Marx, Proudhon and Redistributionism
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This paper discusses the extent to which Marx’s critique of Proudhonism can inform a critique of modern-day redistributionist politics. Surveying the arguments Marx deployed against Proudhon, the paper explores the notion that Prouhdonism itself was a form of redistributionist politics.

What does this paper mean by “redistributionist politics”?

Marx referred to distribution relations as the distribution of “The new value added by the annual newly added labor” into the wages of workers, the profit of capital and the rent accrued by owners of land. Marx contends that “the so-called distribution relations, then, correspond to and arise from the historically determined specific social forms of the process of production…” In other words, each mode of production begets its own unique mode of distribution, and only in the capitalist mode of production does distribution consist of wages, profit and rent.

Marx continues, “The view which regards only distribution relations as historical, but not production relations, is, on the one hand solely the initial, still handicapped, criticism of bourgeois economy. On the other hand, it rests on the confusion and identification of the process of social reproduction with the simple labor-process…” In other words, those who critique capitalist distribution without critiquing capitalist production are guilty of treating capital abstractly as an eternal phenomenon. As Marx argues in many places, even if these sorts of politics may sound appealing in their condemnation of the injustices of capitalist distribution relations, they are essentially apologetic and reactionary, trapped in the paradox in which “they are merely an attack on consequences whose causes remain unaffected.”

This is what is meant by “redistributionist politics”, politics which rail against the iniquities of capitalist distribution relations, ignoring the fact that these relations are the historic form of distribution which necessarily accompanies capitalist production. Therefore, no matter how cleverly they may devise projects, tricks and reforms to change the distribution of value between wages, profit and rent, they fail to change anything fundamental about this distribution.

In Marx’s time, one of the major currents of redistributionist thinking which drew Marx’s continual ire was that of the French socialism of Proudhon. Proudhon imagined that the law of value was not able to operate fairly because of the distorting aspects of money. If products could directly trade for one another, without the distortion of money, then a producer could receive the full fruits of their labor. Proudhon also later became interested in the critique of interest-bearing

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1 (Capital vol .3 p.877 Progress Publishers)
2 (ibid p. 883)
3 (P. 883. Ibid.)
4 (Grundrisse. p. 240)
capital, claiming that usury was a parasitic imposition on industry, and joining in the call for “free credit” and a French “people’s bank”. In both Proudhon’s critique of money and in his later critique of credit, his focus was always on the sphere of circulation, the distribution of value between wages, profit and rent, but never on the actual question of how capitalist production is organized.

This was the era of “Free Credit!” as the slogan of Proudhonian socialism. And this was the era of the French Credit Mobilier which promised to mobilize public resources for public infrastructure projects and jump-start French industry, inspired by the socialist Utopianism of Saint-Simon. So Marx wasn’t just addressing abstract thought-experiments like “what if we got rid of money”, but real political demands, albeit utopian, to transform society through socialist public banking and free credit, all within the context of the first modern capitalist nation state, Bonaparte’s France. Bonaparte’s rule necessitated the suppression of class conflict, and the ideology of the Credit Mobilier helped serve the purpose of creating consent and suppressing opposition.

“The Bonapartist regime needed an ideology of collective participation in the benefits of development in order to co-opt the working class to its overall project. Hence it was no longer the Proudhon of the Philosophie de la Misère, but the Proudhon of the polemic with Bastiat, the advocate of "Free Credit", who was now so pivotal to the ideological needs of the the regime.”

