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## HENRYK GROSSMAN

D:r en Droit, Prof. à l'Univ. Libre, Varsovie.

SIMONDE DE SISMONDI  
ET SES THÉORIES ÉCONOMIQUES.

(UNE NOUVELLE INTERPRÉTATION DE SA PENSÉE.)

### Preface by the translator.

This rather obscure but extensively researched work with well over 200 citations of Sismondi's thoughts, by Henryk Grossman on the merit of the former with respect to modern economic thinking, I believe, deserves to be much wider known than it is at present. Just as Th. Sowell would do some fifty years later by agreeing Sismondi to be "the" progenitor of Keynes<sup>1</sup>); Grossman heaps loads of praise on Sismondi as having anticipated Marx on a number of significant points. And just as Sowell chides Sismondi for his looseness and not remaining faithful to his early formal approach, which would have then identified him to be even more proto-Keynesian; so does Grossman take Sismondi to task for not following up with the in his eyes "obvious" (Marxist) cure of economic malfeasance. Neither critic doubting the superiority of their own modern hindsight, and not perceiving that from Sismondi's starting principles, both Marx and Keynes wouldn't have been entirely consistent; and that if Sismondi had subsequently taken the path outlined much later by any of these two critics, he would have been less coherent himself. The fact that Sismondi is considered to be the forerunner of the best known economists of both the 19<sup>th</sup> and 20<sup>th</sup> century remains more than remarkable however.

<sup>1</sup>) *Thomas Sowell*, "Sismondi: A Neglected Pioneer"; *History of Political Economy*. Spring 1972. Apparently Joan Robinson too, came to this conclusion; see, *A. Parguez*, "Sismondi et la théorie du déséquilibre macro-économique" *Revue économique*, 05, 1973. [If unable to locate any of these, contact me for a pdf copy]

That said, Grossman's admiration for Sismondi, harshly dismissing most of the latter's critics, must be considered to be much more profound than Sowell's. Unlike any other prominent Marxian economist that I'm aware of, he even considers Sismondi to be a socialist; absolving him from the sin of being a petty bourgeois. But although Grossman argues his case well, I don't feel he is quite convincing in his position that Sismondi's aim was to overthrow the principle of free enterprise itself. Sismondi's understanding of abstract exchange values in my opinion would have precluded him from considering a "planned" economy, as able to maximize and secure concrete use-values all that much better than a system of free competition. So if our protagonist had more explicitly provided us with an economic prescription, it would have been along the lines of how to implement fair-wage laws and profit sharing, rather than an abolition of profits altogether; as indeed, he as much as implies.

Grossman's extensive analysis of Sismondi's disequilibrium theory, puts this work in a complementary position with respect to my own translation of parts of Sismondi's *Nouveaux Principes*; wherein, by means of annotations -- indeterminacy and his theory of growth take center stage. And this rendition too was undertaken from the perspective of providing yet another catalyst to get rid of capitalism. Now more than ever does the world need to take up Sismondi's cause in spirit and bring it to a fruitful conclusion, by neutralizing the influence of money/capital; and thus transform the current state of affairs into a truly *free* enterprise arrangement, whose development benefits all and not just some loathsome gamers of the system.

John Vertegaal (Fall 2008) <http://www.vcn.bc.ca/~vertegaa/grossman.pdf>

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## SIMONDE DE SISMONDI AND HIS ECONOMIC THEORIES. <sup>1)</sup>

(A NOVEL INTERPRETATION OF HIS IDEAS)

This year we have an opportunity to commemorate several major economists: it is the centenary of the death of Ricardo, the fortieth anniversary of the death of Karl Marx, the bicentennial of the birth of A. Smith, and the sesquicentennial of the same of Simonde de Sismondi. And it is with respect to the latter, that I propose to draw your attention today. In contrast to the vast number of studies done on the various Physiocrats as well as on the classical English, those that have Sismondi as its subject are relatively few. And those we do have – although many excellent writers past and present, such as A. Blanqui, Kautz, Eisenhart, Ch. Périn, Ingram, L. Elster, L. Cossa, Espinasse, Herkner, Aftalion, Rambaud, Hector Denis and Charles Rist, have tried to explain the doctrines of Sismondi – we feel that they all failed to shine enough light on his theoretical thinking. That is to say, confer a fitting tribute to the honorary Professor of Vilnius University. They all highlighted his importance as the creator of a new social policy, but relegated him to second standing among theorists. And it is precisely regarding this last point that I differ from the generally accepted opinions. To rectify this, I will try to differentiate successively: Sismondi's method, theory, and social politics.

