

Economic ideas, capital logic and class struggle: reflections towards a people's history of economics

SOCIETY REGISTER
2022 / 6(3): 73–90
ISSN: 2544–5502
DOI: 10.14746/sr.2022.6.3.05



Ingo Schmidt¹

¹ Athabasca University, 63605 Old Yale Road, Hope, BC, V0X 1L2, Canada. ORCID: 0000-0003-1440-2425, Email: ingos@athabascau.ca

ABSTRACT: This article outlines ideas about a people's history of economics. The goal of such a history is to use economic theory to understand the formation of classes, political projects and historical blocs and history as a history of class struggles instead of the unfolding of economic laws. The article discusses the shortcomings of existing histories of economic thought and peoples' histories. It suggests a synthesis that offers insights into the production and diffusion of economic ideas and their role in the making and remaking of class- and state relations from industrial capitalism to the present. The last part of the article offers an outline organized around the ideas of Smith, Marx, the Marginalists, Keynes and Hayek. Though using the common big names as entry points to class- and state-formation during different periods of capitalist and imperialist development, the peoples' history is mainly concerned with the lives, thoughts and struggles of the toiling, primarily invisible, hands performing paid and unpaid work in capitalist centres and peripheries.

KEYWORDS: economics, theory, ideology, class- and state-formation, class-struggle

INTRODUCTION

Economics is everywhere and nowhere on the left. Multitudes of movements and organizations demand taxing the wealthy and financial speculators, affirmative action to support marginalized groups in the labour market, public investments in housing, education and green technologies, fair trade against global inequalities, jobs and income support programs against poverty. Union demands higher wages, and shorter hours could be added to the list. Polls show that most, if not all, of these demands are pretty popular. However, approval rates in opinion polls it different from active engagement. Most of the time, movements rely on their core of activists and supporters. What is missing is a narrative allowing activists organizing around specific

issues to build a more significant movement that would tie specific demands together and mobilize broader widespread engagement.

More precisely: some well-worn left narratives commonly posit capitalism's breakdown or political manageability without gaining much support. All too often, reality went other ways. Capitalism recovered even from economic depression; instead of overcoming financial crises for good, state intervention ended up in dual problems of accumulation and legitimacy. Political hopes and strategies derived from these narratives were disappointed. Post-modern good-byes to grand narratives seemed like a reasonable response. Economism, usually only vaguely defined and often equated with anything to do with economics, was increasingly seen as a reason for left failures and defeats. Bits and pieces of left economic narratives inform almost every demand left movements come up with. But the connections are lost, which could also serve as starting points to adjust and update goals and strategies. However, at the same time that more and more leftists waved good-by to economics and grand narratives, masses of people subscribed to the idea that self-regulated markets would guarantee freedom and prosperity for everyone.

If there was narrative, grand, economistic and powerful, it was neoliberalism. If proof that economic ideas matter beyond the small circles of those who produce and distribute them, the rise of neoliberalism to near-universal mass ideology delivered. Seen from this angle, post-modern claims that the days of grand narratives were over and that everything that could possibly be construed as economistic had to be avoided appears less as a critical reflection of the past and present with an eye on socialist strategies for the future than as a way of coping with defeat and disappointment that leaves no room for socialist reinvention. The post-modern abandonment of grand narratives is an expression of the dramatic shift from the left upsurge in the days of 1968 to the victory of the capitalist counterrevolution a decade later. This abandonment was accompanied by a shift from the search for weak links in the chains of capitalist and imperialist rule that could be used as starting points for anti-systemic strategies to collecting stories that might signify rebellious identities. The linguistic turn, part of post-modern rejections of economism, missed the fact that the capitalist counterrevolution drew much of its ideological power from economic storytelling. The conceptive ideologues of late capitalism spun the market narrative in so many variations that it could speak to every issue that different groups of people were concerned with. But they also made sure that all variations were spun around a common theme. The convergences, coalitions and united fronts that the left couldn't build appeared on the neoliberal right and helped forge a new historical bloc whose subscribers had rebelled, for one reason or another, against an older state-interventionist bloc.

Economic ideas played a significant role in the making of the neoliberal bloc. The following reflections on a people's history of economics rely on the hypothesis that previous historical blocs, along with the class- and state-formations that made up these blocs, also coalesced around economic ideas and that, therefore, the history of economic ideas can be used as a key to reconstruct the history of capitalist development as a history of class struggles.

Histories of economic ideas are mostly concerned with the lives of great men, great

women like Rosa Luxemburg and Joan Robinson appear only rarely, and their discoveries of economic laws. They have an economistic bias, indeed. On the other hand, people's histories provide insights into the lives and struggles of working classes and marginalized groups. Writing history from below, ruling classes stay in the background.

The first part of this article discusses the possibilities of connecting histories of economic ideas, presenting ideological expressions of class-, mostly ruling-class, interests, with peoples' histories of subaltern classes to develop an understanding of class-relations and -struggles. The second part looks at changing modes of the production and diffusion of ideas and the ways in which individuals relate to such ideas and contribute to class- and state-formation. The final part sketches the historical development of subsequent sets of ideas, class- and state formations and historical blocs from the emergence of industrial capitalism to neoliberal globalization. Because capitalism developed as a world-system and socialist challenges emerged in different parts of the world, this sketch is global in scope. And because capitalist development always included the penetration of non-capitalist milieus—and faced opposition from the social strata inhabiting these milieus—the sketch also considers changing relations between capitalist and non-capitalist production, the latter including subsistence, simple commodity, private household production and state-owned firms and state-run economies.

HISTORIES OF ECONOMIC THOUGHT AND PEOPLES' HISTORIES: A GOOD FIT?

