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**MARX – FROM HEGEL AND FEUERBACH TO ADAM SMITH: A  
NEW SYNTHESIS\***

**BY**

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# Marx – From Hegel and Feuerbach to Adam Smith: A New Synthesis\*

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## **Abstract**

In *The Economic and Philosophical Manuscripts of 1844* (completed in August 1844) Marx takes two crucial steps in the formation of his worldview. The first relates to his rejection of all 'old' materialism, including Feuerbach's, and the adoption of his own version, which he called 'communist', 'practical'. This view was later presented definitively in the first Thesis on Feuerbach (spring of 1845), and elaborated in *The German Ideology* (1845-46). The second step relates to Marx's synthesising of the philosophical standpoint that he had developed up to this point (around the spring of 1844) with political economy. Up to this point he had spoken of alienation in largely philosophical terms; now it is rooted in the process of production. On both counts Adam Smith was an important influence. This claim provides the focus of this paper. To make this point successfully I have found it necessary to briefly trace the development of Marx's philosophical standpoint up to the writing of the *Manuscripts*, and to distinguish between the two methodologically distinct aspects of Adam Smith's thought, the one that Marx accepted and the other that he rejected.

## **Introduction**

At the age of eighteen, in 1836, Marx joined Berlin University, and after a year of study there embraced Hegel's philosophical system.<sup>1</sup> From now on Hegel would be a major influence on his thinking and he would develop his own philosophical thought through a critique of him. Five years later he received his doctorate in philosophy. As the subject of his dissertation he had chosen 'Difference Between the Democritean and Epicurean Philosophy of Nature'. Marx considered Epicurus as the greater of the two thinkers. What attracted him to Epicurus was the activist element in his philosophy which Democritus's materialism lacked.<sup>2</sup>

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<sup>1</sup> See his letter to his father dated November 10[-11], 1837, Karl Marx and Frederick Engels, *Collected Works*, vol. 1, Lawrence & Wishart, London, 1975, pp.10-21. MECW, 1:10-21.

<sup>2</sup> Some years later Marx wrote: Epicurus 'was the Enlightener of antiquity, he openly attacked the ancient religion, and it was from him, too, that the atheism of the Romans, insofar as it existed, was derived. For this reason, too, Lucretius praised Epicurus as the hero who was the first to overthrow the gods and trample religion underfoot, for this reason among all church leaders, from Plutarch to Luther, Epicurus has always had the reputation of being the atheist philosopher *par excellence*, and was called a swine ....' MECW, 5:141-42.

Having failed to obtain an academic position Marx turned to political journalism. He started contributing to a newly-launched liberal bourgeois newspaper in Cologne, the *Rheinische Zeitung*, and soon became its editor. The theoretical perspective of Marx's articles for the newspaper was provided by two ideas.<sup>3</sup> First, Marx accepted the Hegelian organic view of society, rejecting thereby the principle of individualism, the view that society is a voluntary organisation, result of individual choices.<sup>4</sup>

Second, although at this time Marx was thinking within the frame of Hegel's notion that the state was an ethical entity, he was uncomfortable with his claim that the basic elements of the ethical state had been realised in the post-Reformation states, such as Britain, France and the Netherlands (and even to an extent in Prussia). The reality appeared to differ from the ideal.

The first clear indication of Marx's doubts about Hegel's political philosophy that we find is in a letter he wrote to Arnold Ruge, the editor of a radical German journal, on the 5<sup>th</sup> of March, 1842. In this letter Marx promises to submit an article for publication in Ruge's journal which 'is a criticism of Hegelian philosophy of natural law insofar as it concerns the *internal political system*' (Marx's italics.)<sup>5</sup> But Marx was unable to deliver the article.

It has been plausibly suggested that the difficulty in writing the critique was the result of Marx not having the appropriate methodology and that this difficulty was resolved with the publication in February 1843 of Ludwig Feuerbach's *Preliminary Theses on the Reform of Philosophy*.<sup>6</sup> On reading the *Theses*, Marx wrote to Ruge (13<sup>th</sup> of March) that Feuerbach's aphorisms seem to be incorrect only in one respect, in that he refers too much to nature and

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<sup>3</sup> According to one biographer of Marx, the latter's articles 'can be best understood as exercises in applied philosophy.' Gareth Stedman Jones.. *Karl Marx, Greatness and Illusion* Allen Lane, UK. 2016, p.108.

<sup>4</sup> In one of his articles Marx wrote: 'Whereas the earlier philosophers of constitutional law proceeded in their account of the formation of the state from the instincts, either of ambition or gregariousness, or even from reason, though not social reason, but reason of the individual, the more ideal and profound view of recent philosophy proceeds from the idea of the whole. It looks on the state as the great organism, in which legal, moral and political freedom must be realised, and in which the individual citizen in obeying the laws of the state obeys the natural laws of his own reason.' MECW, 1:202.

<sup>5</sup> MECW, 1:383. This is a reference to paragraphs 257-321 of Hegel's *Outlines of the Philosophy of Right*. In this part of the book Hegel's presents constitutional arrangements aimed at integrating the individual with the state.

<sup>6</sup> See Robert C. Tucker, *Philosophy and Myth in Karl Marx*, Cambridge University Press, London, 1961, pp.96-97; also Shlomo Avineri, *The Social and Political Thought of Karl Marx*, Cambridge University Press, London, 1975, pp.9-10.

too little to politics. But it is politics which happens to be the only link through which contemporary philosophy can become true.’<sup>7</sup>

Hegel’s philosophical idealism had attempted to solve the traditional problem of dualism between mind and matter, thought and reality, by postulating that reality is merely a projection of Mind or ‘world spirit’ (or ‘man’s process of thinking’, as Marx put it in his Afterword to the second edition of *Capital*.) thought and reality were a unity, reality was simply the alienated self of thought. Feuerbach reversed this relationship. Philosophy, he argued, should start with the real man and not with world spirit or thought. Thought proceeds from being, not being from thought. Man is not an attribute of world spirit or God, on the contrary, God is the expression of the thought process of man. He wrote: ‘Man – this is the mystery of religion – projects his being into objectivity, and then makes himself an object of this projected image of himself... Thus in God man has his own activity, an object. God is, *per se*, his relinquished self.’<sup>8</sup> (This is the definition of man’s self-alienation in the realm of religion.) And this is the materialist standpoint arrived at through an inversion of Hegel that Marx would use to develop his own critique of Hegel’s political philosophy.

