

# A Marxian Critique of Neoclassical Economics' Reliance on Shadows of Capital's Constitutive Social Forms

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**Abstract:** We take up Marx's critique of economics for failing to incorporate specific social forms — notably the “value forms,” which are constitutive of the capitalist mode of production and include the commodity, money, value, surplus value, wage-labor, and capital — into its basic concepts. Though Marx directed his critique at classical political economy, that critique applies all the more so to neoclassical economics. While there are some general truths about the production and distribution of wealth, *there is no production or distribution in general*, and there is no general science of “economics,” as neoclassical economics claims to be. We argue that neoclassical economics trades in *shadow forms*, which are ideological silhouettes of value forms. The shadow forms that figure into the fundamental concepts of neoclassical economics, notably, *the economic, utility, and efficiency*, involve *bad abstraction*, resulting in *pseudo-concepts*, since there is nothing for them to be the concepts of. The central aim of this article is to distinguish the social forms that Marx identifies as the constitutive forms of capitalist society and makes the focus of his inquiries in *Capital*, the value forms, from capital's shadow forms and to demonstrate that neoclassical economics omits constitutive social forms and instead trades in pseudo-concepts: the economic, utility, and efficiency.

**Keywords:** neoclassical economics, social and shadow forms, pseudo-concepts, illusion of the economic, Karl Marx, and bad abstraction.

## Introduction

“Critique of political economy” is the subtitle that Marx gave to his book *Capital*; he called *Capital's* forerunner *Toward the Critique of Political Economy*. His naming of these books indicates that Marx's project is not radical economics but rather a radical critique of economics. The critique of political economy develops a theory of social forms; radical political economy remains within the horizon of economics, which is unreflective about matters of social form.<sup>1</sup> Marx's critique of classical political economy begins with the opening sentence of *Capital*: it announces that the object of inquiry is not the socially indeterminate “wealth of nations” but rather the socially specific “wealth of societies in which the capitalist mode of production prevails.”<sup>2</sup> Although there is a place in scientific

1 ..... Regarding the former, Moishe Postone observes, “A theory of social forms is of central importance to a critical theory”, Postone 1993 , p. 179. Regarding classical political economy's inattention to matters of form, Marx writes, “With all later bourgeois economists, as with Adam Smith, lack of theoretical understanding needed to distinguish the different forms of economic relations remains the rule in their coarse grabbing at and interest in the empirically available material” Marx 1963, p.92.

2 Marx1976, p. 125.

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inquiry for general observations regarding specific modes of production, there is no science of the “wealth of nations.”

Though neoclassical economics emerged years after the first publication of *Capital*, in 1867, we argue that Marx’s key criticisms of political economy apply to neoclassical economics. Our aim in this article is to develop Marx’s criticisms of political economy and adapt them to neoclassical economics’ key concepts. We believe that Marx’s critique of the political economy of his day applies even more forcefully to contemporary neoclassical economics, which has become entrenched as an asocial and ahistorical science. Indeed, its developers and practitioners believe it to be a virtue of neoclassical economics that it applies to all times and places regardless of sociohistorical context.<sup>3</sup> For Marx, on the contrary, a scientific account of any actual provisioning process must incorporate categories that conceptualize the social forms constitutive of the relevant historically specific and contingent socio-economic order: “Political economy has to do with the specific social forms of wealth or rather of the production of wealth.”<sup>4</sup> This crucial difference leads Martha Campbell to conclude: “there are no counterparts to Marx’s economic concepts in either classical or utility theory.”<sup>5</sup>

We argue, further, that the fundamental concepts of neoclassical economics are directed at *shadow forms*, which are ideological silhouettes of the specific social forms and purposes constitutive of the capitalist mode of production. The concepts of these shadow forms, specifically, the economic, utility, and efficiency, are *pseudo-concepts*. Their putative referents do not and cannot exist—a conclusion that we show follows from Marx’s historical materialist phenomenology. Neoclassical concepts are pseudo-concepts because there is nothing for them to be the concepts of: there is no wealth-in-general, no production-in-general, and no economy-in-general. These are all non-entities, shadows.

Some shadow forms, but not all, are the object of pseudo-concepts; these come about by *bad abstraction*. Utility, for example, arises through a double bad abstraction: from the particular features that make something useful and from the socially constitutive category of value, which is expressed in money.<sup>6</sup> While money actually exists as the measure of value;

3 For example, in their textbook *Microeconomics*, R. Glenn Hubbard and Anthony Patrick O’Brien make a point of including only generally applicable categories, such as labor, capital (understood as produced means of production), natural resources (including land), and entrepreneurship in their brief list of “important economic terms.” The terms for the value forms: commodity, value, money, wages, profit, wage worker, capitalist, land owner, rent, and interest are all absent from the list. Apparently, they are not “important economic terms.” Hubbard and O’Brien 2015.

4 Marx 1973, p. 852.

5 Campbell 1993, p. 152.

6 This double bad abstraction offends against the two-fold phenomenological point that

utility, which abstracts from both the specific characteristics of something useful and from its specific social form, is a chimera. Other shadow forms are not mirages resulting from bad abstraction but rather are extensions of constitutive social forms beyond the circuits of capital, that is, beyond the sphere in which they are constitutive. These shadow forms, many of which are popular objects of inquiry in social science—though not under the heading of shadow forms—include egalitarianism, industriousness, competitiveness, an orientation to the quantitative (including a tendency to reduce the qualitative to the quantitative), the blasé attitude, the calculative mentality, punctuality, compulsiveness, boundlessness, and gigantism. To take egalitarianism as an example, since Marx calls it a shadow, it extends the equality that is constitutive of capitalist society. Egalitarianism is not a pseudo-concept; it points to a real phenomenon in capitalist societies, witness the wide-ranging movements toward greater equality in advanced capitalist countries, where the equal sign, “=,” can serve as a bumper sticker. These shadow forms that extend constitutive social forms and are important for understanding the full reach of capital will not be our focus here.<sup>7</sup> The shadow forms relevant to the critique of neoclassical economics are pseudo-concepts arrived at by bad abstraction; they spring from the “illusion of the economic,” the notion that there is an economy-in-general.<sup>8</sup>