Writing a people's history of economics sounds like a bad idea. Its two components couldn't be more different. Most histories of economic thought present a Pantheon of great thinkers, almost exclusively men from Western- and Central Europe and North America. A smaller number focuses on the development of economic thought in countries or regions outside the capitalist centres (Barnett, 2015; Dasgupta 1993; Popescu, 2014). Sometimes, such histories claim that non-Western economic thought antedated Western traditions (Deodhar, 2018); sometimes, they aim at piecing together alternatives to Western economic thought (Nabi Bhat, 2015). Like similar efforts in the past, e.g. those undertaken by the German historical school (Luxemburg, 1900), current efforts to advance alternatives to dominant Western theories often produce national culturalisms that reinforce the dominance of Western ideas rather than critiquing or even replacing them (Amin, 2010, ch.3). Attempts to escape Western-centrism by writing a global history of economic thought are still in their infancy (Magliulo, 2014) and, like global histories more generally, face the problem of reckoning with the reality of imperialism, with its centres in the so-called Western world, without affirming the marks that imperialist rule leaves on every aspect of life in the peripheries, including the production and circulation of ideas (Amin, 2010, ch. 4).

Closely related to the Euro- or Western-centrism that underlies so many histories of economic thought is the development of Whig-histories (Samuelson, 1987, for a critique, see: Boettke et al., 2014; Freeman et al., 2014; Weintraub, 2007). One presents the development of economic thinking in the imperialist centres, along with the

actual economies this thinking reflects upon, as role models for the rest of the world to follow. The other sees current economic thinking as its highest stage, leaving older theories to the dustbin of history. Even histories that provide historical context to the development of historical thought don't say why older theories and their historical contexts might matter today or in the future (Kurz, 2016; Hunt & Lautzenheiser, 2011). The main picture emerging from economic histories of thought is one of the great Western thinkers uncovering, step by step, the laws which economies must follow on their journey from backwardness to liberty and prosperity.

People's histories are, or claim to be, everything that histories of economic thought, at least most of them, are not. Instead of great thinkers discovering the invisible hand as a driving force of progress, they present the busy hands of the working classes, women and other subaltern groups. Economic laws are replaced with moral economies, history from above with history from below, and economic imperialism with post-colonialism. Originally co-existing with liberal and conservative variants, one praising people's opposition to the feudal rule, the other defending traditional ways of life against modernity, people's history became increasingly a signifier of left efforts to provide agency-highlighting alternatives to structuralist accounts of history and economic understandings of left politics (Dube, 1988; Samuel, 1981). However, the focus on subaltern communities lost more and more sight of class- and state-relations through which these communities were connected with other communities and how their subaltern status was sustained. Rather than contributing to an empirically richer picture of capitalism and imperialism than the one provided by structuralist accounts, people's histories and their subaltern studies off-spring presented subaltern groups as if they existed in isolation. They might wage heroic wars against capitalist and imperialist impositions, similarities to the defence of traditional life against modernity that people's histories written by conservatives may be more than accidental. Still, relations through which they were already drawn into the circuits of capitalist accumulation and subjugated to imperialist rule were ignored. Capitalism, imperialism and the economic theories developed to legitimate, manage or criticize these modes of production and global rule became 'the other' of people's histories (for a critique, see Ahmad, 2008; Chibber, 2013).

Against all critical intentions, the neglect of class- and state-relations and their role in the reproduction of human life in capitalist- and non-capitalist economies resembles the most affirmative views about capitalist economies as a natural, supra-historical system whose laws one might rage against but can't escape, let alone overcome and replace with an economic system beyond exploitation and oppression. Moreover, against the anti-essentialist claims that subaltern studies, and the histories written in its vein, used to set themselves apart from structuralist Marxism, they often end up replacing economic essentialism with cultural essentialism.

Against the explicit, or implicit, determinism, teleology and, sometimes inverted, Western-centrism that can be found in most histories of economic thought, people's histories, and subaltern studies, a people's history of economics aims at highlighting agency on both sides of the division between ruling and exploited classes and between centres and peripheries. On that basis, history becomes understandable as a history of

class-struggles even if, during long waves of accumulation, it looks as if the invisible hand determines human activity.

Paraphrasing Marx, we might say that to make their history, i.e. change the circumstances transmitted from the past, humans need to interpret the world and develop collective capacities. Only then can they change it. Interpreting the world is not the antithesis of changing it but an indispensable part of the change. Interpretation relies on ideas. Ideas that allow people to articulate interests, problems and solutions, i.e. define a political project, can become rallying points for masses of people, turn into a mass ideology and thereby contribute to the making of social classes (for alternative views on the power of economic ideas see: Guizo, 2021; Hall, 1989; Zweynert, 2007). If classes are strong enough to forge a historical bloc, ideas become increasingly important as a basis to formulate policies. If these policies don't match the interests around which a historical bloc was built to at least some degree, the bloc, and possibly the classes that made up this bloc, fall into crisis. A period of hegemony is followed by a period of the remaking of class- and state- formations that might eventually lead to the forging of a new historical bloc (Amin, 1980).

The inhabitants of the Pantheon of economic thought serve as entry points for a people's history of economics. Not because they are great thinkers who worked out ideas in their studies and then handed them down to expectant people, but because they represent sets of ideas, or narratives, around which classes-, states- and historical blocs were formed in the past (Sewell, 1992; Steinberg, 1996; Steinmetz, 1992). They could acquire representative roles by persuasively criticizing hegemonic ideas and synthesizing dispersed alternative ideas, often redefining some of the hegemonic ideas and adding them to the synthesis of alternative ideas. Starting with big name theories, the twin history of capitalism and imperialism can be written as a history of class struggle (for case studies following this approach, see: Schmidt 2019 & 2021; Swedberg 2018) and thereby offer an alternative to analyses that portray historical developments either as unfolding inexorable economic laws, as classical liberalism and significant currents of Marxism would have it, or as unintelligible making and re-making of spontaneous orders, as neoliberals and postmodernists would see it (on the relations between neoliberalism and postmodernism see: Amariglio & Ruccio, 2016).