Marx resigned his editorship of the *Rheinische Zeitung* on the 17<sup>th</sup> of March (in any case the newspaper was going to be banned by the Prussian government), got married and settled down in his mother-in-law’s house in Kreuznach to work on his critique of Hegel’s political philosophy. Over the summer he wrote his *Contribution to the Critique of Hegel’s Philosophy of Law* [Right], a 130-page (in the *Collected Works* edition) monograph. This work – to be referred as the *Hegel Critique* – written when Marx was 25 years old (in the words of one author) ‘demonstrate(s) that the distinctive patterns of Marx’s later thought had already taken shape when he attacked Hegel’.<sup>9</sup>

### ***The Problem of Dualism in Society***

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<sup>7</sup> MECW, 1:400.

<sup>8</sup> Quoted in Tucker, p.87.

<sup>9</sup> Avineri, p.13.

The aspect of Hegel's political philosophy on which Marx directs his main criticism attempts to solve the problem of dualism in society.<sup>10</sup> Marx shares Hegel's problem. His critique is directed entirely on what he believes Hegel's failure to resolve the problem.

The problem for Hegel arose from the fact that modern capitalist society functions on the principle of individualism; that is, individuals pursue their private ends without regard to the interests of other members of society. And since under conditions of social division of labour and exchange, individuals must engage with each other, they are led to use others as means to their private ends. Civil society thus becomes (as he put it) the playground of competing interests which make for 'ethical degeneration'.<sup>11</sup>

Marx explained the problem at great length. The problem arose with the transition from feudalism to capitalism (neither Marx nor Hegel use the language of capitalism though both are dealing with it). As Marx sees it, there were two aspects of this transformation. First, there was a fundamental change in the nature of property. Under feudalism, as in all earlier forms of social organisation, property had a social dimension. For instance in the Middle Ages landed property was not freely disposable, and the serf had certain rights on the land he tilled. Under capitalism property received its purely economic form, discarding its former political and social associations.

Second, there arose a clear distinction between the institutions of the state, the public domain, and the domain of private interest, what Hegel had referred to as 'civil society'; political rule became distant from the class structure of society. Such a distinction was absent in all earlier societies. Marx wrote in the *Hegel Critique*:

In the Middle ages there were serfs, feudal estates, merchants and trade guilds, corporations of scholars, etc.; that is to say, in the Middle Ages property, trade, society, man are political ...every private sphere has a political character or is a political sphere... In the Middle Ages the political constitution is the *constitution of private property*, but only

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<sup>10</sup> It needs to be pointed out that Hegel is not proposing a policy. In his thought philosophy can only interpret the world, not change it. The solution to the problem is already there. The significant elements of the constitutional arrangements he presents have, as noted earlier, already been realised in the post-Reformation developed European state.

<sup>11</sup> G.W.F. Hegel, *Outlines of the Philosophy of Right* (translated by T.M. Knox) Oxford University Press, Oxford, 2008, p.182.

because the constitution of private property is a political constitution. In the Middle Ages the life of the nation and the life of the state are identical. Man is the actual principle of the state – *unfree* man. It is thus the *democracy of unfreedom* – estrangement carried to completion.<sup>12</sup>

Marx emphasised this point again and again: In the Middle Ages the economy was embedded in the political and social life. ‘The estates of civil society and the estates in the political sense were identical, because civil society was political society – because the organic principle of civil society was the principle of the state.’<sup>13</sup> And he continued the discussion in the article he wrote immediately after the *Hegel Critique* where he referred to dualism as ‘the conflict between the *general interest* and the *private interest*, schism between the *political state* and *civil society*’, and referred to civil society as the sphere of egoism, of *bellum omnium contra omnes*.<sup>14</sup>

Hegel’s idea of the state as an ethical entity required resolution of the problem. His theory had to recreate, *at a higher level of development*, the unity that characterised society before civil society (broadly speaking, the economy) became differentiated from the political sphere; it had to resolve the conflict between the state and civil society such that individuals lived by universal criteria, and the individualism or egoism that is the foundation of civil society was reined in. In other words, his theory has to achieve reconciliation between the general interest and the particular interest *in the state*, in the realm of social solidarity.

### ***Hegel’s Solution to the Problem of Dualism***

Hegel’s solution to the problem of dualism is a model of political and institutional structure that (he claims) is an idealised approximation to his ideal state. It consists of a hereditary, constitutional monarchy, the executive or bureaucracy appointed by the monarch which pursues only the general interest of society, and a two-chamber legislature. The upper chamber is based on hereditary peerage, referred to as the ‘agricultural’ or the ‘substantial’ estate. According to the medieval character of the estates system landowners attend the legislature in person (rather through elected delegates). Hegel

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<sup>12</sup> MECW, 3:32.

<sup>13</sup> *Ibid.* 72, see also p.82.

<sup>14</sup> ‘The war of all against all.’ ‘On the Jewish Question’, *Ibid.* p.155.

writes: 'This estate is more particularly fitted for political position and significance in that its resources are independent alike of the state's resources, the uncertainty of business, the quest for profit, and any sort of fluctuation in possession. It is likewise independent of favour, whether from the executive or the masses. It is even fortified *against its own arbitrary will*, because ... it is burdened with primogeniture.'<sup>15</sup> The interest of the landowning class coincides with the general interest of society.