<sup>1)</sup> Conference held December 1923, organized by the Society of Warsaw Economists in memory of the 150th anniversary of the birth of Sismondi.

## I. SISMONDI'S METHODOLOGY.

Sismondi's point of view as far as methodology is concerned seems to be quite clearly established. It has generally been taken for granted, that Sismondi was opposed to abstract and deductive reasoning; being justified however only by the fact, that he had spoken critically against the abstract and deductive method of the classical school, especially in the way Ricardo opposed the inclusion of historical and accounting aspects. According to Denis, “Sismondi's critique against the School, fundamentally concerns its abstract and deductive methodology”.<sup>1)</sup>

Ch. Rist, in turn, provides much the same assessment. “Sismondi's protestations have no bearing at all on *the theoretical principles* of political economics; on the contrary, he entirely follows those of Adam Smith. Instead, his disagreements revolve around *method*, on its *objectives*, and finally on the *practical conclusions* of the classical school”... “He resents Ricardo for having introduced his abstract method into the science... “one is loath to admit the abstractions that Ricardo and his disciples ask of us”. As far as Sismondi is concerned, “political economy... depends primarily on experience, historical facts, and observation. Those details are essential, in order to study the human condition.” According to Rist, Sismondi's criticism is against generalization. “He prepares the ground rules, that the much later German *historical school* bragged about to have inaugurated”.<sup>2)</sup>

<sup>1)</sup> H. Denis, Histoire des systèmes économiques et socialistes Paris 1907, II, p. 289

<sup>2)</sup> Ch. Gide and Ch. Rist, Histoire des doctrines économiques. Paris 1909, p. 202 etc..

One can certainly find in Sismondi, yet many more passages that are similar to the ones Rist makes note of. But our observation is that the latter has stuck to the letter of Sismondi and did not seize its spirit, that has penetrated into the very essence of his method. After having affirmed Sismondi to be an opponent of the abstract method, he accuses him a few lines later of a certain inconsistency; because according to him, “Sismondi had even been obliged to use abstraction himself. He did so however, with such clumsiness and scant success in the construction and discussion of abstract theories, that this in itself may well secretly reveal his preference for the opposite approach” (lc. p. 203).

If there is an inconsistency, it is – dare I say – not so much in Sismondi, but rather in the perspective of Rist and in his logic lacking scholarship. Sismondi's methodological merit, according to Rist, lies in pointing out deficiencies of the abstract method and in applying historical and accounting aspects instead. But then Rist says that Sismondi “was nevertheless obliged to use” the abstract method.

Is it true that with Sismondi we are in presence of contradictions that are the hallmark of “a confused and hesitant mind”, as Rist assures us? (p. 203, 220). Going along with that sentiment would make our task significantly easier, especially since Sismondi is a powerful figure whose enormous influence on the development of economic ideas, and several great thinkers such as J. Stuart Mill, Proudhon, K. Marx, E. Laveleye etc., – as rightly pointed out by Hector Denis – appears more evident every day.<sup>1)</sup>

If it were only a matter of showing the need for a historico-identifiable inductive method, the merit of Sismondi's approach in this respect is quite doubtful. It is true that in Germany, *Fichte*, applied an abstract-constructive method in his “a State of reality”, that is to say, the State as it reasonably should be. But where it's all about economic conditions, “really existing States”, require an explanation “as to how everything has come to be the way things are”; and it is up to history to come up with a response to such a question. “For history, at its most fundamental level, not simply “is” and