IDEAS, CLASS- AND STATE-FORMATION

Economic ideas are as old as human society. For most of human history, though, they were often indistinguishable, parts of mythologies and religions. These sets of ideas and beliefs, existing in wide varieties in tribal and tributary societies around the world, provided norms that shaped, possibly governed and justified the relations in which individuals were engaged while producing and reproducing their material lives. These norms were more codified in tributary societies, notably in pre-capitalist empires, than in tribal societies. They were mostly concerned with regulating the rights and duties of individuals in concrete terms. Individuals engaged in market exchanges had their assigned spaces in pre-capitalist societies also. But they were limited and not allowed to expand. When they did, as part of the emergence of merchant capital-

ism and its later transition to industrial capitalism, economics, drawing on religious traditions and enlightenment thinking that developed as part of emerging capitalism and colonial conquest, became a science that was increasingly important as a policy guide and took over the role as dominant mass ideology from religion (on the relations between economics as science and ideology see: Dobb, 1973, ch. 1, Schumpeter, 1949). Unlike some religions that had reserved a spot for market exchange, economics portrayed private property and markets as institutions capable of funneling passions, suspected to undermine social order and previously governed, if not brutally oppressed, by religious authorities, into the pursuit of individual interest, social cohesion and prosperity. In short, economies governed by market exchange would turn private vices into public benefits (Hirschman, 1977). At the same time, opposition to the rise of liberal market economies was expressed with recourse to moral economies that expressed discontent with the growing misery that accompanied the rise of capitalism. The ideas used to articulate moral economies against markets and capital drew on religious dissidence interspersed with enlightenment ideas. (Thompson, 1971).

However, it would be misleading to strictly juxtapose, as the proponents of liberalism did, markets and moral economies, one representing individual freedom, interests and reason, the other outdated claims to communal values and mythologies. As Marx's analysis of commodity, money and capital fetishism shows, liberal values fed capitalist mythologies. Moreover, they rendered toiling hands invisible by selectively highlighting the virtue of market exchange. The hands that perform paid work in the hidden abodes of capitalist production or unpaid work that ensures social reproduction (Folbre, 2010; Perelman, 2000). Praise for the invisible hand of the market expressed the moral of an emerging class of industrial capitalists in contrast to the unpropertied masses that this capitalist class considered unfit to pursue their self-interests. At the same time, the appeal to old morals on the side of the unpropertied was an expression of collective interests in opposition to the capitalist class. Far from being the opposite of interests and reason, morals were part of the definition and articulation of interests on both sides of the new class divide that marked the dual emergence of capitalism and colonialism. The class-struggles that drove later transformations of the capitalist world-system included a series of re-definitions and re-articulations of interests, each including moral claims (Götz, 2015), highlighting certain aspects of changing relations and forces of production and silence on others. These re-definitions and re-articulations responded to older definitions and articulations of interests and drove the unmaking and remaking of classes and class-relations throughout the history of capitalism and its ever-changing relations to non-capitalist modes of production and reproduction (Schmidt, 2015).

The production and diffusion of ideas are key to redefinitions and rearticulations of class interests. Histories of economic thought, like most intellectual histories, focus very much on individual producers of ideas and their intellectual encounters. According to these histories, producers draw on information delivered by an otherwise passive social background. After furnishing, usually by critiquing and drawing upon other producers of ideas, their theoretical systems and possibly policy recommendations, they hand their work over to an unspecified public. Sometimes a few politicians and

journalists are identified as part of the circle in which an economist lives and works. From this perspective, economists may discover something that's already there, waiting to be discovered. But not even the most praised economists are part of the changing circumstances upon which their work reflects. By contrast, a people's history of economics shows that the economists' work is part of a much wider social process of producing and disseminating ideas. Only because large numbers of people through public and cultural spheres, education systems and the media are, some more actively than others, involved in this process ideas can become rallying points for the formation of classes and their respective political projects.

This process draws on individual experiences in workplaces, communities and households and on ideas individuals know and use to interpret their experiences individually and collectively, communicating with workmates, neighbours, family and friends. New ideas are produced by conceptive ideologues who pick up existing ideas and the language in which they are expressed, apply them to new problems, refine the meanings of existing ideas, sometimes by coopting ideas articulating interests that the producers of ideas reject, and eventually form new sets of ideas. Public and cultural spheres, education systems and the media help to disseminate them. To the degree they gain mass support, they help forge new or remake existing classes (Briggs, 1983; Herrstadt, 1965; Jones, 2008). Classes that can forge a historical bloc can acquire state-power, and alter existing state-formations domestically and possibly internationally, too. If that happens, economists might modify the laws that economists highlight as unalterable, maybe even as natural laws that govern individual behaviour. The irony is that economic ideas that posit the inescapable determination of individual behaviour can be rallying points for the formation of classes, states and historical blocs, which, once in power, change the circumstances under which individuals act. By creating more choices for some people and limiting those available to others, historical blocs shift the relative power of classes and display class agency.