Just as shadows have a basis in physical reality that explains why they appear, the pseudo-concepts that make up the fundamentals of neoclassical economics have a basis in capitalist social reality. We will articulate Marx’s account of how it is that wealth in the commodity form, along with the production of commodities, can naturally seem to be wealth “pure and simple” and production “as such.” Marx explains how it is that the capitalist mode of production projects the shadow forms wealth-in-general and production-in-general. The shadow form of the *economy-in-general* is taken by neoclassical economics to be its object of inquiry; what the basic concepts of neoclassical economics are aimed at does not exist;

Marx makes in the *Grundrisse*: “If there is no production in general, then there is also no general production. Production is always a particular branch of production—e.g. agriculture, cattle-raising, manufactures etc.” and “production also is not only a particular production. Rather, it is always a certain social body, a social subject” (Marx 1973, p. 86). Utility makes a bad abstraction from both types of particularity, material and social.

7 Toward the end of his *The McDonaldization of Society*, George Ritzer, in effect, admits that the four key features of his neo-Weberian conception of McDonaldization, namely, efficiency, calculability, predictability, and control are shadow forms rooted in “economic factors” (that is, in capitalism’s constitutive forms), and he suggests that shadow forms can become so fixed on that they may even work against the constitutive forms that cast them: “Although economic factors lie at the root of McDonaldization, it has become such a desirable process that many people and enterprises pursue it as an end in itself. Many people have come to value efficiency, calculability, predictability, and control and seek them out whether or not economic gains will result” Ritzer 2000, p. 169. Shadow forms are not to be taken lightly.

8 See Murray 2002, pp. 246-72.

there is nothing for them to be the concepts of.

Five sections and a short conclusion comprise this article. In the first section we take up the neoclassical conviction that scientific economics must be purged of social and historical content in order to be scientific, which is understood to mean applicable regardless of social or historical situation. In the second section we show that this assertion clashes with the phenomenological claim of Marx's historical materialism that scientific inquiry into any actual provisioning process must be grounded in its constitutive social forms. With its insistent attention to the double character of the capitalist provisioning process (use-value and value), Marx's *Capital* is an outstanding example of social scientific inquiry so grounded. If social scientific inquiry is not grounded in this way, it plays into the illusion that there is an economy-in-general, which it naturally takes to be the object of its inquiry. The third section takes up the difference between *constitutive social forms* and *shadow forms*. Constitutive social forms are what make a provisioning process the kind that it is, say, slave-holding, feudal, or capitalist. If a particular kind of provisioning process is to endure, it must be capable of reproducing its constitutive forms. In *Capital*, Marx takes pains to demonstrate that the constitutive forms of the capitalist provisioning process, the value forms—the commodity, value, money, surplus value, wage labor, and capital—can reproduce themselves, though the capitalist order is crisis prone.<sup>9</sup> *Shadow forms* are cast by the constitutive forms; in capitalism, these derivative forms mimic features of its constitutive forms such as their abstractness, quantitative focus, compulsion, and indifference. These shadow forms are silhouettes of capitalism's constitutive social forms, but, like Peter Pan's shadow, they can seem to be independent actualities. The fourth section articulates Marx's account of ways in which the commodity and production on a capitalist basis give rise to the "illusion of the economic," the illusion that wealth-in-general and production-in-general actually exist and, moreover, that capitalism can be treated as the economy-in-general. What we call socialist "use-value Romanticism" turns the illusion of production for use-value "pure and simple" into a misbegotten ideal. The fifth section discusses three shadow forms spawned by the "illusion of the economic" that are the object of pseudo-concepts and are central to neoclassical economics, namely, *the economic*, *utility*, and *efficiency*.<sup>10</sup> In a short conclusion we summarize our argument.

9 Moishe Postone writes in the same vein that value "is at the very heart of capitalist society. As a category of the fundamental social relations that constitute capitalism, value expresses that which is, and remains, the basic foundation of capitalist production" Postone 1993, p. 25.

10 In using the phrase "the economic" we echo Marx's use of the phrases "the Fruit," "the Animal," and "*die Arbeit*" ("Labor") in his respective criticisms of Hegelian speculative philosophy, the odd polarity of the expression of the value of commodities in money, and the false conception of labor involved in "the Trinity Formula." In their parody of Hegelian speculative method in *The Holy Family*, Marx and Engels observe: "If from real apples, pears, strawberries and almonds I form the general idea 'Fruit,' if I go further and imagine that my abstract idea 'Fruit,' derived from real fruit, is an entity existing outside me, is indeed the true essence of the pear, the apple, etc., then—in the language of speculative

### Section One: Purging socio-historical and normative content from political economy

To understand how neoclassical economics came to be an asocial and ahistorical science, we take up the explanation given by Dimitris Milonakis and Ben Fine.<sup>11</sup> We take up their explanation because it outlines the process by which political economy, a socially and historically informed mode of scientific inquiry, morphed into economics, which is asocial and ahistorical, in both its methodology and in its separation of economics from other social sciences. In particular, we are interested in the movement from Marginalism to neoclassical economics.