<sup>1)</sup> *H. Denis*, lc. II p. 273

should be something other than the transmitted explanation of the question of causation: by which manner has the present state of things come into being, and why has the world been made the way we see it before our eyes”.<sup>1)</sup> In France the credit for this would have to go to Ch. *Ganilh*, who however problematically, argued against abstract methodology. This economist, four years before the appearance of Sismondi's book, published a frame of reference that is statistical-descriptive<sup>2)</sup>. In his work he accuses A. Smith and physiocrats of using a “wishful method”; which, following from their predilection for “rational and inquisitive” theories and “imposed assumptions, conjecture and analogies”, set out to construct a general law in a way that is “independent of facts and experience”. Political economy is “a practical science”. A. Smith's system of unlimited freedom however, is “a speculative theory”. “Thoughtful research in A. Smith's esteemed work, uncovers assertions that are inconsistent with the facts, conjecture not based on reality, and unfounded assumptions.” By those measures, *Ganilh* expresses opposition against the descriptive approach and sees the solution “in the progress of statistics”. This was apparently inspired by the famous Homeland Statistics Table of *Colquhoun*<sup>3)</sup> (1814) which shows the distribution of wealth amongst different classes of the population in England. “Thus, it seems to me that by listing the current wealth of a people... we can gather not only knowledge about the causes of this nation's wealth, but even establish principles of modern wealth creation with respect to *the veritable theory* of political economy as such.” He thus defines the affiliation of statistics with the economy; “the first one gathers material facts and the second builds a scientific edifice from those”. If critical speculative theories are “reasoning ahead of factual observation... dogmatizing instead of calculating”; *Ganilh*'s proposed methodology as a whole leads to a rigorous theory, “one of mathematical certainty”. It concisely shows the way

<sup>1)</sup> *Fichte*, Der geschlossene Handelsstaat, 1800. Liv. II, ch 1.

<sup>2)</sup> *Ch. Ganilh*, La théorie de l'économie politique. Paris 1815, Vol. 1 Introduction.

<sup>3)</sup> *P. C. Colquhoun*, Traité de la richesse et des ressources de l'Empire Britannique.

to follow: “One can discern facts for submission to observation, experience, and calculation; which consequently entitle economics the right to assume the exactness of the physical sciences and mathematics”.

Thus it wasn't Sismondi who originally argued against the classical abstract and deductive method, by means of an ideal scientific method based on identifiable statistics. I'm not about to discuss again however, the banal question: if political economy should function by inductive or deductive reasoning. Half a century before Ricardo, James *Steuart*, to great scientific benefit utilized a *combination of the two economic research approaches*.<sup>1)</sup>

Having recourse to both induction and deduction is in no way peculiar to economics, but this is practiced in all the sciences as well as in all non-scientific thinking, because it lies in our spiritual nature to move from the particular to the general and from the general to the particular. And that is why I believe that reducing the methodological problem in political economy to the issue of induction and deduction is to deny the validity of any *method specific to economic studies*. It is for this reason that I think W. Hasbach did in fact overrate the merit of *Steuart's* contribution when he professed that “*Steuart* had no precursor, and until Mill (the younger) no successor either when, with such acuity and in spite of a lack of persuasion, he described the *methodological foundations* of our science”.<sup>2)</sup> And Hasbach concludes with: *Steuart* “is the greatest economist of the eighteenth-century” (lc. 381).

I have no intention at all of denigrating the importance of *Steuart*, and would just simply like to point out that apart from the question of induction and deduction interposing in our field of knowledge; of the ways to reach conclusions, using our mind's investigative instruments, in short, of all that we understand to fall under the term of “*Denk-methode*” [*Think method*]; the problem of method constitutes yet another aspect, not with respect to the properties of our minds, but much depending on the kind of

<sup>1)</sup> J. *Steuart*, An Inquiry into the principles of political oeconomy. 1767.