Within this context, the political parallels between Proudhonian politics and contemporary redistributionism are more obvious. In both Marx’s time and in ours, the power of a capitalist state to mobilize resources in socially beneficial ways, to redistribute resources for public benefit, and to dampen class struggle which aims at uprooting

5 Proudhon’s “chief activity as a member of the assembly was the introduction of a bill to establish a system of free credit through a people’s bank which was to supersede the Band of France. In the debate that followed, Proudhon proved no match for his opponent, Adolphe Thiers, who ridiculed both the scheme and its author. The bill received only two votes, and Proudhon was howled down amid jeers and catcalls.” Schapiro, J. Salwyn Pierre Joseph Proudhon, Harbinger of Fascism, The American Historical Review Vol. 50, No. 4 (Jul., 1945), pp. 714-737 (24 pages)

6 “this revolution, the greatest in history, was to be accomplished by the establishment of free credit, credit gratuity. A People’s Bank was to be organized to take the place of the Bank of France. Unlike the latter, the former was to have no subscribed capital, no stockholders, no gold reserve. It was neither to pay none charge interest except a nominal charge to cover overhead. All business transactions in the nation were to be centralized in the People’s Bank, which was to be a bank of exchange and a market for all the products of the nation. It was a to issue notes based neither on specie nor on land but on actual business values. The chief function of the bank would be to universalize the bill of exchange by facilitating the exchange of goods between producers and consumers through exchange notes instead of money.” Schapiro, ibid. p. 722

capitalist production by mesmerizing the masses with promises of free stuff and of the capacity for utopian tinkerers to level the playing field so that all can share equally in the fruits of capitalist production… in both Marx’s time and ours the ideological struggle is the same, at least in this abstract sense.

**Marx’s critique of Proudhon, some general remarks**

Let’s take a look at Marx’s critique of Proudhonism and tease out the essential points that are worth relating to the contemporary critique of redistributionism.

The first thing that should be said is that Marx’s critique of Proudhon was not just an aside. Marx’s critique of Proudhon wasn’t something that existed in addition to and separate from the rest of Marx’s thinking. Rather, some of Marx’s most important theoretical discoveries first appear in his critiques of Proudhon. The Poverty of Philosophy, considered Marx’s first mature work in economics, contains the seeds of many of the most important theoretical material of Capital, deployed for the first time to critique Proudhon.

The Grundrisse, considered the ‘rough draft of Capital’, begins with an extensive take-down of the Proudhonist Alfred Darimon. After Marx’s focus leaves Darimon behind it would be easy for the reader to miss that Proudhon still lurks between the lines as an invisible opponent. Often many pages go by before Proudhon’s name pops up again and one realizes that the entire preceding exposition was part of a very long point against Proudhon. In the course of critiquing Proudhon in the Grundrisse Marx covers the determination of value by labor-time, the value-form and money’s relation to the commodity form, relative and equivalent forms of value, abstract labor, labor-power (although by a different name), surplus value, prices of production, the LTFRP, the history of production relations that led to capitalism, the circulation of capital, etc. etc… all of the main arguments that reappear in the 4 volumes of Capital. This by itself should be enough to prove that redistributionist politics, embodied by Proudhon, are antithetical to Marx’s understanding of capitalism, economics and philosophy.

In a moment this paper will give a few relevant examples of Marx advancing major theoretical ideas in his critique of Proudhon, but first a more general point is in order. One of the most challenging aspects of reading through Marx’s critiques of Proudhon is the fact that Proudhon’s thinking is rather incoherent, full of amateur mistakes, and lacking in any sort of rigor. The reader perhaps sympathizes with Marx, recalling that in our time as well we also are often confronted with opponents whose thinking is so
muddled that we can easily get lost in the weeds and lose focus of the main idea. At the beginning of the Grundrisse, just when we fear that we are being sucked into a dreary debate about the French bank’s discount rate, Marx finds a way to cut to the chase:

“We have here reached the fundamental question, which is no longer related to the point of departure. The general question would be this: Can the existing relations of production and the relations of distribution which correspond to them be revolutionized by a change in the instrument of circulation, in the organization of circulation? Further question: Can such a transformation of circulation be undertaken without touching the existing relations of production and the social relations which rest on them? If every such transformation of circulation presupposes changes in other conditions of production and social upheavals, there would naturally follow from this the collapse of the doctrine which proposes tricks of circulation as a way of, on the one hand, avoiding the violent character of these social changes, and, on the other, of making these changes appear to be not a presupposition but a gradual result of the transformations in circulation. An error in this fundamental premise would suffice to prove that a similar misunderstanding has occurred in relation to the inner connections between the relations of production, of distribution and of circulation.”