The developmental trajectory of economics can be summarized as follows. Since the Marginalist revolution, there has been a strong tendency to purge economics of its socio-historical content while separating it from the social sciences, particularly sociology. But this tendency has not been straightforward. Alfred Marshall is recognized as an important forbearer of the Marginalists and neoclassical economics, yet he recognized the importance of socio-economic content and context for economics. The Marginalists at least parried with the socio-historical, and their purges remained incomplete and disputed amongst Marginalism's various members. Lionel Robbins' infamous definition of economics—"Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses"—pushed whatever socio-historical residue was left over from the Marginalists out of economics, which then became a pure science of choice (based on rational action), thus completing the Marginalist project.<sup>12</sup> The utility of the Marginalists became utility functions, indifference curves, and ordered preferences, and production shifted to

philosophy—I am declaring that 'Fruit' is the 'Substance' of the pear, the apple, the almond, etc.," Marx and Engels 1975, pp. 57-8. In money, value appears as a thing alongside wealth in the particular; it is as if "'the' Fruit" lay next to an apple and a pear. In his *Capital* III treatment of "the Trinity Formula," when Marx takes up the third member of the "trinity," labor, he writes "'*die Arbeit*" to mimic "'*the*' Fruit." This gets lost in Fernbach's translation of "'*die Arbeit*" simply as "labour", Marx 1981, p. 954. In that passage, Marx describes "'*die Arbeit*" as a bad abstraction, "a mere spectre ... nothing but an abstraction and taken by itself cannot exist at all." This is typical of how bad abstraction leads to pseudo-concepts: there is nothing to which they can point.

11 Milonakis and Fine 2009. For complementary explanations, see Hodgson 2001 and Varoufakis, Halevi, and Theocarakis, 2011.

12 Robbins 2008, p. 85. Watering down Robbins, R. Glenn Hubbard and Anthony Patrick O'Brien define economics as "a group of useful ideas about how individuals make choices", Hubbard and O'Brien 2015, p. 17.

Where Robbins backs away from the scope of his definition: "Even Robbins, after an excellent discussion of what an economic problem is in the first chapter of his classic work on the nature and scope of economics (1962), basically restricts his analysis in later chapters to the market sector," Gary Becker embraces it: "Indeed, I have come to the position that the economic approach is a comprehensive one that is applicable to all human behavior ... The applications of the economic approach so conceived are as extensive as the scope of economics in the definition given earlier that emphasizes scarce means and competing ends. It is an appropriate approach to go with such a broad and unqualified definition", Becker 1976, p. 4, n. 5; p. 8.

production and cost functions.<sup>13</sup> With the introduction of certain positivist tenets, most importantly the critique of metaphysics, the naturalist thesis (or the reduction of the social sciences to the natural sciences), and the fact/value dichotomy (objectivity), economics became a positive science.

As described by Milton Friedman, economic science is concerned only with prediction, and economic theories are simply predictive instruments rather than explanatory devices. Friedman's anti-realistic argument for economic science hinges on this point. As predictive devices, economic theories do not require socio-historical content or context. As explanatory devices used to understand economic phenomena, socio-historical content and context are required. For Friedman (and Paul Samuelson) the purpose of science is to predict, not explain. Friedman's position gained traction after the Second World War, as did axiomatic formalization, as made evident by the formalization of General Equilibrium Theory.

We note here a continuity from the Marginalists to Friedman to the axiomatic formalization of General Equilibrium theory until the present. That thread can be described as the purging of socio-historical and normative content from economic thought in order to display timeless universal or objective truths. Economic science qua science is said to be scientific to the extent that it is objective—asocial, ahistorical, free of ethics, and universally applicable. This idea of science is in direct contradistinction to the idea of science developed by Marx.

### **Section Two: Marx's historical materialism: a mode of production is a way of life**

In stark opposition to neoclassical economics, Marx grounds scientific inquiry into a provisioning process in its socio-historical context. Unlike the abstract/deductivist and formalist methods of neoclassical economics, Marx's phenomenological inquiry is experientially based. From this phenomenological basis Marx establishes his fundamental criticisms of political economy and goes on to identify the social forms and purposes constitutive of the capitalist mode of production.

Marx's fundamental criticism of economics stems from the historical materialist conception of the human predicament that he developed as a young man working in collaboration with Friedrich Engels. In their unfinished book manuscript *The German Ideology*, Marx and Engels put the focus on the "mode of production," which involves a "way of life":

This mode of production [*Weise der Produktion*] must not be considered simply as being the reproduction of the physical existence of the individuals. Rather it is a definite form of activity of these individuals,

.....  
13 Milonakis and Fine 2009, p. 266.

a definite form of expressing their life, a definite *way of life* [*Lebensweise*] on their part.<sup>14</sup>

They make the generally applicable observation of production that it always has a double character:

The production of life, both of one's own in labour and of fresh life in procreation, now appears as a twofold relation: on the one hand as a natural, on the other as a social relation — social in the sense that it denotes the co-operation of several individuals, no matter under what conditions, in what manner and to what end.<sup>15</sup>

So, the production of useful things to meet human needs is always a cooperative, social endeavor that is undertaken under specific historical conditions, in a specific manner, and oriented to specific ends. Production is always social, but there is no sociality in general, no (ahistorically) general form of social cooperation: production always involves specific social forms and purposes that inform a way of life.

Production and wealth always have a double character because they always have constitutive social forms and purposes. We cannot pretend to understand any actual provisioning process in abstraction from those constitutive specific social forms and purposes. This is the chief phenomenological finding of historical materialism, and it is the root of Marx's critique of political economy. Martha Campbell summarizes historical materialism's implications for economics:

property relations are relations for the collective use of both the elements and results of production. This collective use assumes different forms, each with its own goal ... Marx's case ... against economics ... is that satisfying needs is the means for realizing the goal of a particular way of life.<sup>16</sup>

There is no economy-in-general and no way of life that is not "a particular way of life." Consequently, there cannot be a generally applicable science of human behavior devoid of socio-historical content.

