing that the contradictory elements in competition would persist endlessly – that is, until the miracle from without, above or wherever occurred. In *The Poverty of Philosophy*, Marx soundly rejected Proudhon's pessimism about man's eternal faults by stating that all history "is nothing but the transformation of human nature" (Marx, 1976, 192). For Marx, man indeed had the power to change himself as he struggled to change the world.

To this end, Marx's moral realism was necessarily shaped by his understanding of the paradox of capitalist progress. The vast expansion of capitalist productivity provided the possibility for abundance and offered the individual unprecedented opportunities for more leisure and greater choice. Yet capitalism enslaved the individual to the machine, stripping him or his humanity, and bringing forth deprivation and misery. In 1856, Marx provided his most explicit statement on the paradox of progress in a speech to workers:

> In our days, everything seems pregnant with its contrary. Machinery, gifted with the wonderful power of shortening and fructifying human labour, we behold starving and overworking it. The new-fangled sources of wealth, by some strange weird spell, are turned into sources of want. The victories of art seem bought by the loss of character. At the same pace that mankind masters nature, man seems to become enslaved to other men or to his own infamy. Even the pure light of science seems unable to shine but on the dark background of ignorance. All our invention and progress seem to result in endowing material forces with intellectual life, and in stultifying human life into a material force. This antagonism between modern industry and science on the one hand, modern misery and dissolution on the other hand; this antagonism between the productive powers and the social relations of our epoch is a fact, palpable, overwhelming, and not to be controverted (Marx, 1980, 655-656).

For Marx, only the "shrewd spirit that continues to mark all these contradictions . . . the working men," held the solution: "social revolution" and, thus, the possibility of a different kind of progress. To this end, Marx's aim to create a European network of communist committees in 1846 was a necessary step, uniting workers across national boundaries in a concerted, revolutionary struggle against capitalism. His internationalism also assured that the spontaneous practical-critical activity of workers would serve as a countervailing tendency to the inherent conservatism of their leaders (Gilbert, 1982, 90).

Meanwhile, Proudhon's vision of a new society did not call for altering the capitalist order but preserving and strengthening it by eliminating excesses, abuses, and injustices he observed in its system of exchange. Thus, he called for "gratuitous" credit provided by a "people's bank" (Hoffman, 125-128; Schapiro, 722). All producers would unite in a program of mutual financial cooperation that provided credit and loans without charge or interest. Transactions would be facilitated by notes or letters of exchange, which replaced cash. As such, the notes or letters would represent the value of commodities already produced or in the process of being produced. Capitalist investors were eliminated leaving actual producers to profit directly from their labor. Proudhon's bank aimed at bypassing contradictions in the organic composition of capital by uniting fixed and variable capital in the circulation of exchange notes. As such, the exchange value of commodities would be determined prior to production by the bank according to the total proportionality of values. Proudhon was involved in two attempts to create such banks, both occurring in 1848-1849. The first never got off the ground, and the second lasted only briefly. Nevertheless, he remained convinced that a new society was possible. In his last work, *The Political Capacity of the Working Classes* (1864), he declared that the bourgeoisie was "finished" and should give up its role "peacefully." But the "plebs" should realize this and help with the passage. "Both," he wrote, "ought to absorb themselves in a higher being"; the plebs then could make economic and social reform "according to the new right and formulas of science" (Mayer, 1943, 62).

Meanwhile, Proudhon's failure to realize his goals reinforced conservative viewpoints and led him in "profoundly reactionary directions" (Ehrenberg, 137). In 1861, he sided with the South during the Civil War in defense of slavery because he believed Negroes occupied the lowest rung on the racial ladder. He was firmly opposed

to the emancipation of women, regarding them as "baneful and stupid." "I deny her every political right and every initiative," he wrote. "For women liberty and well-being lie solely in marriage, in motherhood, in domestic duties, in the fidelity of her spouse, in chastity, and in seclusion" (Schapiro, 731). He was a rabid anti-Semite who believed Jews had robbed his beloved France of its national treasures, especially during the dictatorship of Louis Napoleon. Yet soon after the latter's coup d'état, Proudhon proclaimed the dictator as the one person who could bring social revolution to France.