The persuasiveness of ideas depends on their expression in a familiar language, the naming of culprits that can be held responsible for the problems people are coping with and the identification of solutions and allies that might help implement suggested policies. Ideas remain persuasive if remedies work as offered or failure to meet expectations can be explained, and remedies are readjusted. A loss of persuasiveness, on the other hand, signals a loss of cohesion of existing classes and historical blocs. When this happens, a process of remaking classes and class-relations begins that lasts until a new historic bloc can be formed. These remaking processes are accompanied by transformations of the superstructures that facilitate or hinder the production and diffusion of ideas (Bandelj, Spillman, & Wherry, 2015; Fourcade, 2009).

Public spheres have changed dramatically from the coffee houses and clubs in which merchants and industrialists talked business and politics in early 19th century Britain to the counter-public spheres of union halls in the late 19th century and 20th-century peasant villages in liberated areas of the colonial world to the public spaces provided by welfare states and their marginalization in the neoliberal age (Gripsrud et al., 2010; Hill & Montag 2001; Kluge & Negt 2016). The production of ideas moved from feudal universities, monasteries and private studies to research universities and institutes

and, more recently, think tanks and consultancies. Whatever the dominant public spheres looked like, the producers of alternative ideas always had difficulties carving out their own spaces. Yet, at times alternative ideas spread widely amongst the world's poor and downtrodden and helped to forge popular classes that challenged the rule of capitalism and imperialism.

LIBERALISM, SOCIALIST CHALLENGES, AND CAPITALIST RESPONSES

Smith, Marx, the marginalists: Jevons, Menger and Walras, Keynes and Hayek, are the big names used as starting points for a people's history of economics. Smith and fellow liberal thinkers represent the emerging industrial bourgeoisie in England and other countries in Western Europe. Marx represents the socialist challenges that developed in response to the rise of industrial capitalism in Western Europe and its settler-colonial offspring and the complementary intensification of colonial exploitation and imperialist rivalries. These challenges were as Janus headed as the capitalist-imperialist developments that prompted them. They include working-class movements in the centres and, with some delay, anti-colonial movements in the peripheries. Capitalist classes' reactions to these challenges can be labelled, in historical order, repression, cooptation and rollback.

To be sure, immediate repression of oppositional movements marked capitalist-imperialist developments from the first slave-rebellions, machine-breakers and union organizers to this day. Even after the Second World War, when working-class movements in the centres were coopted, open repression was the main response to anti-colonial movements in the peripheries. However, during the Belle Epoque, capitalist classes responded to the continued growth of socialist organizations with a mixture of police repression, reforms and repression in a Freudian sense. After all, capital accumulation was strong enough to fuel hopes that the wealth for everyone in a nation, at least in the imperialist centres, could be achieved. The marginalists, shifting the focus from production to consumption, delivered the theoretical tools around which mature industrial bourgeoisie, or, as Bukharin (1919) called them: the leisure class, could build a historical bloc that spearheaded the emergence of large corporations and imperialist rivalries. After these rivalries led to the First World War, revolutions in the centres and an upsurge of anti-colonial movements in the centres and accumulation was followed by the Great Depression, Keynes and his followers were key to advancing the tools for the turn from liberal economic policies to systematic state intervention in welfare and developmental states. Once it seemed that the cooptation of moderate currents of socialism into these states became fragile and a surge of old and new anti-systemic movements began, capitalist classes turned from Keynes to Hayek and used the state apparatuses developed under the Keynesian reign to pursue policies of neoliberal globalization.

Through all these twists and turns, economists, journalists, teachers, politicians, activists, and artists produced and disseminated ideas and narratives that allowed individuals to communicate and identify with others in 'class-making' ways. Languages of class developed that way. By extension, claims to power, or political projects,

articulated by new classes contributed to the formation of states and, through that, international relations. On the input side, the production of ideas always drew on existing languages with their accents shaped by non-class identities, such as race, gender and religion, and different positions in the social division of labour. These accents were also shaped by the languages spoken in non-capitalist economies by the time these economies were first penetrated by capitalist relations of production. Like the expression of other identities and everyday experiences, these non- or pre-capitalist languages, and the ideas expressed through them, were revived, refined and integrated into new languages of class in different places and times throughout the history of capitalism.

Adam Smith articulated the interests of emerging industrial bourgeoisies in England and other Western European countries. His analysis demonstrates the virtues of free trade and *laissez faire* as means to advance the wealth of nations in contrast to mercantilism and feudal privileges. As markets grow, the division of labour is deepened. Productivity and total income grow. In the absence of privileges, state intervention and price-setting cartels, be it by industrialists or unions, everybody participates in this growth according to their individual contribution to the nation's wealth. Moreover, all nations that participate in free market exchanges can embark on this wealth-enhancing journey. This is not only an analysis conveniently putting industrialists into the drivers' seat but also a narrative with a moral appeal to other social strata seeking to escape feudal oppression and exploitation. Smith's and other liberal ideas were mainly debated in an emerging public sphere of coffee houses and salons. However, they resonated through newspapers and pamphlets beyond this exclusive sphere into the broader world of pubs and market squares. This resonance relied on the interest in overcoming feudal rule as much as on the moral qualities of Smith's analysis that contrasts the artificial, and hence unjust, the character of feudal splendour with fair returns for everyone's work, whose justness is underwritten by natural law (Ron, 2008). In this regard, his analysis turns into a community-building narrative echoing similar popular narratives, notably the freeborn Englishmen, going back to the days of the Diggers and Levellers (Thompson, 1966, pp. 77-101).