If a mode of production is inseparable from its specific social forms and purposes, then to treat production as if it could stand alone, apart from any constitutive specific social forms or purposes, as production-in-general, is to engage in *bad abstraction*. Bad abstraction comes in more than one kind. In one, an *aspect of* something actual is treated as an independently existing entity. Imagine I am in a foot race and think to myself: I'll send my shape ahead to the finish line. By the same token, to take my body without its shape to be something actual would be a bad

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14 Marx and Engels 1976b, p. 31.

15 Marx and Engels 1976, p. 43.

16 Campbell 1993, p. 146. Moishe Postone observes that Marx "demonstrates that production in capitalist society cannot be understood simply in transhistorical terms, that is, in terms of the interaction of humans and nature, because the form and goal of the labor process are shaped by abstract labor, that is, by the process of creating surplus value", Postone 1993, pp. 230-1.

abstraction. There is nothing wrong with distinguishing between body and shape; bad abstraction occurs when I treat either as separable from the other.<sup>17</sup>

Turning to a different kind of bad abstraction, there is nothing wrong with a general category such as fruit. But to think that fruit is a kind of actually existing thing that I could put in a bowl along with peaches and pears is to engage in bad abstraction. Likewise, there is nothing wrong in identifying common features of various actual provisioning processes. Treating an actual mode of production in abstraction from its specific social forms and purposes in order to identify features of production that all modes of production have in common is not to engage in bad abstraction. That analytical sort of abstraction is unobjectionable and scientifically useful. But to think of the economy-in-general as something actually existing is bad abstraction. Bad abstraction generates pseudo-concepts such as the economic, utility, and efficiency in a futile effort to understand what cannot be understood apart from the specific social forms and purposes constitutive of any actual provisioning process.

While we can — and Marx does — investigate common features of needs, wealth, and the production of wealth, there is no economy-in-general.<sup>18</sup>

It is entirely certain that human production possesses definite *laws* or *relations* which remain the same in all forms of production. These identical characteristics are quite simple and can be summarized in a very small number of commonplace phases.<sup>19</sup>

Picking out these “identical characteristics” is an act of abstraction that makes no claim that there is an economy-in-general, only that there are shared features of particular economic formations. Identifying and organizing these commonplaces has a role to play in scientific accounts of material production, but it does not add up to a science. Neoclassical economics, which claims general applicability, imagines itself as the science of the economy-in-general, if not something broader still. There are, however, only particular economic formations with their particular ways of life; to understand any one of them, scientific inquiry needs to develop the concepts that grasp the specific social forms and purposes that are constitutive of that actual economic formation. Otherwise, attempting to understand any actual economic formation is like trying to

17 See David Hume’s brief discussion of “distinctions of reason,” which derives from George Berkeley’s critique of abstract ideas: Hume 1978, p. 25.

18 This is the kind of abstraction that Marx engages in in the first part of Chapter Seven “The Labour-Process and the Valorization Process,” in *Capital* I. The second part of that chapter, on the valorization process, completes Marx’s argument that the specific social purpose of production on a capitalist basis, surplus-value, can be accomplished without violating the rule that equal values be exchanged.

19 Marx 1994, p. 236.

“study the anatomy of the horse by first laying out the unicorn as a means for comparison.”<sup>20</sup>

Marx’s basic criticism, then, is that economics misses — or rejects — the crucial phenomenological truth of historical materialism. In fact, neoclassical economics misses it by a mile, for it rejects sociality — much less specific social forms and purposes — as fundamental to the human condition.

### Section Three: Constitutive social forms and their shadow forms

Constitutive social forms are those that make a provisioning process one kind or another; they determine what it is. It is no accident that Marx praises Aristotle as “the great investigator who was the first to analyse the value-form, like so many other forms of thought, society and nature.”<sup>21</sup> *Capital* is devoted largely to identifying and probing the specific social forms and purposes that are constitutive of production on a capitalist basis, what we have called the value forms. These include the commodity form of wealth, value, money, capital, wage labor, and surplus value (profit, interest, and rent). In order to maintain a particular kind of provisioning process, its constitutive social forms must be reproduced. When Marx is culminating the three volumes of *Capital* in Part Seven of Volume III, he forcefully brings these points home:

We have seen how the capitalist process of production is a historically specific form of the social production process in general. This last is both a production process of the material conditions of existence for human life, and a process, proceeding in specific economic and historical relations of production, that produces and reproduces these relations of production themselves, and with them the bearers of this process, their material conditions of existence, and their mutual relationships, i.e. the specific economic form of their society.<sup>22</sup>

Just in case the reader had not yet gotten the main point of Marx’s critique of economics, here it is one more time: capitalism is not the economy-in-general. “Political economy has to do with the specific social forms of wealth or rather of the production of wealth”: there is no science of economics.<sup>23</sup>

Shadow forms may (a) *abstract from* the constitutive forms, the value forms, or (b) *extend* them beyond their constitutive role in the circuits of capital. Shadow forms of the first type involve bad abstractions and result in pseudo-concepts. Three such shadow forms are central to

20 Milonakis and Fine 2009,, p. 282.

21 Marx 1976, p. 151.

22 Marx 1981, p. 957.

23 Marx 1973, p. 852.

neoclassical economics, namely, the economic, utility, and efficiency. We consider each of them in some detail in section five, below. But, first, we turn to a consideration of how it is that the commodity and production on a capitalist basis present themselves in ways that lead naturally to the “illusion of the economic.”