<sup>2)</sup> W. Hasbach, Untersuchungen über Adam Smith. Leipzig 1891, p. 380.

phenomena being studied – “*Forschungs-methode*” [Research method]. While the first problem, concerning understanding itself, is *common* to all sciences and is not specific to the economy as such; the second one forms a part of every science, because in every science – and consequently in political economy as well – there is the need to create *specific methods appropriate to the nature of the phenomena studied*. “Each discipline – said L. Cossa – has its fitting frame of reference, appropriate to the subject, the role, or the goal; which distinguishes it from others” <sup>1)</sup>. If the problem of induction and deduction is set aside for now, one wonders what the specific research method of the classical English school entails, as it applies specifically to the nature of economic phenomena; and its answer will be most embarrassing. The superstructure, onto which Quesnay's (1758) “*Formule du Tableau Économique*” was built, concerns such a specific economic research method, effectively applied, although lacking in theoretical motivational factors. Under that methodical acknowledgement, as far as the problems of aggregate production and that of social reproduction are concerned, the classical English School marks a decline, a lowering of the level achieved by that great creator of physiocracy. This unfortunate consequence of the English School's influence is obviously felt by J. B. Say, who in his “*Treaty*” (1803) <sup>2)</sup> blames the physiocrats of establishing a principle based on an unmerited assumption; or, ...political economy has only been elevated to the rank of science, since, like the others, it *solely makes a study of what is*”. That constituted a return to naïve empiricism, so Sismondi returns anew to the physiocrats' methodical problem, and just like the latter's approach, rejects plain empiricism, only making use of a *constructive methodology* in the study of economic phenomena. Sismondi develops his method in an original way and in fact with a knowledge of cause that one would expect from a theoretician. The historical merit of Sismondi's methodology lies in having conceived and constructed this method, and to have demonstrated the need for its implementation; but not for having applied the so-called historico-identifiable method of induction.

<sup>1)</sup> L. Cossa, *Histoire des doctrines économiques*. Paris 1899. Chap: Des méthodes dans l'économie politique. p. 77.

<sup>2)</sup> J. B. Say, *Traité d'économie politique*. Paris 1803 p. XIX



Because, as we will soon find out, not only is Sismondi no opponent of abstract analysis, but he applies it at a level that is even more elevated than his classical critics do; so much so that *Blanqui* reproaches Sismondi for the abstraction he is grappling with, by claiming that: “The main shortcoming of M. de Sismondi's method is that it is too generalized, just like Ricardo's, his most famous antagonist.”<sup>1)</sup> The mere fact that discourses about Sismondi's method have been so diverse, should by itself arouse our attention and drive us to clarify the issue. Consider therefore the following more closely.

How does Sismondi proceed with the analysis of the phenomenon which has mainly had his focus, being in his opinion, “the most fundamental question in political economy”; that is to say, the problem of balancing consumption with production? Empirically, the crisis phenomenon presents itself as a congestion in market goods, finding no buyers at prices ensuring a profit. Ricardo considered this phenomenon to be transitional and from a causal point of view saw the implementation of trade policy, or fiscal interference as wrong headed. In a conversation with Sismondi he attributed this effect ... to constraints introduced by the circulation of goods and on taxes” (Essay in answer to Ricardo, N.P. II, 411).<sup>2)</sup>

At that time, the effects of a ruinous competition from English trade were quite strongly felt in France, but instead of seeking redress in terms of theoretical indications of free trade failures, the initially proposed remedies were in the form of protection by means of tariffs; as was done for instance by *Chaptal*.<sup>3)</sup>

Which side did Sismondi take on this occasion? Did he follow the path as set out by Ricardo? Did he analyze “only in terms of what is”, empirical facts, the influence of taxes, tariffs, import prohibitions on the quantity of production and export? Did he undertake accounting and comparability studies

<sup>1)</sup> *A. Blanqui*, Histoire de l'économie politique 3 éd Paris 1845, II 237.

<sup>2)</sup> I take my citations from: *Nouveaux Principes d'économie politique*, 2-éd. Paris and from “*Études sur L'Économie politique*,” 2-c éd Paris, vol. I 1837, vol. II 1838.