Neither Darimon nor Proudhon ever posed the question this way. (Nor did Gray ever pose the question as to whether time chits could make labor directly social.) Nevertheless, Marx is able to get to the real theoretical issues as stake and pose them in a way that really highlights what is ultimately as stake in the Proudhonists’ project hatching. Proudhonism, according to Marx, was really about the false promise that one can revolutionize society by tinkering with circulation and distribution. But since the historic form taken by distribution is an expression of, a result of, a given mode of production, distribution relations cannot be fundamentally changed without first changing the mode of production.

Similarly today, it is rare that we see redistributionist politics presented in this sort of stark light. Rather, we often see a hodgepodge of claims and inferences, appeals to emotion, and political promises, without ever hearing redistributionists relate their statements to this sort of fundamental question. [an example would be nice here.]

8 Grundrisse p.122

9 One recent statement in Jacobin which comes closest to such a question of fundamental orientation is in a 2020 piece by Sanders-apologist Maegan Day: “Bernie proposes to use social power to compel state power to discipline economic power. That’s what all the rallies are intended to accomplish.” Surely Marx would counter: “Can the existing relations of production and the relations of distribution which correspond to them be revolutionized by a change in the political orientation of the leader of a capitalist state?”
Marx’s critique of Proudhon, some specific remarks

Here I want to look a little more closely at some of Marx’s more specific critiques of Proudhon and suggest some of the ways they may suggest critiques of aspect of modern day redistributionism.

Despite his populist anarchist rhetoric, Proudhon’s entire orientation to the question of social change and social critique was principally founded upon a petit-bourgeoisie orientation to politics. The owner-producers of mid-century France were in a predicament: the dynamic development of capitalist production had them threatened on both sides. On one side the growth of large-scale capitalist industry made it difficult for them to compete in the marketplace. On the other hand, the growing demands of the workers’ movement for better pay and better hours threatened their profits and the peace of their small workshops. Proudhon’s politics are inseparable from this romantic concern for the petit-bourgeoisie. It should also be noted that the concern of petit-bourgeois over unfair market competition and wage-demands are concerns about the distribution of value. As producers who own means of production and produce for the market, a perspective that threatened capitalist property or market competition was anathema to their interests.

Money ruins everything

One of Proudhon’s chief economic complaints is that producers do not receive the full value of their labor because of the distorting effects of money. Ideally, for Proudhon, commodities would trade at a value equal to the labor time expended on their production, but in practice the “privileged” position of money introduces a distorting effect on exchange which causes commodities to trade at prices other than their ideal values. Thus, for Proudhon, the determination of value by labor time is an ideal to be achieved in a new order freed from the evils of money.

Obviously this is the standpoint of petit-bourgeois owner-producer, not the wage laborer in the industrial firm. Note that the distortions Proudhon complains of are distortions of distribution. They have to do with how value is distributed between producers after production has taken place.

10 Though known for his catch phrase “property is theft”, Proudhon’s critique of property only extended to landed property and rent.
Marx goes into great detail to explain to the reader that rather than an unachieved ideal, the determination of value by labor-time is the present reality for capitalist society already. Even more important, he uses this opportunity to explain that commodities already have a value and a price in production, prior to exchange (a value and established by the socially necessary labor time required to produce them, expressed in a price)\(^\text{11}\). Further, the money form of this value is already inherent in the commodity form itself, rather than some expendable feature that can be cast aside. In fact, Marx warns that the tricks of the “circulation artists” to invent clever schemes to do away with money are doomed to failure because money is just an extension of the indirect sociality of labor and the need to present social averages in a general form.