It is the rest of civil society, the business world, that presents the problem. Individuals in this part of society are atomistically dispersed lacking 'political cohesion.'<sup>16</sup>

It is a fundamental premise of Hegel's theoretical system that individual *qua* individual cannot be incorporated into the universality of the state. 'A person with no estate is a mere private person and does not enjoy actual universality.'<sup>17</sup> What this means is that there must be institutions that 'mediate' between the individual and the state. The mediating institution in the sphere of industry and trade is the corporation, each trade or industry having its own such association. The corporation is a kind of 'second family' for its members.<sup>18</sup> Members of a corporation have common interests which are distinguished from the interests of those operating in other trades. The corporation will naturally look after these common interests. Members of a corporation will also have conflict of interest with each other. For instance, members compete with each other in the market. Hegel does not go into such mundane detail but we may assume that it will be the task of the corporation to manage internal competition. The central claim here is that through the corporation individuals learn to give greater priority to their common interests over individual interests and thus develop a greater sense of social solidarity. The corporation may thus be regarded as the first stage in the incorporation of the individual in the state organism. Deputies from various corporations come together in an estate. This is the second stage of mediation. And finally, delegates from this

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<sup>15</sup> Hegel, *Philosophy of Right*, pp.292-93.

<sup>16</sup> *Ibid.*, pp.294-95.

<sup>17</sup> *Ibid.* p.197.

<sup>18</sup> *Ibid.* p.226.

estate (or the chamber), together with the estate representing the landowners, constitute the legislature.

This is how in Hegel's model, when it is brought down to earth from its metaphysical heights, the individualism and the conflicts of civil society are transcended, and the reconciliation of the private and public interest achieved. Civil society or the capitalist economy, which has now been purged of self-interest, retains its autonomy. At the same time, the economy is overseen by a highly centralised state - it operates 'under the surveillance of the public authority'<sup>19</sup>. Hegel's is a corporatist capitalist economy in which competition is reined in. This may be seen as Hegel's response to the challenge of classical political economy that achieves the coincidence of the public and private interest through the competitive market. Hegel gives capitalism a *philosophical expression*, while classical political economy does it by constructing a *theoretical model* of a competitive economy. Marx's own thought will develop through a critique of both these approaches.

### ***Two Theoretical Advances***

A large part of the *Hegel Critique* is given to a detailed discussion of Hegel's constitutional arrangements aimed at integrating the individual with the state. Marx argues that the device of mediation fails to achieve the desired result. The delegates that make up the business estate (and the landowning class) attend to their own sectional interests. Hegel's model is a rationalisation of the existing social reality.

Marx's first theoretical advance consists of the idea that Hegel conducts his analysis at the wrong end. He deduces reality, empirical facts, from the idea; he makes idea the determinant and the reality the determined. Marx thus extends Feuerbach's materialist method from religion to politics. He writes: 'Just as it is not religion which creates man but man who creates religion, so it is not the constitution which creates the people but the people which creates the constitution.'<sup>20</sup> Just as man is alienated from his own powers in the realm

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<sup>19</sup> *Ibid.* p.224.

<sup>20</sup> MECW, 3:29.



of religion, so is man in the political domain. Man confers his powers on institutions of his own creation which then come to dominate him.<sup>21</sup>

As noted, Marx did for politics what Feuerbach did for religion, but with one difference. In Feuerbach the overcoming of alienation requires no more than an act of cognition, the realisation that man has alienated himself from his own powers. For Marx the reversal of the Hegelian relation directs attention to economic and social forces working in society, to social analysis. To retrieve the powers that man has conferred on the institutions of his own creation call for action.

The second major advance (closely related to the first) made by Marx in the *Hegel Critique* refers to the nature of society. Earlier, Marx had, following Hegel, adopted the notion of the organic nature of society; he had noted that a great merit of Hegel's philosophy was that it proceeded from 'the idea of the whole'. But Hegel's notion of society was metaphysical. He was not dealing with the real, empirical man. Marx wrote: 'Hegel starts from the state and makes man the subjectified state; democracy [Marx's ideal political constitution] starts from man and makes state objectified man.'<sup>22</sup> And again: 'This nonsense comes in because Hegel takes state functions and activities in abstract isolation, and the particular individuals in antithesis to them. He forgets, though, that the particular individual is human and that the functions and activities of the state are human functions. He forgets that the essence of a 'particular' personality is not its beard, its blood, its abstract physical character, but its *social quality*, and that state functions, etc., are nothing but modes of being and modes of action of the social qualities of men. Clearly, therefore, insofar as individuals are bearers of state functions and powers, they must be regarded in the light of their social and not their private quality.'<sup>23</sup>

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<sup>21</sup> Marx writes in the article 'On the Jewish Question': The alienated man 'acknowledges himself only in a roundabout route, only through an intermediary. Religion is precisely the recognition of man in a roundabout way, through an *intermediary*. The state is the intermediary between man and his freedom. Just as Christ is the intermediary to whom man transfers the burden of his divinity, all his burden of divinity, all his religious constraint [bonds], so the state is the intermediary to whom man transfers all his non-divinity and all his unconstraint [freedom]'. *Ibid.* p.152.

<sup>22</sup> MECW, 3:29

<sup>23</sup> *Ibid.* pp.21-22.

Marx argues that man must be conceptualised in his historical and social context. Marx kept coming back to this idea of the socialised model of man, as opposed to the notion of the atomised society and Hegel's abstractions again and again. This idea is articulated in the *Economic and Philosophical Manuscripts* composed a year later<sup>24</sup>; it is expressed in the sixth thesis on Feuerbach<sup>25</sup>; and again in the *Grundrisse*<sup>26</sup>.