In the name of revolution, Proudhon actually became a "counterrevolutionist," as J. Salwyn Schapiro declared in a highly provocative essay in *The American Historical Review* in 1945, then arguing that Proudhon was "the harbinger of fascist ideas" (732-736). There is much in the scholarly record of Proudhon and his worldview that support's Schapiro's claim. Clearly, he remained wedded all his life to French national interests while consistently condemning French republicanism and his country's democratic tradition. But Schapiro went deeper than his predecessors by drawing a political portrait of Proudhon that was timely in the wake of fascism's defeat in Europe. Highly sensitive to the meaning of fascism in his own era, Schapiro saw much of it in Proudhon, "an inharmonious genius living in an inharmonious age," a "prophet of future discontents," and a steadfast opponent of socialism and communism whose political significance could only then be seen in the light of fascist politics. Schapiro cited more than one Nazi writer who had considered Proudhon as their forerunner or guidepost (*wegenweiser*). Indeed, Proudhon had glorified war as an act of salvation. In *War and Peace* (1861), he wrote that "war is divine, that is to say primordial, essential to life, even to the production of man and society" (Hall, 57). Elsewhere in the book, he calls it "the deepest, most sublime phenomenon of our moral life; no other can be compared to it . . . [war is] a combination of genius and courage . . . of supreme justice and tragic heroism" (Mayer, 61-62).

Proudhon's ardent nationalism and view of war as the needle of man's moral compass made him a hero to Action Française, whose members formed the Cercle Proudhon in 1911, and also to the idiosyncratic Georges Sorel, whose Marxism departed from materialism and brought him to syndicalism. Zeev Sternhell (1994) has connected both to the coming of a "national socialism" in France. Sternhell (123-124) describes

how the Cercle Proudhon provided common ground for nationalists and leftist anti-democrats who, inspired by Proudhon, viewed syndicalism as the synthesis of nationalism and "authentic socialism." Proudhon was praised for his anti-republicanism, anti-Semitism, contempt for democracy, and commitment to nation, family and tradition.

Finally, despite Proudhon's frequent calls for association most commentators agree that his impact on the European labor movement was minimal. According to Moss ((1976, 6-7, 51-52) his only real influence was apparent in the early 1860s when his followers challenged Marx's activities in the International Working Men's Association. Proudhonists persuaded the entire French delegation to approve an explicitly Proudhonian program later approved by the IWMA Congress in 1866, condemning public education, female labor, political action, strikes, and collectivist associations. Yet Moss says that as trade organizations developed further, it became increasingly clear that Proudhonism was "an ideological mask" for a movement that actually supported strikes and political action and sought in association the collective emancipation of trades. Moss also says that while the Cercle Proudhon sought to define the French socialist tradition as Proudhonian, there is no real connection between Proudhonism and syndicalism. Yet the "myth" of a Proudhonian labor movement was created despite any supporting evidence.

The Contemporary Relevance of the Marx-Proudhon Divide

Marx's differences with Proudhon emerged as the world capitalist system entered a new phase, specifically the passage of the European core to a hegemonic form of industrial monopoly. The transition was marked by an unprecedented crisis that despite its magnitude was short-lived and followed by an equally unprecedented recovery, ushering in "the age of capital" in the 1850s. Within three decades, capitalism was poised for a new round of imperialism fueled by the so-called second industrial revolution in steel, chemicals, and heavy armaments. Most importantly, these new sources of massive capital accumulation facilitated the development of finance capital. Leading capitalist powers in Europe were joined by the United States and Japan, who emerged as multiple cores in the world system. The New Imperialism of the 1880s reflected the inter-imperialist rivalries of these cores, eventually producing European

conflagration in 1914. Throughout this period's tremendous economic expansion, every step forward was marked by crises of deepening proportions, producing progress and misery on an increasingly global scale.

Today, we are witnessing unprecedented global capitalist decline and myriad contradictions that are brewing a potential crisis of frightening proportions. For István Mészáros, it is "an all-embracing structural crisis" of the system as a whole (2006: 44). Immanuel Wallerstein (2003, 66) is certain the crisis of the world system is "terminal," though he cautions the dying process may drag out a half-century. Mike Davis (2006) substantiates Wallerstein's claim by demonstrating how neoliberalism has reduced nearly half of the planet's more than 6 billion inhabitants to slum dwellers. To believe that conditions typical of today's megacities in the developing world – from Mumbai's projected population of 33 million, one million of whom already live on the streets as the poorest of the working poor, to Kinshasa's 10 million inhabitants who live without any waterborne sewage system – can be sustained economically, biologically, or ecologically in the long-term, is sheer madness (Davis, 5, 139). Moreover, the hullabaloo by mainstream economists and media pundits about breathtaking economic growth in China, India, and other parts of East Asia, which has clearly ceased since the recent, dramatic global downturn, serves only to obfuscate a defining characteristic of our world – the ever widening gap between wealth and poverty, a systemic feature of the capitalism since the mid-nineteenth century. The paradox of progress, which Marx and Proudhon addressed as a symptom of the European crisis of the 1840s, is now a global phenomenon.