Persuasive and 'hegemony-enabling' as Smith's ideas were, they were also riddled with silences, contradictions and breaking points. The focus on markets rendered economic activity outside the market invisible, and the reliance on production for market exchange for unpaid reproductive work was ignored (Shah, 2006). The same is true for colonial exploitation. At least in public deliberations, liberal economists portrayed free trade as a 'wealth-enabling' way for all countries. In private exchanges that also included government officials, they openly embraced colonialism (Perelman, 2000). Smith's main point that growing markets lead to a deeper division of labour, increasing productivity and national wealth also glosses all too easily over contradictions within the capitalist labour process. Once they became apparent, some of his prominent followers felt compelled to tackle these contradictions in a way that would save the *laissez-faire* narrative. Malthus explained starvation wages with working classes' unrestrained sex life that boosted labour supply beyond levels the labour market could absorb. Labelled as the 'iron law of wages', socialists later used this proposition

to demonstrate the need to overcome capitalism if workers wanted to escape their misery. Ricardo recognized the labour-saving character of technological progress but assured his bourgeois audience that any unemployment this progress may cause would be temporary as the production of the machines in which new technologies are embodied required additional workers. Against this claim, Marx argued that if the need for such machines were so high, there would be no cost savings for the capitalist. Increasingly capital-intensive would lead to lower profit rates, lower investments and a permanent reserve army of labour instead. These supply-side problems were, according to Marx and many other socialists, inextricably linked to a cyclical, if not permanent, lack of demand as, under capitalist relations of production, production capacity would outpace the growth of aggregate demand. By positing that supply creates its own demand, Say and many other liberals, simply denied this observable reality. The contradictions between technological progress, wages and aggregate demand turned into building blocks for the making of socialist working-class movements. The silences on unpaid labour and colonialism were later overcome by vocal movements against women's oppression and colonialism.

Karl Marx developed a synthesis of his critique of political economy and older varieties of socialism. To highlight the scientific character of Marx's effort, Engels labelled those older varieties 'utopian.' Arguably, Marx's and Engels' ideas represent, like all theoretical systems relevant to a people's history of economics, both, scientific analysis and mass ideology. Drawing on the already mentioned contradictions between technological progress, wages, or income distribution more broadly, and aggregate demand, Marx identified a number of laws driving capitalism to self-destruction, contrary to liberal analysis that present it as a natural, i.e., eternal, system. This, indeed, a highly economic argument endowed Marxism, as mass ideology, with the certainty that socialism has a real chance to replace capitalism. Combined with a moral economy derived from Marx's economic analysis that, following in the tracks of Smith and Ricardo but making the point more strongly, paid labour was the source of all wealth, Marxism (Morina, 2022) could become a powerful idea spreading through the proletarian public spheres of pubs, union halls, and workers' political, cultural and sports organizations in the industrial centres.

Powerful as it was, Marxian socialism retained the liberal focus on paid labour. This included women who, notably in textile mills, the leading industry of 19th-century capitalism, represented a much larger part of the labour force than is commonly thought these days. However, unpaid housework mostly remained below the radar of socialist organizing. The same is true for work in colonial work, where industrial production existed in embryonic stages or not at all. At the same time, the socialist movement became a force to reckon with in the industrial centres of capitalism at a time marked by the rise of large corporations, a turn from free trade to protectionism, and the final wave of colonial conquest reshaped global capitalism. These transformations of capitalism triggered the emergence of 'second wave Marxism', represented by Marxist theories of imperialism trying to chart the courses for workers' and anti-colonial movements and eventually a distinct Third World Marxism that shifted its focus from the capitalist production process to national liberation, reinventing notions of

the direction, i.e. not market-mediated, exploitation of the Third Estate under the feudal rule as Third World exploitation under imperialist rule. Anti-colonial movements, inspired by the blend of Third World Marxism, other non-liberal economic ideas from the West and local traditions, became a potent force from the interwar period to the beginning of neoliberal globalization in the 1970s, sometimes taking on distinct regional forms, such as Pan Africanism, Pan Arabism and the strategies derived from Latin American dependency theory (Prashad, 2007).

In the aftermath of the Russian and Chinese revolutions, a state socialist Second World developed between the imperialist First World and the anti-colonial Third World. In the state socialist countries, Marxism, adopting different national forms, most prominently Soviet Marxism and Maoism, became the official ideology and, sometimes blended with theoretical imports from other parts of the world, a guidebook for state-led industrialization. Unlike in the First and Third Worlds, these official Marxisms didn't rally much popular support as their claims to represent states run by workers and peasants stood in sharp contrast to the bureaucratic, dictatorial, and at times the terrorist character of state socialist regimes. Lacking popular support at home for most of their existence, the same regimes, notably the Soviet Union, represented a significant challenge to capitalist and imperialist rule, particularly in the Third World.

The **Marginalists Stanley Jevons, Carl Menger and Leon Walras** published their main theoretical works in the 1870s when socialism was weak. The Paris Commune in 1871 remained an isolated incident. The 1st International, which never represented mass movements in the first place, was dissolved in 1876. It was also a time that contemporaries called the Great Depression, although, in hindsight is widely seen as a period of slow growth, not a depression. However, contrary to Marxist expectations, with Marxism still in its infancy at the time, the combination of slow growth, proletarianization and immiseration did not lead to an upsurge of working-class struggles. That didn't happen until the 1890s and continued until the beginning of the First World War. During a time of prosperity, colonial conquest, notably the scramble for Africa, and the emergence of cartels and corporations. These transformations of capitalism also seemed to provide the chance to integrate the moderate wing of working-class movements into national blocs, to grant specific social reforms in exchange for support of imperial expansion and thereby mitigating the socialist challenge.