“Now, just as it is impossible to suspend the complications and contradictions which arise from the existence of money alongside the particular commodities merely by altering the form of money (although difficulties characteristic of a lower form of money may be avoided by moving to a higher form), so also is it impossible to abolish money itself as long as exchange value remains the social form of products. It is necessary to see this clearly in order to avoid setting impossible tasks, and in order to know the limits within which monetary reforms and transformations of circulation are able to give a new shape to the relations of production and to the social relations which rest on the latter.”\(^\text{12}\)

In our day as well we are confronted with a current of thought which seeks to “suspend the complications and contradictions which arise from the existence of money alongside the particular commodities merely by altering the form of money”. It is called Modern Monetary Theory (MMT), and despite brutal critiques from many corners of economic thought, it has continued to play a role in modern redistributionist politics. [examples here] Why? Because modern redistributionism relies on the promised miracles of state-spending, and MMT promises an escape from the inherent constraints imposed on state-spending by capitalist production.\(^\text{13}\) With MMT, state-money, freed from the privileges of metallic money, has magic powers to “suspend the complications and contradictions” of money in a capitalist society.

In critiquing MMT then, we needn’t get bogged down in peripheral matters like whether the Fed should mint trillion dollar coins, but instead think like Marx and go for the jugular:

\(^{11}\) “Money only circulates commodities which have already been ideally transformed into money, not only in the head of the individual but in the conception held by society” Grundrisse p. 187

\(^{12}\) Grundrisse p.145

\(^{13}\) ie. If you create more money than the total value produced in economy then there will be inflation.
“We have here reached the fundamental question, which is no longer related to the point of departure. The general question would be this: Can the existing relations of production and the relations of distribution which correspond to them be revolutionized by a change in the instrument of circulation, in the organization of circulation?”

Can the workers buy back their product?

Another striking parallel between Proudhonism and contemporary redistributionism is Proudhon’s claim that workers cannot buy back the full value of their own product because of a surcharge added by banking capital onto the real value of the product, interest. If you have read capital, then you know what to do with this sort of claim. You point out that if all capitalists added such a surcharge it would be the same as if none had, and that if only some do, then value is just being transferred in exchange. More importantly, you would explain the difference between labor-power and the value produced by labor and how this explains the creation of surplus-value.

Marx remarks that this misunderstanding was the basis for Proudhon’s theory of overproduction… that is, if the worker can’t buy back the value of their products, then that results in a tendency to overproduction leading to crisis. Those familiar with the later volumes of Capital would know how to respond to this as well. In the space of fifteen pages Marx goes onto develop complex arguments that will span much of Vol. 2 and 3 of Capital. Workers’ consumption (and capitalists’ personal consumption) is not the only source of demand. Another source is investment demand, the investment by capital in more means of production. [In addition Marx sketches out the transfer of surplus value between capitals, prices of production and the law of the tendential fall in the rate of profit...] So there is no inherent reason why a short-fall in consumer demand should cause an economic crisis.

Here again the parallels with contemporary redistributionist thought is strong. Modern redistributionism is highly saturated with the anti-neoliberal sentiment that suggests that the Great Recession was the result of bad neo-liberal governance (rather than an inevitable result of the contradictions of capitalist production) which caused wages to fall resulting in a crisis of underconsumption. The same arguments Marx sketches out to rebut Proudhon’s overproduction theory are equally valid in rebutting the

14 same as before
15 Capital vol. 3 345-347, Grundrisse, p. 424-439
16 Grundrisse p.433
underconsumptionist theories of contemporary redistributionists. A shortage of consumer demand can and will be compensated by a rise in investment demand. Rather than explaining crisis through consumption problems Marx identifies the growth of constant capital in relation to variable capital as the long-run cause of falling profit and economic crisis.

Interest

Proudhon’s critique of interest is also notable in that he failed to understand that interest was just a deduction from capitalist profit, that the question is just a secondary issue about the distribution of surplus value between productive and financial capital, not a fundamental issue of price/value formation.

“It is thus clear why superficial criticism—in exactly the same way as it wants to maintain commodities and combats money—now turns its wisdom and reforming zeal against interest-bearing capital without touching upon real capitalist production, but merely attacking one of its consequences. This polemic against interest-bearing capital, undertaken from the standpoint of capitalist production, a polemic which today parades as “socialism”, occurs, incidentally, as a phase in the development of capital itself, for example, in the seventeenth century, when the industrial capitalist had to assert himself against the old-fashioned usurer who, at that time, still [confronted] him as a superior power.”