Man's 'human essence', also referred to as man's 'communist essence', derives from the empirical fact that man is an ensemble of his social relations. Marx rejected the principle of individualism – 'the war of all against all' - on empirical grounds. Contemporary society violated man's 'human essence'. This essence of man will only be realised in the ideal society of the future which will be based on the socialised model of man.

In the article 'On the Jewish Question' that Marx wrote immediately after the *Hegel Critique* his critique of the contemporary society becomes more explicit and direct. And although at this stage he has not undertaken any serious study of literature on socialism, his thinking is definitely moving in that direction. The secular, liberal state, he argues, would certainly be a step forward in a semi-feudal, autocratic country such as Prussia, but what political liberalism did was to sanctify the principle of individualism; the Rights of Man were the rights of an egoistic man. The right of man to private property is 'the right to enjoy one's property ... without regard to other men, independently of society, the right of self-interest.... It makes every man see in other men not the realisation of his own freedom, but the barrier to it.'<sup>27</sup> Marx was now talking of a social revolution.

Here Marx takes the first step towards his conception of man's alienation in the economic sphere or man's alienation in his productive activity, an idea he will develop fully a few months later in his *Economic and Philosophical Manuscripts*. He writes here: 'Just as man, so long as he is engrossed in religion, can only objectify his nature by turning it into an *alien* creature of the fantasy, so, under the domination of egoistic need, he can act in a practical

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<sup>24</sup> MECW, 3:

<sup>25</sup> *Karl Marx and Frederick Engels Selected Works in two volumes*, Foreign Languages Publishing House, Moscow, 1958., MESW, .2:404.

<sup>26</sup> David McLellan, *Marx's Grundrisse*. Paladin, St. Albans, Herts. 1973, p.89.

<sup>27</sup> MECS,3:163.

way, create objects practically, only by subordinating these products as well as his activity to the power of an alien being – money.’<sup>28</sup>

Within three months Marx wrote another article in which he argued that social criticism must lead to social action, and introduced the new and original idea that the proletariat will be the agent of social revolution.<sup>29</sup> In this article Marx sharpened his materialist standpoint. He argued that the criticism of religion in Germany had remained in the Feuerbachian anthropological frame without leading to social criticism. Religion is man’s inverted consciousness because the world that produces religion is an inverted world. The struggle against religion is, therefore, struggle against the existing social conditions.

Who will then lead the struggle to achieve social revolution in Germany? By an interesting twist of logic, Marx argues that while in countries like France political emancipation (bourgeois revolution) can eventually lead to human emancipation (social revolution), in Germany, which is unable to arrive at human emancipation through the intermediate stage of a political revolution, human, universal emancipation becomes ‘the *conditio sine qua non* of any political emancipation. Thus, German emancipation lies in the

‘... formation of a class with *radical chains*, a class of civil society which is not a class of civil society, an estate which is the dissolution of all estates, a sphere which has a universal character by its universal suffering and claims no *particular right* because no *particular wrong* but *wrong generally* is perpetrated against it; which can no longer invoke a *historical* but only a *human* title; which does not stand in any one-sided antithesis to the consequences but in an all-round antithesis to the premises of the German state; a sphere, finally, which cannot emancipate itself without emancipating itself from all other spheres of society and thereby emancipating all other spheres of society, which, in a word, is the *complete loss* of man and hence can win itself only through the *complete rewinning of man*. This dissolution of society as a particular estate is the *proletariat*.<sup>30</sup>

In less than eight months, from the spring of 1843 and January 1844, at the age of 25, Marx had assembled some of the most important elements of his mature worldview. He had started with the Hegelian concept of the ideal society and had given it materialist content. He had grasped the foundational concept of communism, in which the dichotomy between the personal, egoistic interest and the universal interest of society, the alienation of the

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<sup>28</sup> *Ibid.* p171.

<sup>29</sup> ‘Contribution to the Critique of Hegel’s Philosophy of Law [Right]: Introduction’. This article was written in January 1844, and with ‘On the Jewish Question’ was published in the *Deutsch-Franzoesische Jahrbuecher* in Paris that Marx co-edited.

<sup>30</sup> MECW, 3:186.

individual from the political process, is overcome. It will be a society without the right to private property. And he had identified the agency – the proletariat – that will lead the revolution to achieve the ideal society.

However, a number of the important elements of the worldview were of course missing. As noted, in this paper I focus on two that Marx takes up in the *Economic and Philosophical Manuscripts* on both of which Adam Smith exerted an important influence.

First, before Marx started working on the *Manuscripts* he was exclusively ploughing the philosophical field. For instance, the leading role of the proletariat in the social revolution is attributed to its ‘universal suffering’, and there is hardly any reference to the internal class structure of the contemporary society he is criticising. All that changes in the *Manuscripts*. Here Marx integrates some of the insights, concepts and relationships provided by Smith’s political economy into his philosophical standpoint. There is a new synthesis.

Second, at least up till August (1844) Marx had thought that Feuerbach’s materialism could form the basis of communism. He wrote to that effect to Feuerbach in a letter of 11 August.<sup>31</sup> Later he came to recognise that all ‘previous’ materialism, including Feuerbach’s, led to passivity and therefore it could not provide a basis for communism, and formulated his own version which he referred to as ‘practical’, ‘communist. This new version was first proclaimed in the first thesis on Feuerbach (written in the spring of 1845). The crucial transition to the new version takes place in the *Manuscripts* where Marx gives full credit to Adam Smith.

### ***Two Aspects of Adam Smith’s Thought***

Marx’s studies in Paris (where he lived from October 1843 until the end of 1844) covered a variety of subjects. As was his habit, he made extensive notes on the works he studied. These notes have been referred to as the Paris Notebooks. In the Notebooks there was a set of notes that pertained particularly to political economy. These notes were extracted from the Notebooks by the editors of his works, given a systematic form and published in 1932 under the title *The Economic and Philosophical Manuscripts of 1844*.