<sup>3)</sup> *Chaptal*, De l'industrie française, Paris, 1819 Vol. II 417 etc..

on the quantity of production and consumption in countries affected by the crisis, before and after the crisis erupted? Did he study perhaps reduced demand for imports and exports as a result of changes in fashion, war, or foreign competition? Did he attempt to research the influence of banks and credit or possibly paper money, the influence of the actual distribution of wealth, the level of wages, profits, etc..? Nothing of the sort, instead of all of this Sismondi *rejects the world of empirical phenomena* in conditions of time and place and sticks to a methodical composition, drawing his analysis and evidence in the reality of *an abstractly built model*. He realizes perfectly well that the object of his analysis itself is not empirical. We can study empirically the amount of wages, earnings, price, quantity of production, or the number of workers employed. But the economic *equilibrium question* of production and consumption in a capitalist system can not be examined within a micro analysis of accounts, and – even imitating as conscientiously as possible the actual condition of overproduction – it does nothing to demonstrate how this imbalance is *necessarily* the very essence of the capitalist system. The controversial object of the analysis was itself entirely abstract. “The question that I had come to evoke was so obscure, so *abstract*, that I will expose myself to a lot of misinterpretation... I did not feel obliged however, to abandon defending the apparent truth, because this truth was abstract, and difficult to grasp.” (N.P. II, 371).

During his stay in Geneva in 1823, Ricardo and Sismondi continued the verbal polemics that the latter had engaged in against MacCulloch in 1820. Again sidestepping however, empirical facts. “But a single verbal discussion cannot possibly suffice to deal with an issue, that requires the so difficult to achieve confluence of positive *calculations and considerations that in a way are metaphysical*.” (NP. II, 411). We know what it is, that needs to be expressed. In his 1824 treatise against Ricardo, where he refers to the verbal discussions he had with him, Sismondi constructs an abstract arithmetical model (calculations) based on certain arbitrary principles admitted a priori (metaphysical considerations),

on which presumptive lay out, the polemic relative to the central issue of political economy takes place.

If Ricardo, as a supporter of absolute freedom in trade between nations, attributed the crisis to “constraints made to the movement of goods”, whereas an empiricist like Chaptal, seeks a solution in defense of the domestic market through protection by means of tariffs, Sismondi, *in advance of all arguments excludes the factor of governmental trade policy*. The defense of internal markets and the free exportation to foreign markets can undoubtedly remove excess production, but the problem is only resolved tentatively and just for one country at the expense of the other one. In such a system, nations are in rivalry with one another; prosperity of an industry among one, causes the ruin of this industry among others. A solution based on exports only, doesn't apply anymore to nations as a whole. If all adopt this at the same time, if all aim to annually export a greater quantity to an overseas market,... their drive to compete, encompassing the universal market, will have to be harmful to all” (N.P. II, 412) – “the succeeding result of this universal struggle is the impossibility of a continuation”, (N.P. I, 449), and all will be forced to reject each others' excess. Overproduction would be then be revealed in all its inordinateness. “What would happen if we no longer could sell to any foreigners at all?” “The illusions of a foreign market” would then disappear. (N.P. I, 450). If we thus take into consideration, not a single state but “a world market.., there would be no such thing as exportation” (Ét. II, 337). As part of these reflections, Sismondi extends the methodological construction of Quesnay's *Tableau* and acknowledges that the world's economic process has already attained a flow where foreign markets no longer exist, and because of that takes as analytical point of departure *an isolated nation*, without exterior markets: “either we consider the market to encompass the entire world, or we assume each nation to be isolated from all the other ones”. (Essay in answer to Ricardo, N.P. II, 414). In another location, he expressed his thoughts even more clearly. “National expenditure must absorb... *the entire national production*. To follow these computations more convincingly and simplify the issues, we have to

completely *abstract from foreign trade*, and hypothesize an isolated nation; human society itself is such an isolated nation” (N.P. I, 115).

Sismondi analyzes the effects of enlarged production only within an isolated economic process, thus without foreign markets; as to whether, as claimed by Ricardo and Say, an isolated nation by the very act of augmenting its production, creates new consumers. And even if there must be an equilibrium, “it should be proven that this is *self-created*, all the while its output is increasing” (N.P. II, 415). In order to study this social process, Sismondi, for the purpose of analyzing this equilibrium, constructs the aforementioned hypothetical arithmetical model, assuming the one hand, a farmer on a given tract of land employing a given number of agricultural workers, and on the other an industrial capitalist employing a certain number of workers: under the assumption that “such a simple model will present the least difficulty and will force us to descend into the least amount of detail” (N.P. II, 417).