In the United States, the protracted crisis that commenced in the early 1970s, and which became acute in 2001, is now regarded as the worst of its kind since the Great Depression.[20] The actions of the outgoing Bush administration and the new Obama administration have for the moment saved the financial sector from collapse by unprecedented acts of state intervention into the private sector. Goldman Sachs and JPMorgan Chase each recorded more than $2 billion in profits in the second quarter of

[20] The scholarly literature and political commentary on the depth and nature of the crisis is vast and growing daily. Here, I need mention the ongoing work of John Bellamy Foster (2008, 2007, 2006) and other contributors to *Monthly Review*, whose tracking of the economic crisis is consistent and thorough. Foster and Fred Magdoff (2009) have provided a summary of their findings, along with a highly useful introduction.

2009; Sachs "because of its trading prowess across world markets" (Bowley and Anderson, 2009), and JPMorgan from its ability to capitalize on the ruin of other investment banks and grabbing market shares in mortgages and retail banking (Bowley, 2009). Meanwhile, unemployment seemingly leveled off at 9.4 percent in July – actually over 16 percent when underemployment is factored into the total – mainly due to the large number of people who dropped out of the workforce and no longer list themselves as unemployed (Uchitelle and Healy, 2009). However, neither figure really conveys the hardship, deprivation, and political resentment in cities and towns across the United States as the collapse of the real, productive economy continues despite the recovery in investment banking and stocks. Moreover, prospects for recovery based on a New New Deal grow dimmer given the magnitude of economic devastation in the domestic economy and structural contradictions relating to China's continued, massive financing of U.S. debt and the limits of capital with respect to basic energy and ecologic needs (Meyerson and Roberto, 2009). Meanwhile, even non-Marxists like Chalmers Johnson (2006), Paul Craig Roberts (2007), and Kevin Phillips (2006) see no solutions to the crisis of U.S. power and its costs on a global scale. Today, the various sub-crises in finance, housing, transportation, energy, health care, education, and collapsing infrastructure – accompanied by continued environmental degradation – are the domestic features of a broader, systemic crisis of Pax Americana that could very well bring down what is left of so-called liberal democracy by American-style fascism (Meyerson and Roberto, 2009, 2008).

Against this broad canvass of economic crisis and social collapse one can discern contemporary forms of Proudhonism on the U.S. political landscape, though they are often difficult to pinpoint. In part this is due to the inconsistencies and incoherence of Proudhon's own thought and actions. Certainly, those who have studied him generally disagree as to his political identity, which partly explains why his disciples or followers in the late nineteenth and early twentieth centuries varied in their interpretations. Was Proudhon an "unMarxian" socialist (De Lubac), an anarchist (Woodcock), or even a liberal? According to Watkins (1947), Proudhon's view of progress characterized by persistent antinomies engendered increasing differentiation, thus establishing the ideological basis for pluralism required for parliamentary government (Watkins, 1947).

That said, it is possible to see two distinct politics bifurcating from the *System of Economical Contradictions* and are present on America's political landscape. The first is characterized by attempts to reform capitalism by restoring equilibrium to a system that needs "correcting" but is otherwise healthy. In his study of Marxist crisis theory, Clarke makes this point when he says the common denominator for all bourgeois economists is their conviction that the normal state of capitalist activity is "equilibrium," making all crises external and temporary shocks and not intrinsic to the system (1994, 1-2). The other Proudhonian conduit springs from a petty bourgeois mindset anchored in producerism, the need for fairness, and feelings of victimization – all making up a rabid *politics of resentment*.

Reminiscent of Proudhon's peculiar dialectic, the reformist version of contemporary Proudhonism seeks to strip away the bad side of American capitalism in order to preserve what it presumes to be the good side. Despite their superficial differences in approach and emphasis, several recent books have proposed solutions to the current U.S. crisis that seem Proudhonian in their aim to reform capitalism by making it more productive, equitable and just. Moreover, these arguments are even more abstract or vacuous than Proudhon's analysis of categories, and so presumptuous of capitalist "normalcy" that their presentations are devoid of any attempt at scientific political economy. Robert Reich (2007) seeks to rid the system of abuses, especially financial, in order to return capitalism to its alleged democratic foundation. For Paul Krugman (2007), we must close the "great divergence" of wealth and poverty by reducing market inequality; this will be achieved by forging a "progressive" political agenda, a "new New Deal," that will take us back to being a middle-class society. Then there is even the eerily titled *Good Capitalism, Bad Capitalism* (Baumol, Litan, and Schram, 2007) that seeks ways to unleash the power of "innovative entrepreneurs" to restore an economy of balance with "larger, more established firms" (even Proudhon had no problem with large-scale industry as long as it was made an organized workshop).