Although Marx studied the works of a number of political economists the author with whom he engaged most intimately was Adam Smith. It was with

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<sup>31</sup> *Ibid.* p.354.

reference to *The Wealth of Nations* that he exclaimed: 'Political economy has merely formulated the laws of alienated labour.'<sup>32</sup>

We have here something of a paradox. How come that the founder of a worldwide movement against capitalism should find his source of inspiration in the work of the most respected prophet of capitalism?

The paradox is soon resolved when we observe that there are two methodologically distinct aspects in Adam Smith's thought.

One aspect is theoretical and scientific in which Smith identifies an objective phenomenon, the causes of the increase in the wealth of a nation in specific historical conditions, conceptualises the existing mode of production ('commercial', that is, capitalist economy), studies its functioning, its law-determined regularity. Marx inherited this aspect of Smith's work, and through a critique of it developed his own economic thought. The second aspect relates to Smith's social philosophy.

This latter aspect is briefly outlined in the following paragraphs. The first – the scientific aspect - is the subject of the three sections that follow.

In his social philosophy, Smith adopts the principle of individualism. Society is seen essentially in terms of exchange. It needs to be emphasised that Smith was not a blatant individualist preaching greed and egotism. He believed that 'all members of human society stand in need of each others assistance'; and that society flourishes when 'the necessary assistance is reciprocally afforded from love'. But when this is not possible

Society may subsist among different men, as among different merchants, from sense of utility, without any mutual love or affection; and though no man in it should owe any obligation, or bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices according to an agreed valuations.<sup>33</sup>

In its economic aspects at least, Smith appears to subscribe to the social contract theory in which society is seen as a voluntary organisation, society as a market.

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<sup>32</sup> *Ibid.* p.291.

<sup>33</sup> *Theory of Moral Sentiments*.edited by D.D. Raphael and A.L. Macfie. Clarendon Press, Oxford, 1976, pp.85-86.

The essential point here is exchange, man's 'natural propensity' to 'truck and barter'. The phenomenon of division of labour, for instance, follows from that propensity. In the chapter 'Of the Principle which gives occasion to the Division of Labour' in *The Wealth of Nations*, he writes: 'It [division of labour] is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.'<sup>34</sup> In the same vein, the origin of money is attributed to the same propensity.<sup>35</sup>

We note here also the idea of the immutability of human nature – the assumption of 'abstract man', without any historical and social conditioning. 'The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which publick and national, as well as private opulence is originally derived'<sup>36</sup> seems to be the driving force for capital accumulation and economic development. One can take the view that at least in this aspect of his thought, Smith seems to take the view that the transition from feudalism to capitalism was the result of the working of this 'natural propensity' – the desire of every man to improve his condition leading to victory over the artificial restrictions that governments had placed on man's desire to better his condition.

Finally, we have Smith's most important theorem: The operation of competitive markets, that is, free mobility of capital and labour across different economic activities, will lead to a state of 'natural balance' (general equilibrium) of the economy. 'The natural price ... is ... the central price to which all prices of all commodities are continually gravitating. ...But whatever may be the obstacles which hinder them from settling in this center of repose and continuance, they are constantly tending towards it.'<sup>37</sup>

But Smith goes beyond this scientific proposition. He claims that this situation of unhindered resource mobility leads not only to the 'natural balance' of the

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<sup>34</sup> *An Inquiry into the Nature and Causes of Nations*, edited by R. H. Campbell and A. S. Skinner, Clarendon Press, Oxford, 1976, vol. 1, p.25.

<sup>35</sup> *Ibid.* pp.36-7.

<sup>36</sup> *Ibid.* p.343.

<sup>37</sup> *Ibid.* p.75. It is worth noting that the meaning of the word 'natural' in this theoretical proposition is entirely different from that in Smith's social philosophy, where he talks of man's 'natural propensity' to better his condition.

economy, but also to the general coincidence of the private interest and general interest. The individual while pursuing his own interest also at the same time is led by an invisible hand to promote the general interest of society.<sup>38</sup> This latter conclusion is derived entirely pragmatically: in a competitive market producers will be free, and choose, to invest in lines of production that offer them the highest profits, and workers will seek employment in industries and firms where they find the highest rewards for their abilities and skills. In these circumstances the wealth of the nation would be maximised, and the conditions for economic progress would be the most conducive. Smith associates the increasing wealth of the nation with increasing general prosperity, and the latter with the 'general interest' of society. The coincidence of the two takes place in the competitive market. There is no theoretical basis for this claim.

We turn now to the other aspect of Smith's thought that made a significant contribution to the development of Marx's worldview.

### ***Adam Smith as the Martin Luther of Political Economy***

The very first sentence of *The Wealth of Nations* reads: 'The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consists always, either in the immediate product of that labour, or in what is purchased with that produce from other nations.'

Marx did not read this sentence as a mere rhetorical flourish. He observed that Smith's political economy had acknowledged labour as its principle. He wrote:

To this enlightened political economy, which has discovered – within private property – the *subjective essence* of wealth, the adherents of the monetary and mercantile system, who look upon private property *only as an objective* substance confronting men, seem therefore to be *fetishists, Catholics*. Engels was therefore right to call *Adam Smith* the *Luther of*

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<sup>38</sup> *The Wealth of Nations*, vol. I, p.456. It is interesting that Smith makes the claim regarding the working of the invisible hand in book IV, chapter II 'Of Restraint upon the Importation from foreign Countries of such Goods as can be produced at Home' and not in book I, chapter VII where he discusses the theoretical proposition regarding the natural balance of the economy. He writes in book IV, chapter II: 'By preferring the support of domestick to that of foreign industry, he [the individual] intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.' He makes the same point on p.454 in the same chapter and in book IV, chapter VII 'Of Colonies', p.630.