One cannot help but be reminded of those on today’s left who have not only overemphasized the role of the credit system in causing the Great Recession, but also those who have called for public banking as an antidote to the anarchy of the current credit system.

project hatching vs real movement

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17 Failure of Capitalist Production, Kliman

18 TSV vol. 3 p.456

19 for example

"After years of financial crisis, rising inequality, and “secular stagnation,” the time is ripe for the Left to advance an egalitarian project that places finance at the center. This doesn't mean a "one size fits all" program. Each country will have to devise its own socialized system of credit. But the goal will be clear, across borders and states: a more equitable, democratic international economic order." Socialize the Banks by Nuno Teles, Jacobin Magazine 4-27-16
A defining feature of Proudhon’s work is the contrast between his radical style and his conservative ideas. Marx at one point comments that Proudhon’s only merit was his “new and audacious way of coming out with everything.” Indeed, his sensational style, anti-establishment and free-thinking, seemed to fit into the zeitgeist of the time winning him attention and adherents. Yet Proudhon chose not to cast his lot with the workers’ movement, instead viewing the organized proletariat as a threat. Despite his fiery rhetoric, Proudhon’s view of revolution was that of utopian project-hatching: labor-money schemes, free-credit schemes which would allow the petit-bourgeoisie to save society from the evils of large-scale industry and organized labor.

The Poverty of Philosophy ends with Marx’s discussion of Proudhon’s opposition to combinations of workers and strikes. It is a fitting way of closing the book as it nicely dramatizes not only what is at stake politically in the different between Marx and Proudhon, but also the different understanding of the historical subject and how this produces widely different modes of thought.

Proudhon’s main reason for opposing organized labor was that it would artificially raise wages which in turn would raise prices leading to economic disruptions. Again, those who are familiar with Marx can anticipate his response: that a rise in wage does not alter the value of a commodity, only the distribution between wages and profit. But then Marx turns to empirical reality to contrast the utopian project-hatching of the socialists with the real empirical movement of workers, the “strikes, combinations and other forms in which the proletarians carry out before our eyes their organization as a class…”

Here Marx makes it clear that his theoretical vantage point is that of, is inseparable from, this revolutionary subject, the subject which, in its struggle for freedom, is the only possible force for the transformation of society.

“An oppressed class is the vital condition for every society founded on the antagonism of classes. The emancipation of the oppressed class thus implies necessarily the creation of a new society. For the oppressed class to be able to emancipate itself, it is necessary that the productive powers already acquired and the existing social relations should no longer be capable of existing side by side. Of all the instruments of production, the greatest productive power is the revolutionary class itself.”

This could not be different than the position of Proudhon who sought to belittle, dampen and suppress the movements of workers, instead elevating the marginalized petit-

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20 Marx to J.B. Schweitzer Jan 24 1865
21 Poverty of Philosophy, p. 173
22 Poverty of Philosophy, p. 173-174
bourgeoisie. Without a basis in real movement happening “before our eyes” one is force
to resort to project-hatching, devising clever tricks to attempt to bypass this or that social
ill, without ever looking honestly, with sober senses, at the real contradictions we face as
a society.

This difference in perspective has everything to do with the difference between a
redistributionist politics which seeks to tinker with secondary aspects of capitalism and
Marx’s politics which seek to totally uproot society at its most fundamental relations.

The parallel with contemporary left-populism is striking. Today to we have the pairing of
fiery, sensational rhetoric aimed at the rich and powerful, accompanied by project-
hatching and unrealistic promises that tinker with distributional aspects of capitalism and
leave the question of capitalist social relations untouched. The modern nostalgia for the
New Deal, portrayed as the radical promise of contemporary socialism, forgets that the
original New Deal was devised in part as a response to the threat of communism, as a
way of suppressing the organized power of the working class with a benevolent capitalist
state. The agency of the working class is replaced by the agency of clever tinkerers who
“have a plan for that.”