The reformist version also includes proponents of "green capitalism," where *producerism* and an equitable though enterprising market are joined to create a new system based on environmental sustainability. Such works are now prolific and seem to share common viewpoints. Two examples are by David Korten (2006) and Paul Hawken

(1993). Korten calls for a new market system that serves as the alternative to a "socialist economy centrally owned and administered by government and a capitalist economy centrally owned by an elite class of wealthy financiers and corporate CEO's" (15). Korten's "democratic, market-based, community-serving alternative," which aims to restore spiritual consciousness and environmental balance, operates on the basis of "rules, borders, and equitable local ownership" that make possible "restorative justice" (48). His plan to reduce energy consumption, conserve natural resources, and provide "secure, stable and meaningful employment" is unthinkable without "honoring market principles (xiv-xv) and inventing a new "language of business" distinguishing between profit based on quality vs. quantity. Without it, global capitalism's financial giants will prevail in unbalanced dominance, consigning global capitalism to go the way of Rome (11).

Meanwhile, contemporary Proudhonism also takes the form of a deep, petty bourgeois politics of resentment captured anecdotally but smartly by Thomas Frank (2004) in his account of the right-wing "backlash" phenomenon in Kansas. Frank's collective portrait of social dysfunctional and dystopian thinking lines up with clear fascist characteristics; Frank's Kansans blast away at big capital, the liberal establishment, gays, abortion doctors, women's rights advocates, and anyone who doesn't measure up to cultural "authenticity." Then there are the media personalities who helped to incite the ugly town-hall summer meetings of 2009 and, more recently, the Tea Party movement. Until he lost his CNN platform, Lou Dobbs singularly claimed for himself a principled defense of the middle class against finance capital, illegal immigrants, and corrupt politicians of both mainstream parties. With Dobbs' departure, the torch passed to the zany yet diabolical Glenn Beck (2007, 2009, 2009b), whose nightly combination of rants and lectures on Fox, replete with chalkboards and other classroom props, are masterfully fraudulent and dangerously irrational. In Dobbs and Beck one can detect the mark of Proudhon.

Proudhon was the first apologist of capitalism to propose that it could be transformed on the basis of understanding its contradictions and resolving them to achieve equilibrium. As such he is both the exponent of "purist capitalism" and by extension in our times, the harbinger of fascism when capitalist reform becomes impossible, if and when the crisis becomes terminal, and the rule of the monopoly

capitalist class is in jeopardy. As these developments occur, the voice of the middle class cries out for justice, railing against all its enemies, real and imagined. Contemporary Proudhonism has many faces, but its commonality is the irrationalism that comes from déclassé elements hanging on to anachronistic visions, while elites turn desperately to reform a system that defies all attempts to do so. From below comes the politics of resentment that fuels the potential fascist movement seeking to destroy capitalism; from above comes the fascist alternative to save capitalism for those who benefit the most from it. Eventually from both come rabid nationalism, fundamentalism, militarism, imperialism, sacred history, and a politics of *anti-everything*. While the particulars of the crisis appear differently from one cultural formation to the next, the logic of power of the ruling class in defense of its interests remains the same.

In closing I offer a few observations about the nature of the crisis and ways that it helps us to think about progress, just as it did Marx in the 1840s. *Then*, financial speculation masked the first serious crisis of overproduction in the capitalist core. *Today*, financialization's ruin of the productive economy has brought irreversible and possibly terminal crisis. The irreparable "metabolic rift" that first appeared in the 1840s has widened and deepened across the entire globe, parts of which are now in severe ecologic distress as the product of an endless need for capitalist reproduction.

In the opening pages of *The Poverty of Philosophy*, Marx describes what was for him the "new and last phase of exchange – marketable value at its third power":

> Finally, there came a time when everything that men had considered inalienable became an object of exchange, of traffic and could be alienated. . . . when the very things which till then had been communicated, but never exchanged; given, but never sold; acquired, but never bought – virtue, love, conviction, knowledge, conscience, etc. – when everything finally passed into commerce. It is the time of general corruption, of universal venality, or, to speak in terms of political economy, the time when everything, moral or physical, having become a marketable value, is brought to the market to be assessed at its truest value (Marx, 1976, 113).

For Marx, marketable value to its third phase of exchange signaled the end of capitalism. Today, the zenith of market rationality seems to have produced the height of cultural irrationality, a primary feature of the terminal crisis of Pax Americana.

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