*Political Economy*. Just as Luther recognised *religion – faith* – as the substance of the external *world* and in consequence stood opposed to Catholic paganism – just as he superseded *external* religiosity by making religiosity the *inner* substance of man – just as he negated the priests outside the layman because he transplanted the priest into layman’s heart, just so with wealth: wealth as something outside man and independent of him, and therefore as something to be maintained and asserted only in an external fashion is done away with; that is, this *external, mindless objectivity* of wealth is done away with, with private property being incorporated in man himself and with him being recognised as its essence.’<sup>39</sup>

Marx sees Smith as conceiving wealth as materialised labour. As noted, this idea which will appear in a more general form – extending it to all reality - in the first Thesis on Feuerbach is the first clear and definite intimation of Marx’s own version of materialism. In the first Thesis on Feuerbach Marx rejected all ‘previous’ materialism, including Feuerbach’s. Previous materialism accepted the duality of matter and mind and gave primacy to matter. Reality was something ‘external’, objective, given, and mind (for Marx this meant man) was conceived as passive. This is the crucial point. This is how (as Marx sees it) mercantilists conceived wealth, as something ‘external’ to man. Smith, by saying that it is nothing but materialised labour, did away with this ‘mindless objectivity of wealth’.

In *The German Ideology* (written with Engels, 1845-46) this idea is elaborated when Marx distinguishes between ‘original’ nature and ‘historical’ nature (that is, ‘nature’ made by man).

He [Feuerbach] does not see that the sensuous world around him is not a thing given direct from eternity, remaining ever the same, but the product of industry and of the society; and, indeed [a product] in the sense that it is a historical product, the result of activity of a whole succession of generations, each standing on the shoulders of the preceding one, developing its industry and its intercourse, and modifying its social system according to the changed needs. Even the objects of the simplest ‘sensuous certainty’ are given him through social development, industry and commercial intercourse. The cherry tree, like almost all fruit trees, was, as is well known, only a few centuries ago transplanted by *commerce* into our zone, and therefore only *by* this action of a definite society in a definite age has it become ‘sensuous certainty’ for Feuerbach.’<sup>40</sup>

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<sup>39</sup> MECW, 3:290-91. Engel’s reference to Adam Smith as ‘the economic Luther’ is made in his ‘Outlines of a Critique of Political Economy’ published in the *Deutsch-Franzoesische Jahrbuecher*. MECW, 3:422.

<sup>40</sup> MECW, 5:39.



Marx emphasises this point again and again. If man's activity were interrupted only for a year we would not only find an enormous change in the natural world, we would find the very existence of mankind threatened.

For that matter, nature, the nature that preceded human history, is not by any means the nature in which Feuerbach lives, it is nature which today no longer exists anywhere (except perhaps on a few Australian coral islands of recent origin) and which, therefore does not exist for Feuerbach either.<sup>41</sup>

If man creates the reality in which he lives, he can also change it. This is the activist element that Marx incorporated into his own version of materialism which he referred to as 'practical', 'historical', and 'communist'. The basis for this standpoint was clearly laid down when he referred to Smith as the Luther of political economy.<sup>42</sup>

### ***Conceptualising Capitalism***

Built into Smith's concept of wealth is the notion of economic reproduction, a process that takes place in real time. This year's cycle of production starts with the inputs, including labour's subsistence, inherited from the preceding year; these inputs that are used up are reproduced (with a surplus), and used in the following year. When part of the surplus is re-invested we have economic expansion. Marx could not have failed to see here the Hegelian notion of evolution. It is a situation of internally generated development or expanded self-reproduction without the involvement of any *extraneous factor*.

The concept of reproduction is central to Marx's theory of historical development. According to *The German Ideology*: 'History is nothing but the succession of the separate generations, each of which uses the materials, capital funds, the productive forces handed down to it by all the preceding generations, and thus, on the one hand, continues the traditional activity in completely changed circumstances, and on the other, modifies the old circumstances with a completely changed activity.'<sup>43</sup>

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<sup>41</sup> *Ibid.* p.40.

<sup>42</sup> It is interesting that although at this point Marx has broken away from all 'previous materialism', including Feuerbach's, he still at this time (when he is writing the *Manuscripts*) regards Feuerbach's philosophy as being capable of providing a basis of communism. See Marx's letter of 11 August 1844. MECW, 3:354.

<sup>43</sup> MECW, 5:50.

Further, Adam Smith sees the production of wealth as a *social activity*, a collective enterprise. It takes the form of *social* division of labour. Different productive activities or industries complement each other and are thus 'necessary to the existence of each other'.<sup>44</sup> In the very first chapter of *The Wealth of Nations*, Smith illustrates this phenomenon with reference to the manufacture of a day-labourer's woollen coat. , 'Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country and you will perceive that the number of people whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation.' From the raising of the sheep, etc. to sorting, combing, spinning, weaving, transportation of the materials, the manufacture of tools and machinery for use in these activities, and so on and on – all these activities are involved in the production of this item which becomes 'the produce of the *joint labour* of a great multitude of workmen.'<sup>45</sup>(Emphasis added.) Individual labour has become *social* labour.

The features of an economy outlined above are of a general nature; to various degrees they hold for all forms of human society. For example, all societies are characterised by some degree of social division of labour and of course they all reproduce themselves over time (if they did not, society would cease to exist). Such features of an economy may be considered of a technical nature.

Adam Smith's analysis of the conditions under which the wealth of a nation is produced and expands is set specifically in the social organisation he calls 'the commercial society', that is, modern capitalism. It is his conceptualisation of such an economy with the specific purpose of investigating the factors that lie behind economic development that determine the structure of classical political economy and gives it its scientific character. It is this analysis that makes an important contribution to the social theory that Marx will develop later. It is also here that we see Adam Smith departing from his individual-focused social philosophy.

In Smith's model the 'commercial society' is divided into three social classes. These are defined in terms of the nature of the resources they own and their place in the production system. Landowners have no productive function and

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<sup>44</sup> *The Wealth of Nations*, vol. 1, p.360.