#### Section Four: Projecting the “illusion of the economic”

Capitalism’s shape raises the “illusion of the economic”<sup>24</sup> and projects three shadow forms, each of which is a pseudo-concept: the economic, utility, and efficiency. The specific social form of wealth in capitalism is *the commodity*; more precisely, it is commodity capital, a commodity produced on a capitalist basis, pregnant with surplus-value. But the way that wealth in the commodity form appears makes it seem as if it has no social form, which is exactly the way that neoclassical economics conceives of wealth. The commodity appears to be a useful thing *as such*, “wealth pure and simple”; likewise, the production process appears to put out wealth as such: existing wealth is employed to yield new wealth. Martha Campbell makes this point and suggests that slurring the difference between wealth “pure and simple” and wealth in the commodity form (where everything has a price and is commensurable) gives rise to the notion of wealth as “something qualitatively single (uniform),” that is, to the shadow form (and pseudo-concept) of utility:

What is, for Marx, the extraordinary feature of economic activity in capitalism: that it claims to create wealth pure and simple and is organized by this purpose. As a result, capitalism presents wealth as if it were something qualitatively single (uniform) that supersedes and encompasses all particular instantiations (as manifested in the relationship between all commodities and money).<sup>25</sup>

Marx traces this illusion that a commodity is something useful as such, or “wealth pure and simple,” to the *polarity* of the expression of the value of a commodity (the value-form):

The internal opposition between use-value and value hidden within the commodity, is therefore represented on the surface by an external opposition, i.e. by a relation between two commodities such that the one commodity, whose own value is supposed to be expressed, counts directly only as a use-value [*unmittelbar nur als Gebrauchswert ... gilt*], whereas the other commodity, in which that value is to be expressed, counts directly only as exchange-value.<sup>26</sup>

The commodity in which value is expressed is money; it is in what

24 For further discussion of the “illusion of the economic,” see Murray 2002 and Dennis Badeen, “An Organicist Critique of the Ontological Foundations of Orthodox Economics,” *Capital and Class* 39 (1), (2015), pp. 51-64.

25 Campbell 2004, p. 86.

26 Marx 1976, p. 153.

Marx calls the equivalent value form. In Chapter Three of *Capital I*, on money, Marx reiterates the point: when gold “functions as money ... as the only adequate form of existence of exchange value in the face of all the other commodities,” those other commodities play “the role of use-values pure and simple [*blosser Gebrauchswert*].”<sup>27</sup> But this perception of the commodity (in the relative value-form) as a use-value “pure and simple” is illusory—in reality, the commodity is a socially specific kind of useful thing—and it fosters the “illusion of the economic.”

The *production of commodities* in capitalism likewise presents itself in a way that makes the specific social form and purpose of production vanish, leaving the mirage of production-in-general, or “industry.”<sup>28</sup> In his discussion in *Capital II* of the three different circuits of capital (the money, the productive, and the commodity capital circuits), Marx comments on the circuit of productive capital: “The circuit of productive capital is the form in which the classical economists have considered the circuit of industrial capital”<sup>29</sup> In focusing on the movement from the production of wealth, P, to a new round of production, P’, the classical economists elide the social form of capitalist production, which is manifested in the commodity form of the product and in money. In so doing they slip into the “illusion of the economic” by positing “production as such” as something actual—even as the truth about capitalism—once we rid ourselves of any “hocus pocus” about money and profit-making:

The general form of the movement *P ... P’* is the form of reproduction, and does not indicate, as does *M ... M’* [the circuit of money capital], that valorization is the purpose of the process. For this reason, classical economics found it all the more easy to ignore the specifically capitalist form of the production process, and to present production as such as the purpose of the process — to produce as much and as cheaply as possible, and to exchange the product for as many other products as possible, partly for the repetition of production (*M—C*), partly for consumption (*m—c*). In this connection, since *M* and *m* appear here only as evanescent means of circulation, the peculiarities of both money and money-capital could be overlooked, the whole process then appearing simple and natural, i.e. possessing the naturalness of shallow rationalism [*flachen Rationalismus*].<sup>30</sup>

Oblivious to the necessity of money’s role as the manifestation of the asocial social form of labor in capitalism, i.e. value, the classical political economists naturally pooh-poohed “the peculiarities of both

27 Ibid., p. 227.

28 For a criticism of the “commerce and industry” picture of capitalism, see Murray 1998, pp. 33-66.

29 Marx 1978, p. 166.

30 Marx 1978, p. 172.

money and money-capital” and pictured production as a “simple and natural” process without any social form: “industry” pumping out “wealth.” In presenting itself as a system organized for the purpose of generating and distributing wealth “pure and simple,” capitalism presents itself as free of any social form or purpose, as the economy-in-general incarnate. It streams the “illusion of the economic.” By its neglect or dismissal of specific social forms and purposes, neoclassical economics adopts this illusion as its own.

Marx and Engels’ point that production always has a double character implies that both the wealth used to produce wealth and the new wealth produced have a double character, observations foreign to neoclassical economics. In the opening paragraph of *Capital*, Marx highlights the double character of wealth and the production of wealth when he calls attention to the social kind of wealth that is characteristic of societies where the capitalist mode of production dominates—the commodity. The commodity is a useful thing, but it also has an exchange-value. We quickly learn that a commodity *has* an *exchange-value* — by which Marx means, from the beginning, a price — because it *is* a *value*. Exchange-value is the necessary form of appearance of value. But looking at a commodity reveals no trace of its social form; value, as Marx puts it, is purely social and suprasensible:<sup>31</sup>

not an atom of matter enters into the objectivity of commodities as values [*Wertgegenständlichkeit*]; in this it is the direct opposite of the coarsely sensuous objectivity of commodities as physical objects. We may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value.<sup>32</sup>

