

# **Economics and the Communist Manifesto—Part 1 - A powerful and evolving analysis of the nature of capitalism**

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*“In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity—the epidemic of overproduction. Society suddenly finds itself put back into a state of momentary barbarism; it appears as if a famine, a universal war of devastation had cut off the supply of every means of subsistence; industry and commerce seem to be destroyed; and why? Because there is too much civilization, too much means of subsistence, too much industry, too much commerce.”*

THE *COMMUNIST MANIFESTO*. What an extraordinarily insightful, incisive and witty document this is. It is so powerful in its identification of the enormous powers of the new social system which was already moving to conquer the whole world. And so wonderfully insolent in its claim that even this behemoth will be eventually brought down by the conflicts engendered by its own deep internal contradictions. Marx and Engels’ brilliance suffuses these pages. But in the end it is capitalism itself, the real, existing, evolving and conflictual object of their scrutiny, which continues to keep their analysis so relevant.

In reading the *Manifesto* it is important to recognize that Marx’s economic analysis in particular was still in its formative stages. Some important ideas expressed there were subsequently rejected by him, and others substantially altered in their content. Two important and linked examples concern determinants of wages and of economic crises.

On the question of wages, it is useful to note that while in his early works (1844-1850) Marx writes as if capitalism always drives wages down to a subsistence level (the absolute immiseration of workers), he later rejects this idea in favor of the more general notion that the forces of capitalist competition prevent real wages from rising as fast as worker’s productivity (the relative immiseration of workers). The latter case includes subsistence (in the sense of minimum) wages as a special case under particular conditions of the relative strengths of capital and labor [Mandel 1971, 20, 59, 140-151].

On the question of economic crises, the *Manifesto* refers to periodic commercial crises which give rise to “epidemics of overproduction,” and which are resolved by the enforced destruction of productive forces and by extension of old markets and conquest of new ones. Once again, in his early works Marx refers interchangeably to both business cycle recessions and much deeper (and less frequent) economic depressions as crises, and he tends to locate their cause in the contradiction between capitalism’s tendency to expand productive forces and its tendency to restrict real wages and hence to restrict the consumption of the masses.

But later, he does distinguish between mere business cycles (which are disruptive) and “general crises” (which are system-threatening), and he links the latter not to an underconsumption explanation (which he rejects), but to “the most important law of political economy”—his own subsequently developed theory of a falling rate of profit.

In the process of this evolution, the term “overproduction” changes in meaning from a reference to the overextension of productive capacity relative to consumption demand, to one about the intrinsic tendency of accumulation to raise the organic composition of capital and hence eventually undermine profitability—the overproduction of capital [Shaikh 1978]. In the former case a rise in wages also benefit capital, since it raises consumption demand, so one need only persuade capitalists that it is in their own general interest. In the latter case, it is a fall in real wages which benefits capital, since this would raise profitability. Here, one would have to fight against the general interests of capital, and of the state, to even maintain real wages. The political differences are obvious.

The *Communist Manifesto* remains the most thrilling and cogent introduction to Marx and Engels’s ideas. But like all such things, one must always understand it in context: as a call to revolution founded on a powerful and evolving analysis of the nature of capitalism.

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