<sup>45</sup> *Ibid.* p.22.

they derive their income – rent of land – from a resource that is naturally scarce, in the sense that (unlike capital goods and labour skills) it is not reproducible. There are suggestions in his discussion of rent that there is conflict of interest between the landed class and the capitalist class (and society, more generally) – suggestions that Ricardo will later develop with the utmost rigour.

The central relation in the production system is that between the capitalist class and labour. The capitalist class consists of those who have accumulated capital (in the form of purchasing power) and who will ‘naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work’.<sup>46</sup> Workers, as a class do not own capital and means of their subsistence and therefore they ‘stand in need of a master to advance them the materials of their work, and their subsistence and maintenance till it [the product] be completed.’<sup>47</sup>

The relationship between the two classes is one of power and latent antagonism. For the capitalist labour’s wages are a cost like any other, say, feed for farm animals. Higher costs mean lower profits and the capitalist must therefore strive to have wages as low as possible. Workers, on the other hand, want their wages to be as high as possible. We have here two parties ‘whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.’ Smith adds: ‘It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms.’<sup>48</sup>

Smith then goes on to enumerate all the factors that work in favour of the masters. The only factor that works in favour of the workers is capital accumulation and economic expansion. Under these conditions when national prosperity is on the rise, and the demand for labour is buoyant, wages can rise above the level that is ‘consistent with common humanity’.<sup>49</sup>

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<sup>46</sup> *Ibid.* pp.65-66.

<sup>47</sup> *Ibid.* p.83.

<sup>48</sup> *Ibid.* pp.83-84.

<sup>49</sup> *Ibid.* p.86.

However, although in this situation the conflict between capital and labour may be kept under check, the fundamental fact of the relationship of power and latent antagonism between the two classes remains unchanged.

On reading *The Wealth of Nations*, Marx must have felt that Adam Smith had already loaded the gun for him.

### ***The Generalisation of the Concept of Alienation***

The most important accomplishment of the *Manuscripts* is the generalisation of the concept of alienation. Until now Marx had been, as noted, exclusively ploughing the philosophical field. Economic alienation now takes centre stage and this concept is now expressed in the capital-labour relation, in production.

The first form of economic alienation Marx identified is the alienation of the worker from his product. This form of alienation - 'a fact of political economy'<sup>50</sup> - is derived fundamentally from the capital-labour relationship as found in Smith. Marx's starting point is Smith's statement (quoted in the preceding section) that all wealth, consisting of commodities, is produced by labour. Just as the religious man had 'objectified' or 'externalised' himself in the gods; just as the state was the 'externalisation' of man in the form of political power; in the same way labour 'objectifies' or 'externalises' itself in its product. Capital, since it consists of produced commodities, is also produced by labour, it is accumulated labour. Capital (Marx quotes Smith) is a 'certain quantity of labour stocked and stored up to be employed'; and again, 'The person who [either acquires, or] succeeds to a great fortune, does not necessarily [acquire, or] succeed to any political power [...] The power which that possession immediately and directly conveys to him, is the *power of purchasing*; a certain command over the labour, over all the produce of labour, which is in the market.' Marx concludes: 'Capital is thus the *governing power* over labour and its products.'<sup>51</sup>

In the very first paragraph of the 'First Manuscript', Marx paraphrases some of the observations from the chapter 'Of the Wages of Labour' in *The Wealth of Nations*, highlighting the relationship of power between capital and labour and the capitalist's ability to appropriate labour's product. 'His own labour as

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<sup>50</sup> MECW, 3:278.

<sup>51</sup> *Ibid.* p.247.

another man's property and that the means of his existence and activity are increasingly concentrated in the hands of the capitalist.'

All these consequences are implied in the statement that the worker is related to the product of his labour as to an alien object.... The *alienation* of the worker in his product means not only that his labour becomes an object, an *external* existence, but that it exists *outside him*, independently, as something alien to him, and that it becomes a power on its own confronting him. It means that the life which he has conferred on the object confronts him as something hostile and alien.'<sup>52</sup>

To repeat: through its social power, capital, itself the product of labour, is able to appropriate labour's product; labour's own creation becomes a power over it. This is labour's alienation from its product.

The second form of alienation manifests itself in the *act* of production, 'in the labour process'.<sup>53</sup> The product from which the worker is alienated is but the result of his productive activity. 'How could the worker (Marx asks) come to face the product of his activity as a stranger, were it not that in the very act of production he was estranging himself from himself? The product is after all but the summary of the activity of production.'<sup>54</sup>

Marx starts from the premise that productive activity is an aspect of man's 'essence'.<sup>55</sup> His need to engage in productive activity goes beyond the need merely to maintain his physical existence. It is through 'conscious life activity' that man asserts his humanity, his 'species character'. Labour performed for the capitalist is labour solely aimed at physical existence; it is external to man's intrinsic need. It is a case of self-estrangement.

When man is estranged from himself, he is necessarily estranged from other human beings. This follows from the standpoint that man's 'species character' is essentially *social*. As noted, for Marx society is nothing but the sum of the relationships in which individuals find themselves. Here he writes: 'The estrangement of man, in fact every relationship in which man [stands] to

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<sup>52</sup> *Ibid.* p.272.

<sup>53</sup> *Ibid.* p.275.

<sup>54</sup> *Ibid.* p.274.

<sup>55</sup> Giving credit to Hegel for having recognised this, Marx wrote: 'Hegel's standpoint is that of political economy. He grasps *labour as the essence* of man ... [but] the only labour which Hegel knows and recognises is *abstractly mental labour*.' *Ibid.* p.333.

himself, is realised and expressed only in the relationship in which man stands to other men.’<sup>56</sup>

We see here Marx moving towards what is perhaps the most momentous theoretical achievement in the development of his synthesis between his philosophical standpoint and the scientific discipline of classical political economy.