Changes and challenges were in the air, but profits were too good to worry too much. If the ruling classes were worried, they repressed it. Marginalism gave this repression an ideological form: The shift from labour to consumer preferences as determining factor of value sidestepped the moral economy of socialism that based its quest for working-class power precisely on the claim that labour was the creator of all value. Stressing individual consumer preferences dissolved, in theory at least, classes determined by their respective source of income, wages, profits, and rent. Insistence on free market competition as guarantor of the full use of all available economic resources in the most efficient ways denied the realities of protectionism, price-fixing and first corporatist arrangements between labour and capital. Marginalism did not formulate a new political project. It restated the liberal project that had been crucial to estab-

lishing a bourgeois rule and enabled the further expansion of industrial capitalism in response to capitalist transformations and the emergence of socialist challenges.

Theoretical inventions, such as the Historical School in Germany or American Institutionalism, indicate that some of the bourgeoisies' conceptive ideologues understood the need to adjust the liberal project to those transformations and challenges. The centres had developed from competitive to monopoly capitalism; the peripheries could not develop beyond a state in which superexploited workers dug out natural resources and produced agricultural goods. However, a synthesis between classical liberalism and theoretical inventions around which capitalist classes could regroup and a new historical bloc could have been built did not happen. Marginalism represents an ideological escape from reality that prepared the way for a systemic crisis of liberalism that was triggered by the First World War, revolutions in the aftermath of the war and deep economic crises culminating in the Great Depression of the 1930s. Eventually, the clash of free market dreams and capitalist realities led to the turn from repressing socialist challenges to reinventing liberalism by coopting some of socialism's ideas and much more substantial efforts, compared to the Belle Epoque, to integrate working-classes into capitalism.

John Maynard Keynes is widely credited or criticized for the macroeconomic turn in theory and the complementary development of political management of aggregate demand. Underlying these theoretical and political changes was the emergence of a new class- and state formations since the emergence of industrial capitalism. Monopoly capitalism and late 19th-century imperialism unsettled the historical bloc that had developed alongside and further enabled the twin developments of industrial capitalism and free trade imperialism to the point where it couldn't ward off the structural crisis marked by world wars, and revolutions, depression and fascism. Keynes symbolizes the emergence of a new historical bloc. The Keynesian project offered an alternative to the individualism around which the bourgeoisie sought to reinforce their hegemony before the structural crisis from 1914 to 1945. It also provided an alternative to socialist working-class and anti-colonial movements. Reformulating economic theory around national aggregates made them applicable to political engineering without interfering with individual decision-making, notably company investments and price-setting. The use of monetary and fiscal policies, guided by Keynesian theory, allowed for the mitigation of boom-and-bust cycles. These policies, together with public sector expansion and corporatist arrangements between labour and capital, facilitated working-class integration in the centres and developmentalism in the post-colonial world. Ideologically, Keynesianism coopted socialist claims that markets, left to themselves, inevitably lead to escalating crises and that political intervention would be the only remedy for these destructive tendencies. However, contrary to the reformist or revolutionary politics suggested by the socialist left, Keynesianism advanced a form of political intervention that left markets as an institution to allocate economic resources intact, which made it acceptable to capitalist classes and embedded them into state-managed macroeconomic development.

With Keynesianism, state policies shifted from setting and sustaining the rules of the capitalist game to states being one of the big players in the game. This also means

that economic ideas adopted a new role as massive empirical research was required to facilitate macroeconomic demand-management (Boumans, Dupont-Kieffer, 2011; Turk, 2012). As long as the Keynesian boom lasted, economists' involvement in managing economic affairs earned them a lot of respect that contributed to the ideology of an age of social engineering. Transformations of the public sphere were crucial in producing and diffusing this ideology. The greatly extended role of the state in capital accumulation and the reproduction of capitalist relations of production was accompanied by the absorption of bourgeois and proletarian public spheres, both of which relied very much on personal exchanges, into national public spheres in which different views were articulated through mass media, while class-organizations, notably unions and employers' associations were drawn into state-mediated corporatism. Following the precedent Keynes had set, economists became acclaimed public intellectuals (Godden, 2013; Mata, Medema, 2013).

Keynesianism enabled unprecedented prosperity, but eventually, several fault-lines came to the fore. Within the Keynesian bloc, the capitalist classes felt increasingly challenged by the radicalization of working-class and, in the peripheries, peasant movements. Increasingly, they saw developmental and welfare states causing a profit squeeze and turned from class compromise to class-struggle from above.

Friedrich Hayek offered some key ideas around which a capitalist counteroffensive could be launched. He had crossed swords with Keynes already in the 1930s and 1940s (White, 2012, 68-173). At that time, however, Hayek's contention that that the Great Depression was caused by loose monetary policies. His Mont Pèlerin fellow Friedman later made the opposite claim, and could only be overcome by sticking to laissez-faire principles awkwardly out of touch with reality. Things were different when, in the 1970s, the Keynesian boom, which had been accompanied and at least partially driven by large-scale state intervention, ended in stagflation and escalating distributional struggles between labour and capital domestically and resource exporters and importers internationally. At that point, Hayek's counternarrative to Marxist and Keynesian claims about capitalism's built-in tendencies towards crises became persuasive to capitalist elites seeking ideological justification to end the Keynesian class-compromise and amongst social strata of the popular classes that had only partially, or not at all, included in the Keynesian compromise.