Since it bears no sensible trace of its specific social form, value, the commodity appears to have no social form at all. How are we to recognize in the money for which the commodity is sold, the commodity’s own social form? The money appears to be an independent thing alongside the commodity, a mere device for facilitating the distribution of useful things, not the necessary manifestation of the commodity’s social form. What Thomas Hodgskin wrote catches the dismissive attitude of neoclassical economics toward money:

Money is, in fact, only the instrument for carrying on buying and selling and the consideration of it no more forms a part of the science of political economy than the consideration of ships or steam engines, or of any other instruments employed to facilitate the production and distribution of wealth.<sup>33</sup>

31 Marx 1976, p. 149.

32 Ibid., pp. 138—9. Marx adds that this objectivity of value is “purely social [*rein gesellschaftlich*].”

33 Hodgskin 1827, pp. 178-9, as quoted in Marx 1970, p. 51, note.

The commodity’s specific social form is written in invisible ink. Marx calls the commodity a “social hieroglyphic.”<sup>34</sup> It is no wonder, then, that a commodity’s social form is neither recognized nor understood, leading in a natural way to the illusion that a commodity is devoid of social form, that it is a useful thing as such, which partakes in the “illusion of the economic.” By the same token, the production of commodities is stripped down to production as such. The specific social character of production and wealth is vaporized, precipitating the “illusion of the economic.” Presenting this illusory absence of specific social form, where wealth “pure and simple” produces new wealth “pure and simple,” the capitalist mode of production is mistaken for the impossible: the economy-in-general.<sup>35</sup>

Observers, including neoclassical economists, who are swayed by the way that capitalist production presents itself, namely that “the economy” is all about the production and distribution of use-values as such, regard the circuit of capital, that is M-C-M + M, as “hocus pocus.”<sup>36</sup> To allow that commerce (simple commodity circulation) does not reduce to C-M-C, to grant that M-C- M’ is not “hocus pocus,” would be to admit that some purpose other than the optimal distribution of use-values was involved. In that case, simple commodity circulation could not be properly understood on the basis of such benign general categories as the production and orderly distribution of use-values. That, of course, is exactly what Marx is arguing: the circulation of capital is the mainspring of the circulation of commodities. He calls attention to the very different purposes involved in the two circuits that he examines in Chapter Four:

The path C-M-C proceeds from the extreme constituted by one commodity, and ends with the extreme constituted by another, which falls out of circulation and into consumption. Consumption, the satisfaction of needs, in short use-value, is therefore its final goal. The path M-C-M, however, proceeds from the extreme of money and finally returns to that same extreme. Its driving and motivating force, its determining purpose,

34 “Value, therefore, does not have its description branded on its forehead; it rather transforms every product of labour into a social hieroglyphic”, Marx 1976, p. 167.

35 Marx writes of Ricardo, “[B]ourgeois or capitalist production ... is consequently for him not a specific definite mode of production, but simply *the* mode of production” Marx 1968, p. 504n; see also pp. 527—8.

36 Marx 1976, p. 259. See Campbell 2013.

is therefore exchange-value.<sup>37</sup>

Those who jeer “hocus pocus” at the conclusion that “making money drives the market pooh-pooh the significance of money. Far from being the motivating force of commerce, money, for these naysayers, is merely a tool to facilitate the distribution of use-values; beyond increasing efficiency, money does nothing.”<sup>38</sup>

The circulation of *capital*, which Marx argues is what keeps commodities and money circulating, is reduced to market transactions, buying and selling.<sup>39</sup> In fact, the reduction of money to a tool facilitating the distribution of use-values rather than a constitutive social form, means that simple commodity exchange, the market, is reduced to barter. As a result of collapsing capitalism into commerce — which, as Marx says, “provides the ‘free-trader vulgaris’ with his views, his concepts and the standard by which he judges the society of capital and wage-labour”<sup>40</sup> — there appears to be no collective purpose to capitalist production; there is only the “great scramble” of individuals competing over use-values.<sup>41</sup> Under “the illusion of the economic,” wealth is wealth as such and production is production as such. With the reduction of money to a tool facilitating the distribution of use-values, simple commodity exchange, the market, is reduced to barter. We see this happen in the (modified) neoclassical thinking of Paul Samuelson; he writes:

Even in the most advanced industrial economies, if we strip exchange down to its barest essentials and peel off the obscuring layer of money, we find that trade between individuals or nations largely boils down to barter — transforming one good into another by exchange rather than by physical transmutation.<sup>42</sup>

Where Marx sees in money and the commodity form hieroglyphic inscriptions whose interpretation reveals the peculiar social character of the capitalist mode of production and the wealth it produces, Samuelson sees money as so much fog obscuring the mere exchange of use-values as such — barter. If simple commodity circulation is a shadow of the circulation of capital and the commodity is a shadow of commodity

37 Marx 1976, p. 250.

38 Michael Sandel challenges the indifference of mainstream economists toward the social significance of money in Sandel 2012.

39 By contrast, Marx writes that “the metabolism of social labour takes place” within “the circuit of capital and the commodity metamorphoses that form a section of it”, Marx 1978, p. 226).

40 Marx 1976, p. 280.

41 Marx — with a reference to Dante’s plain of Acheron just outside the inferno — calls the marketplace “this noisy sphere, where everything takes place on the surface and in full view of everyone” (Marx 1976, p. 279). By contrast, Marx associates entering the “hidden abode” of capitalist production “on whose threshold hangs the notice ‘No admittance except on business’” with descending into the inferno (Ibid., pp. 279-80).

42 Samuelson 1973, p. 55.

capital, barter, which reduces commodities to use-values, is a shadow of simple commodity circulation.