Hence within the relationship of estranged labour each man views the other in accordance with the standard and the relationship in which man finds himself *as a worker* [as a producer]. (Emphasis added).<sup>57</sup>

Before his encounter with classical political economy (as noted earlier) the proletariat’s role in ‘human emancipation’ was vaguely and un-empirically attributed to its ‘universal suffering’ and ‘sheer necessity’. Now he speaks of the relationship of the worker to other workers and workers’ relationship with capital in the context of *production*. This is the critical point of transition; before he spoke vaguely of the ‘power of money’, now he talks of the ‘wage-system’<sup>58</sup> and identifies it with the system of private property; the abolition of one, he says, implies the abolition of the other. It is only when the wage-system is abolished that ‘universal emancipation’ will be achieved. He writes:

From the relationship of estranged labour to private property it follows further that the emancipation of society from private property, etc., from servitude, is expressed in the *political* form of the *emancipation of the workers*; not that *their* emancipation alone is at stake, but because the emancipation of the workers contains universal human emancipation – and it contains this, *because the whole of human servitude is involved in the relation of the worker to production, and all relations of servitude are but modifications and consequences of this relation*.<sup>59</sup> [Emphasis added.]

The source of all forms of alienation and man’s powerlessness are to be found in the relations that arise in the process of production. Material relations determine all other relations.

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<sup>56</sup> *Ibid.* p.277. see also p.278.

<sup>57</sup> *Ibid.* p.278.

<sup>58</sup> Marx uses the word ‘wages’ instead of the wage-system, but from the context it is clear that he means the latter.

<sup>59</sup> *Ibid.* p.280.

### ***Summary and a Further Comment***

Marx started by adopting some of the important aspects of Hegel's philosophy, in particular the organic view of society, rejecting the principle of individualism, and the concept of an ideal society. The ideal society was one in which the individual was integrated with society, where the dichotomy between the private interest and the general interest had been overcome. Marx's own political philosophy developed as an internal critique of Hegel and his former Young Hegelian friends. Hegel had failed to resolve the problem he had set out to resolve and had ended up by sanctioning the existing economic and political reality. Young Hegelians were arguing for Prussia to undergo a 'political revolution' of the type that developed countries such as Britain, France and the Netherlands had gone through. 'Political revolution' sanctioned the principle of individualism, the right to enjoy one's property without any regard to others, it was a society with a state of war of all against all. Marx was arguing for a 'social revolution' to be led by the working class. Marx had rejected capitalism as a form of social organisation before he started his studies in political economy. In the course of these studies he found that one aspect of Adam Smith's political economy neatly complemented his philosophical standpoint, that it had (as he put it) merely formulated the laws of alienated labour. At the same time Smith's political economy had, like Hegel, failed to resolve the dichotomy between the private interest and the general interest. Marx's own economic thought would develop as an internal critique of political economy (just as his philosophical thought had developed as an internal critique of Hegel).

One of Marx's major criticisms of political economy would be that it treated the capitalist system as eternal; there had been history before but that was no longer the case. In the *Manuscripts*, Marx takes his first step in that direction. In Smith's system, economic development remains strictly within the frame of competitive capitalist relations. This view of the permanence of the capitalist system may be compared with Smith's own understanding of historical development *before* the emergence of capitalism.<sup>60</sup> He had traced human

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<sup>60</sup> For discussion of historical development, see chapter one of Book five, also chapters two and three of Book three of *The Wealth of Nations*. .

progress through four distinct stages identified as socio-economic organisational forms based on hunting and food gathering, 'nations of shepherds', followed by the feudal society which gave way to the contemporary commercial society. Smith was taking the existing property relations as a given datum, not only for analysing the working of the capitalist economy (which was legitimate and necessary), but also for understanding *historical* development. This is how Marx saw it.

Marx's own mature theory of capitalist development, by contrast with the Smithian schema, will attempt to show that there are forces *inherent in the logic* of the capitalist economy that will drive its *evolution* beyond the bourgeois horizon set for it by classical political economy. He will reach this result through an internal critique of the classical theory.

Marx's first step in that direction is the observation referring to the concentration of capital in fewer and fewer hands as a necessary aspect of capital accumulation. Of particular interest here is the quotation from the 'Introduction' to Book two of *The Wealth of Nations* where Smith discusses the relationship between capital accumulation, increase in the division of labour (in the plant) and increase in labour productivity. Implicit in this relationship is the phenomenon of economies of scale. Marx recounts numerous advantages that larger enterprises enjoy over smaller ones. In a competitive environment some enterprises will manage to get bigger and then, because of the advantages of size they enjoy, will begin to 'squeeze' the smaller ones out of the market. This is how, concentration of capital in fewer hands takes place.<sup>61</sup> 'Accumulation, where private property prevails, is the *concentration* of capital in the hands of a few, it is in general an inevitable consequence if capital is left to follow its natural course, and it is precisely through competition that the way is cleared for this natural disposition of capital'<sup>62</sup>. This process will fundamentally alter the structure of capitalism. Further, with the concentration of capital, both in individual enterprises and regions comes, necessarily, the concentrations of labour, which, in turn, is a necessary condition for the development of working people's class consciousness. These considerations will lead to the conviction that the ingredients for the

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<sup>61</sup> MECW, 3:252.

<sup>62</sup> *Ibid.* p.251.



transformation of capitalism lie within its own manner of functioning, its inherent logic.<sup>63</sup>

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<sup>63</sup> This aspect of Marx's critique of classical political economy is fully developed in his *Poverty of Philosophy* published in 1847. Criticising political economy, he writes: According to 'economists' 'relations [of bourgeois production] therefore are themselves natural laws independent of the influence of time. They are eternal laws which must always govern society. Thus there has been history, but there is no longer any.' These laws are as transient as those of all pre-capitalist forms of social organisation. MECW 6:174.