The discontent on both sides of the class divide had very different causes. The fear of a profit squeeze, loss of control over production processes and governability on the side of capitalists. A sense of unjust exclusion from the gains that others had made during the Keynesian boom in different segments of the popular classes. The restoration of profits and control that capitalists were aiming for would lead to pressure on incomes, job security and social protections across all segments of the popular classes, whether they were included in the Keynesian compromise or not. On the other hand, sustaining the compromise and including segments that were excluded in the past into it would probably have produced the profit squeeze that capitalists already complained about loudly in the 1970s. Economic interests couldn't be more antagonistic. Yet, neoliberalism offered a narrative that allowed discontents from both sides of the class-divide to be directed at the state. That narrative replaces Marxist theories about

class antagonisms and Keynesian theories about state-managed national economies with a portrayal of the state as an institution that exploits hard-working owners of the factors of production, be it capital, labour, or land, to the benefit of unproductive rent-seekers. The new line of conflict that emerges from this portrayal is drawn between state and union bureaucrats and their rent-seeking entourage on the one hand and the productive alliance of capital-owners, unorganized labour, and landlords.

Unlike classical liberalism, which wanted the state to be the enforcer of the game's rules but was adamant about keeping it out as a player, this option was not available to neoliberalism. Tax and public spending shares in GDP, as well as microeconomic regulations, had established states so firmly as players in the game that not even the wildest free marketeers could dream of disposing of them and go back to the days when business was exclusively done in the clubs and salons of the rich and powerful. What they could do, though, was to use the state apparatuses that developed during the Keynesian era to boost profits and open new markets through the privatization of public firms and the penetration of non-capitalist pockets of society. However, when it turned out that neoliberal promises of prosperity for everybody turned out to be wrong, the state appeared not only as a committee for managing the common affairs of the whole bourgeoisie but also as giant machinery producing political favours and subsidies for large corporations, big finance and the super-rich. People increasingly came close to seeing the state the way Marxists understood it all along: an instrument of capitalist interests. However, the language to say it that way and possibly translate various discontents into socialist class politics is no longer available. It has been worn out, if not completely discredited, by socialist movements of the past, made apparently superfluous by Keynesianism and turned sideways by the neoliberal shift from labour against capital to state against everyone else. This is one of the reasons many leftists avoid anything to do with economics. However, the issues that economics deals with, the reproduction of material life, can't be avoided. The question, then, is whether a people's history of economics offers clues on how leftists might synthesize old economics language and present-day problems into a new socialist project.

FUNDING: This research received no external funding.

CONFLICT OF INTEREST: The author declares no conflict of interest.

REFERENCES

- Ahmad, A. (2008). *In Theory: Classes, Nations, Literatures*. London, New York: Verso.
- Amariglio, J., Ruccio, D. (2016). *Postmodern Moments in Modern Economics*. Princeton: Princeton University Press.
- Amin, S. (1980). *Class and Nation – Historically and in the Current Crisis*. New York: Monthly Review Press.
- Amin, S. (2010). *Eurocentrism*. New York: Monthly Review Press.
- Bandelj, N, Spillman, L., & Wherry, F. (2015). *Economic Culture in the Public Sphere*.

- European Journal of Sociology*, 56(1), 1-10.
- Barnett, V. ed. (2015) *Routledge Handbook of the History of Global Economic Thought*. London, New York: Routledge.
- Boettke, P., Coyne, C., & Leeson, P. (2014): Earw(h)ig: I Can't Hear You Because Your Ideas Are Old. *Cambridge Journal of Economics*, 38(4), 531-544.
- Boumans, M., & Dupont-Kieffer, A. (2011). A History of the Histories of Econometrics. *History of Political Economy*, 43(annual suppl.): 38-52.
- Briggs, A. (1983). The Language of 'Class' in Early Nineteenth-Century England. In R. Neale (Ed.), *History and Class – Essential Readings in Theory and Interpretation* (pp. 2-29). Oxford: Basil Blackwell.
- Bukharin, N. (1919 [1972]). *The Economic Theory of the Leisure Class*. New York: Monthly Review Press.
- Chibber, V. (2013). *Postcolonial Theory and the Specter of Capitalism*. London, New York: Verso.
- Dasgupta, A. (1993). *A History of Indian Economic Thought*. London, New York: Routledge.
- Deodhar, S. (2018). Indian Antecedents to Modern Economic Thought. *Indian Institute of Management*. Ahmedabad. Working Paper 2018-01-02.
- Dobb, M. (1973). *Theories of Values and Distribution Since Adam Smith – Ideology and Economic Theory*. London: Cambridge University Press.
- Dube, S. (1988). People's History: Departures and Problems. *Vinyas*, 1(1), 8-23.
- Folbre, N. (2010). *Greed, Lust, and Gender: A History of Economic Ideas*. Oxford: Oxford University Press.
- Freeman, A, Chick, V., & Kayatekin, S. (2014): Samuelson's Ghosts: Whig History and the Reinterpretation of Economic Theory. *Cambridge Journal of Economics*, 38(4), 519-29.
- Fourcade, M. (2009). *Economists and Societies – Discipline and Profession in the United States, Britain, and France, 1890s-1990s*. Princeton: Princeton University Press.
- Godden, C. (2013). Observers, Commentators and Persuaders: British Interwar Economists as Public Intellectuals. *History of Political Economy*, 45(annual suppl.), 38-67.
- Götz, N. (2015). Moral Economy: Its Conceptual History and Analytical Prospects. *Journal of Global Ethics*, 11(2), 147-162.
- Gripsrud, J. et al. Eds. (2010) *The Idea of the Public Sphere – A Reader*. Lanham: Lexington Books.
- Guizzo, D. (2021). Reassessing Foucault: Power in the History of Political Economy. *International Journal of Political Economy*, 50(1), 60-74.
- Hall, P. ed. (1989). *The Political Power of Economic Ideas – Keynesianism Across Nations*. Princeton: Princeton University Press.
- Herrnstadt, R. (1965). *Die Entdeckung der Klassen. Die Geschichte des Begriffs Klasse von den Anfängen bis zum Vorabend der Pariser Julirevolution 1830*. Berlin: Deutscher Verlag der Wissenschaften.
- Hill, M., & Montag, W. Eds (2001). *Masses, Classes and the Public Sphere*. London, New York: Verso.