The bad abstraction that posits wealth “pure and simple” and production “as such” as actual gives rise to “use-value Romanticism.” Envisioning socialism as a post-capitalist society from which value is simply expunged is one form of “use-value Romanticism.” Under a socialism of this sort, products are transformed from commodities sold for profit into use-values “pure and simple,” freeing *use-value as such* to replace profit making as the aim of production. There is an irony here. A socialism that sets itself against profit making in this way looks forward to a form of wealth and mode of the production of wealth that would make actual the illusion adopted by neoclassical economics. Socialist “use-value Romanticism,” like neoclassical economics, posits wealth as such, wealth without any social form or purpose, only as an ideal rather than an (illusory) actuality. Both this socialist “use-value Romanticism” and neoclassical economics are lost in the “illusion of the economic”; both cling to the phenomenology that fails to adopt the historical materialist insight that wealth and production always have specific social form and purpose.

Marx paired his critique of classical political economy with sharp criticisms of various forms of socialism—Proudhonism, Left Ricardianism as represented by John Bray and John Gray, and the Gotha Programme—for adopting, and being compromised by, principles of classical political economy. Marx makes explicit appeal to the term “shadow” in his criticism of John Bray. In that spirit we compare the relationship of socialist “use-value Romanticism” to the neoclassical conception of “the economy” to Marx’s assessment of the relationship of Ricardian socialists like John Bray to classical political economy:

Mr. Bray turns the *illusion* of the respectable bourgeois into an *ideal* he would like to attain.... Mr. Bray does not see that this equalitarian relation, this *corrective ideal* that he would like to apply to the world, is itself nothing but the reflection of the actual world; and that therefore it is totally impossible to reconstitute society on the basis of what is merely an embellished shadow [*ombre*] of it.<sup>43</sup>

Analogously to Bray, socialist “use-value Romanticism” takes as its *ideal* the *illusion* of neoclassical economics. It wants to reconstitute society on the basis of a shadow cast by capitalist reality: wealth “pure and simple.”

The crux of Marx’s criticism of Ricardian Socialism was that, like Ricardian value theory generally, it failed to recognize money as the necessary form of appearance of value or to appreciate the antagonistic polarity of the value-form that is rooted in the strangely asocial social relations of production that necessitate the expression of value as money.

43 Marx 1963, pp. 78-9.

Socialist “use-value Romanticism” fails to grasp the full significance of the polarity of the value-form: the commodity (in the relative form) appears to be use-value “pure and simple” *only because it is in the commodity form*. Wealth “pure and simple” is not the truth of the commodity; it is a shadow cast by the value forms constitutive of capitalism. The practical upshot of our argument is that the rule of capital cannot be overthrown without replacing capitalism’s constitutive social forms and purposes with new ones. On the basis of Marx’s historical materialist phenomenology, we conclude that to believe simply expunging value and capital will bring about a use-value utopia is to be lost in a daydream.

### Section Five: Three shadow forms fundamental to neoclassical economics

#### (i) *The Economic*

The very idea of *the economic*, in so far as it refers to the illusion of an economy-in-general, where production as such puts out wealth “pure and simple,” is a shadow form, an ideological silhouette of the actuality of production on a capitalist basis. The notion of the economic that purports to refer to an economy-in-general or features of it — as opposed to a benign conception that collects generally applicable ideas about actual modes of production — is a pseudo-concept. It is a pseudo-concept because concepts are intentional, that is, they are concepts of this or that. But there is nothing for the concept of the economic to be the concept of, since there is no economy-in-general. Inquiry into that shadow, economy-in-general, is condemned either to be a pseudo-science or to bait and switch, that is, to engage in the subterfuge of bringing in the specific social forms and purposes that enable one to make scientific headway in understanding an actual social order.<sup>44</sup>

#### (ii) *Utility*

Utility, which plays a fundamental role in neoclassical economics, is a shadow form and a pseudo-concept for the same sort of reason as the economic is a shadow form and pseudo-concept. Though the words “utility” and “usefulness” are often used interchangeably, there is a crucial conceptual distinction to be made. The concept of utility posits that all useful things are commensurable; the concept of usefulness makes no such claim. Utility is a false conception of the useful that comes from conflating useful things with commodities, which *are* commensurated (in

44 Thus, in microeconomics textbooks, pages, if not paragraphs, after being told of the universality of economic science, readers find all sort of categories specific to capitalist societies descending unannounced. Consider that, since supply and demand curves are tagged to prices, they make sense only where wealth generally exists in the commodity form.

prices) by something that is actual and has social validity, namely, money. As noted earlier, utility involves a double bad abstraction, a doubly false phenomenology. Homogenous and quantifiable, utility abstracts from the particular qualities that make something useful, say the sweetness of the grape, and it abstracts from the specific social form of wealth, say the price of the grapes.<sup>45</sup> But just as there is no economy-in-general and no production-in-general, there is no usefulness-in-general or wealth-in-general. As Marx points out, this is for two reasons that track the historical materialist conception of the double character of wealth and of the production of new wealth. Wealth always has a constitutive social form, and it always has specific physical features that relate to specific human needs in ways that makes a thing useful. Usefulness and the general conception of the useful are unobjectionable because they do not posit the existence of anything useful “pure and simple.” Rather, they refer to an aspect of particular useful things, which will always have a particular social form and particular useful physical properties. Utility pretends to have as its object usefulness-in-general, which has neither specific social form nor specific useful physical properties. Making utility a fundamental concept is one way that neoclassical economics fails to incorporate constitutive social forms into its basic concepts.