It’s only in a system thus isolated and simplified that Sismondi, after having established a certain labour productivity and certain wage, considers the relationship of supply and demand. Then multiplying one element, namely labour productivity and changing the amount of wages by a certain percentage, he again analyzes the influence of these changes on the relationship between production and consumption.

Can there be anything more abstract than this method? What then gave rise to the claim that Sismondi is a pioneering representative of the descriptive and inductive method? There has to be a misconception, coming from a wrong interpretation of the substance of Sismondi’s critical opposition of the classical school. It is true that in his paper against MacCulloch, Sismondi alleged that the English school “gets lost in abstractions”, becoming “a kind of occult science”. He demands from the science “that it’s applicable to reality”. We must “stand guard against any generalization of our ideas that would cause us to lose sight of the facts” (N.P. II, 374). Seven years later in the second edition of his book, he rises up against the disciples of Adam Smith, “who have been confounded by

abstractions”. “The science in their hands has become so speculative that it seems to be detached from all practicality... our mind is loath to accommodate the abstractions that are being asked from us” (N.P. I, 55). However Sismondi rejects this abstraction, not because it is abstract, but because it is an abstraction that is not consistent with reality, for it *ignores the essential elements* that characterize the capitalist regime. The simplification of reality must have its limits. “The proposed abstraction we have to attain... is much too strong; it doesn’t *simplify*, it *confounds*, as all operations in which we could distinguish truth from error, become removed from view” (N.P. II, 416). Sismondi accuses Ricardo for having taken as point of departure for his proofs, an equilibrium amongst independent producers; consequently thereby having overlooked a key point such as waged labour: “We will assume society organized the way it is in reality, consisting of *workers without property*, whose salary is set by competition, and who can be fired by their employers once their work is longer needed; *it is precisely because of this social organization that our objection comes into being*” (Essay in answer to Ricardo, N.P. II, 417).

Sismondi thus isn’t averse to abstraction in general, but only to a kind of abstraction which leaves out elements that are essential to reality. Undoubtedly, Sismondi also made use of the inductive method, in a historical-descriptive sense. But he applied it to establish *the facts* that would become the starting point of his argument; he notes, for example, using an empirical analysis, the struggle of the large versus the small workshops, and the concentration of great capitals in a similar manner; greatly increased material wealth during the regime of his time, concomitant to the profound misery of the poverty stricken working classes (Études, Introduction). But these “dissenting facts” (Ét. I, 46) only serve him as a way to *formulate the problem*. He seeks to explicate the phenomenon precisely through the abstract construction of a fictitious model on a clearly established foundation, which allows him to draw rigorous conclusions, in spite of it still being hypothetical.

But the above doesn’t put restraints on Sismondi’s methodological foundation. As the goal of science lies in procreating realities in one’s mind, and so precisely for this reason he strongly charges

Say with having ignored labour's wages; while on the other hand he himself doesn't recognize any less, empirical phenomena not directly within the domain of a reality he wants to explain scientifically. The task he has set for himself is to discover the laws governing the capitalist system, i.e. a mechanism based on the unrestricted setting of labour's wages and the ownership of work tools monopolized by the capitalists. Now, alongside the elements of that system, the world empirically shows the existence of craftsmen and independent farmer-landowners. Should Sismondi consider those relicts of a former economic culture, as elements of *empirical reality*, to be extant for the purpose of analyzing the capitalist system?

In his capacity as an historian, Sismondi was quite familiar with the variety of successive historical labour organizations and their *specific functional essence*. As the incurred crises and problems happened as a result of measuring labour compensation, i.e. involving an economic organization based on paid work, he methodically draws the conclusion from his studies on the essence of capitalism, that wide-ranging forms of self-employment (craftsmen, farmers) are entirely extraneous to being its subjects<sup>1</sup>). But within the empirical reality of his time, precisely those constituents form its greatest part, while the wage labour system of that aimed at study was a new phenomenon, still in its initial phase, although already making its negative influence felt as would be leading to disastrous consequences. The process of expropriating the artisan and peasant, once started is bound to develop further. "We tend to completely separate all kinds of property from all kinds of work... This social organization is so new that it is not even established by half" (N.P. II, 434).