- Hirschman, A. (1977). *The Passions and the Interest – Political Arguments for Capitalism Before its Triumph*. Princeton: Princeton University Press 1989.
- Hunt, E., & Lautzenheiser, M (2011). *History of Economic Thought – A Critical Perspective*. London, New York: Routledge.
- Kluge, A., & Negt, O. (2016): *Public Sphere and Experience: Analysis of the Bourgeois and Proletarian Public Sphere*. London, New York: Verso.
- Kurz, H. (2016). *Economic Thought: A Brief History*. New York: Columbia University Press.
- Luxemburg, R. (1900 [2014]). Back to Adam Smith. In *The Complete Works of Rosa Luxemburg*, Vol. I (pp. 79-89). London, New York: Verso.
- Magliulo, A. (2014). *Towards a Global Comparative History of Economic Thought*. Paper presented at the 18th Conference of the European Society for History of Economic Thought. University of Lausanne, May 29-31.
- Mata, T., & Medema, S. (2013). Cultures of Expertise and the Public Interventions of Economists. *History of Political Economy*, 45(annual suppl.), 1-19.
- Morina, C. (2022). *The Invention of Marxism: How an Idea Changed Everything*. Oxford: Oxford University Press, forthcoming.
- Nabi Bhat, N. (2015): The Western Economic Thought and its Response from the Muslim World: An Overview. *International Journal of Science and Research*, 4(3), 416-426.
- Perelman, M. (2000). *The Invention of Capitalism: Classical Political Economy and the Secret History of Primitive Accumulation*. Durham: Duke University Press
- Popescu, O. (2014). *Studies in the History of Latin American Economic Thought*. London, New York: Routledge.
- Prashad, V. (2007). *The Darker Nations: A Peoples' History of the Third World*. New York: The New Press.
- Ron, A. (2008). Modern Natural Law Meets the Market: The Case of Adam Smith. *European Journal of Political Theory*, 7(2), 117-136.
- Samuel, R. ed. (1981). *People's History and Socialist Theory*. London, Boston and Henley: Routledge and Paul Kegan.
- Samuelson, P. (1987). Out of the Closet: A Whig History of Economic Science. *History of Economics Society Bulletin*, 9(2), 51-60.
- Schmidt, I. (2015). Counteracting Factors: The Unmaking and Remaking of Working Classes in Europe. *Perspectives on Global Development and Technology*, 14(1-2), 129-145.
- Schmidt, I. (2019). Crisis, Ideas, and Class: A Fresh Look at British Labour, French Socialists, and German Social Democrats During the Neoliberal Wave of Accumulation. *Labor – Journal of Work and Society*, 22(4), 509-526.
- Schmidt, I. (2021). Market Populism, Its Right-Wing Offspring and Left Alternatives. In S. McBride, B. Evans, & D. Plehwe (Eds.), *The Changing Politics and Policy of Austerity* (pp. 195-212). Bristol: Bristol University Press.
- Schumpeter, J. (1949). Science and Ideology. *American Economic Review*, 39(2), 346-359.
- Sewell, W. (1992). Introduction: Narratives and Social Identities. *Social Sciences Histo-*

- ry, 16(3), 479-488.
- Shah, S. (2006). Sexual Division of Labor in Adam Smith's Work. *Journal of the History of Economic Thought*, 28(2), 221-241.
- Stedman-Jones, G. (2008). *Languages of Class: Working Class History, 1832-1982*. Cambridge: Cambridge University Press.
- Steinberg, M. (1996). The Labour of the Country Is the Wealth of the Country: Class Identity, Consciousness, and the Role of Discourse in the Making of the English Working Class. *International Labor and Working-Class History*, 49(1), 1-25.
- Steinmetz, G. (1992). Reflections on the Role of Social Narratives in Working-Class Formation: Narrative Theory in the Social Sciences. *Social Sciences History*, 16(3), 489-515.
- Swedberg, R. (2018). Folk Economics and Its Role in Trump's Presidential Campaign: An Exploratory Study. *Theoretical Sociology*, 47(1), 1-36.
- Thompson, E. (1966). *The Making of the English Working Class*. New York: Vintage Books.
- Thompson, E. (1971). The Moral Economy of the English Crowd in the 18th Century. *Past & Present*, 50, 76-136.
- Turk, M. (2012). The Mathematical Turn in Economics: Walras, the French Mathematicians, and the Road Not Taken. *Journal of the History of Economic Thought*, 34(2), 149-167.
- Weintraub, R. (2007). Economic Science Wars. *Journal of the History of Economic Thought*, 29(3), 267-281.
- White, L. (2012). *The Clash of Economic Ideas – The Great Policy Debates and Experiments of the Last Hundred Years*. Cambridge: Cambridge University Press.
- Zweynert, J. (2007). How Can the History of Economic Thought Contribute to an Understanding of Institutional Change? *Journal of the History of Economic Thought*, 29(2), 189-212.

BIOGRAPHICAL NOTE

Ingo Schmidt is academic co-ordinator of the Labour Studies Program at Athabasca University, Canada. His research focuses on international political economy and labour movements.

OPEN ACCESS: This article is distributed under the terms of the Creative Commons Attribution Non-commercial License (CC BY-NC 4.0) which permits any non-commercial use, and reproduction in any medium, provided the original author(s) and source are credited.

JOURNAL'S NOTE: *Society Register* stands neutral with regard to jurisdictional claims in published figures, maps, pictures and institutional affiliations.