Shadow forms are silhouettes of the social forms that are constitutive of capitalist production. Utility is the shadow of value and its necessary form of expression, money.<sup>46</sup> Yet, shadow forms can crowd the constitutive social forms out of social theory. This happens when utility usurps value and money: this is the story of neoclassical economics. Marx and Engels diagnose this reversal in detail:

The material expression of this use [*Nutzen*] is money, which represents the value of all things, people and social relations. Incidentally, one sees at a glance that the category of “utilization” [*Benutzen*] is first abstracted from the actual relations of intercourse which I have with other people (but by no means from reflection and mere will) and then these relations [referring to commercial relations, including commerce in labour power] are made out to be the reality of the category that has been abstracted from them themselves, a wholly metaphysical method of procedure.<sup>47</sup>

45 The conceptual move from particular goods to utility calls to mind Marx and Engels’ critique of Hegelian speculative method: “Hence also the value of the profane fruits consists *no longer* then in their *natural* properties, *but rather* in their *speculative* property, through which they take up a specific position in the life-process of ‘the absolute fruit’” (Marx and Engels 1975, p. 60).

46 Bernard Williams observes: “Utilitarianism is unsurprisingly the value system for a society in which economic values are supreme; and also, at the theoretical level, because quantification in money is the only obvious form of what utilitarianism insists upon, the commensurability of values”, Williams 1972, p. 89.

47 Marx and Engels 1976, p. 410.

The way that Marx and Engels use the phrase “a wholly metaphysical method of procedure” here perfectly captures the notion of bad abstraction. An actual phenomenon—in this case, the “gilded” social relations involved in commodity circulation, which themselves mask the exploitation of wage workers in production—is stripped of one or more of its constitutive features, in this case, their monetary (and class) character, and then the actual (commercial) relations are christened with the all-purpose category of utility. Constitutive social forms have been displaced by the shadow form, the pseudo-concept of utility, which lies at the conceptual basis of neoclassical economics.

### (iii) *Efficiency*

The one-size-fits-all neoclassical conception of *efficiency* is based on the “illusion of the economic” since this efficiency hovers above all particular provisioning processes—presuming a false kind of neutrality—as if efficiency were well defined in abstraction from specific social forms and purposes of production. It is not. The neoclassical conception of efficiency takes its bearings from the mirage of the economy-in-general, where production-in-general puts out wealth-in-general (or wealth “pure and simple”): it is pseudo-concepts all the way down. When efficiency is conceived of in this way, there is nothing for it to be the concept of. Neoclassical efficiency is a pseudo-concept.

Three features of Marx’s critique of political economy help reveal this sham and bring to light what has gone wrong: 1) his account of increasing the productive power of labor in capitalism, which would be conceived of in neoclassical terms as increasing efficiency “pure and simple”; 2) his way of drawing the distinction between *productive* and *unproductive* labor: the distinction is always directed at a particular social form of production with a specific social goal; and 3) his discussion of the purpose of the division of labor.

1) How is Marx’s concept of increasing the productive power of labor related to the concept of increasing efficiency? If we take efficiency to mean simply an increase in the output of any good or service based on increasing the productive power of labor (or any other factor of production), then we could say that Marx’s concept is about increasing efficiency. But in that case we are engaging in bad abstraction, since we are taking the goal of production to be wealth stripped of any particular social form or purpose, in other words, wealth “pure and simple.” Wealth does not exist that way; it always has a social form and purpose. Efficiency conceived of in this way is a pseudo-concept resulting from bad abstraction. Consistent with his attention throughout *Capital* to the double character of the capitalist provisioning process and its products, Marx treats the increasing productive power of labor under the rubric of relative surplus value, a specific social form intimately involved with capital’s animating goal. Since that goal is surplus-value (profit), only those labors that produce surplus-value are selected.

2) Marx draws the distinction between *productive* and *unproductive* labour with respect to the social kind of wealth specific to capitalism; that is, surplus-value producing wealth. This necessary reference to the specific social form and purpose of wealth—to the double character of wealth—helps to explain why this was an important topic for Marx; it is bound up with his phenomenology of wealth and the production of wealth. The absence in neoclassical economics of anything like this distinction is one more indication of its obliviousness to the topic of specific social form and purpose.

3) Is the division of labor efficient? To the modern mentality, it is as long as it means more product being produced per hour of labor. But Marx points out that the ancient Greeks were not interested in the division of labor for that reason; rather, they looked to the division of labor to improve the quality of products. A one-size-fits-all measure of efficiency won’t do.

### *Conclusion*

The neoclassical assumption that the production and distribution of wealth is undertaken by profit-maximizing firms presupposes a monetary economy where wealth is generally in the commodity form and where labor generally takes the form of wage-labor. These socially specific assumptions fit capitalism, but they make a mockery of the neoclassical claim to offer a generally applicable social science. The neoclassical idea of households, consumers, as utility maximizers may appear to be independent of money, but it is not, because neoclassical economists assume that all wealth is in the commodity form; that is, the goods and services for which I have preferences all have prices. The neoclassical notion of *consumer surplus*, that is, the gap between what a consumer pays for a commodity and what that consumer would be willing to pay, assumes that goods have prices and that individuals have demand functions based on the money they have. So the idea of the rational householder (or consumer) is no more independent of the price system than is that of the profit-maximizing firm. It, too, contradicts the neoclassical claim to offer a generally applicable social science. Because neoclassical economists trivialize the commodity, money, and price—in fact all the social forms specific to capitalism—they do not recognize the bait and switch they engage in when they promise a generally applicable social science and then slip in the socially specific assumptions of profit-maximizing firms and utility-maximizing consumers.

To summarize and close: the economy, that is, the production and distribution of wealth as such, is a shadow of the capitalist mode of production; use-value as such is a shadow of the commodity; utility is a shadow of value, which is necessarily expressed as price; and efficiency is a shadow of the successful circulation and accumulation of capital. Neoclassical economics can’t tell the difference between shadow and reality.

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