Now if there is a "universal trend of wealth to separate the activity of capital from that of its workers" (Ét. I, 241) you can imagine that in its further development this trend will reach its final goal, i.e. to separate

<sup>1</sup>) Now while it is true that Sismondi devotes lengthy passages describing the various forms of self-employment, he does so as an historian, comparing the previous economic organization with that of the capitalist organization.

ownership from work completely; in other words, result in an organization composed exclusively of capitalists and workers. This organization will be purely capitalist, i.e. the organization that Sismondi intends to study. He thus acknowledges that this process has taken off, and *philosophically purifies* that capitalist system from all infiltrations and traces of earlier systems. Only a system free from foreign elements can characterize the appearance, due to pure laws and properties, of for example: free competition, the conflicting interests of the entrepreneur and the worker, their struggle for the distribution of the social product, and so on. “To properly consider this conflict... it will be easier to ignore all workers who are also part capitalist, and all capitalists who also do work” (N.P. I, 103). Sismondi thereby reaches the methodological premise of the economic system based exclusively on paid work; regarded *as a universally established system*, and consisting of capitalists and workers to the exclusion of all others, including civil servants, soldiers, merchants, free professionals and so on.

The result of our analysis is clear. Concerning the central problem which for Sismondi is most important, that being the equilibrium of the economic mechanism, i.e. the balance of production and consumption; it takes as its object of theoretical analysis and as basis for its demonstration, *not empirical reality, but a fictitious model of the capitalist system built on arbitrarily allowed foundations.*<sup>1)</sup>

In his arithmetical schema of annual production, Sismondi accounts for three subdivisions of this production:

<sup>1)</sup> These are the same methodical foundations that *Karl Marx* adopts forty years later in his “Capital”, wherein “der allgemeinen und ausschliesslichen Herrschaft der kapitalistischen Produktionsweise”, [Transl. “the general and exclusive dominion of the capitalist production method”] thus in principle like Sismondi, as well as neatly related to Sismondi’s analysis of continuous reproduction, he said (vol. I, chap. 22): “One has to abstract here from foreign trade... In order to demonstrate the purpose of the analysis in its *pure form* and rid the analysis off distracting sideshows, we must consider the commercial world as a single nation, and assume that capitalist production has been established all over, having captured all branches of industry.” – [cont.]

- I – production of food, represented by bags of wheat,
- II a) – industrial production of goods essential to life and
- II b) – industrial production of luxury items.

He then adopts *in all* production branches a degree of labour productivity, equal to the value of 12 bags of wheat per year per worker, simultaneously thereby determining the standard of living for workers; in other words, the received salary equals 10 bags of wheat, of which 3 bags are consumed in kind by the worker and the other seven are consumed in the form of industrial items absolutely necessary to life. He then establishes that the surplus production of each worker beyond his salary, in other words, in this case, the value of two sacks of wheat, is allocated to agricultural and industrial management; with each of them sharing their *essential* consumption in the same proportion: 3 bags of wheat in kind, 7 in the form of industrial goods essential to life, and what is but the surplus that remains of their reimbursement, which they consume in the form of industrial luxury items.

It isn't until after having simplified the problem, by strictly defining the givens on which it is based, that Sismondi can properly start to deal with his subject; i.e. to evaluate the influence of each factor individually, like the number workers and their productivity; while the needs of society remains unchanged. Given the *productivity* of 10 farm workers, the problem to solve will be the quantitative determination of the number of workers in both industries. If on the contrary, the *number* of workers is given, labour productivity increases and appears as a surplus; the problem boils down to the question of: either limiting the number of workers, or lessening the productivity growth of work.

As has become clear, Sismondi's schema is a sophisticated form of Quesnay's "Tableau"; the perfecting of it being,

And similarly in vol. III/1 chap. 10: "Because of the theoretical necessity to show the laws of capitalist production in a pure form, one should not lose sight of the fact that reality becomes expressible only as approximations; these will become more significant with the greater development of the capitalist system, as it more completely erases influences from previous economic regimes."



that instead of its three classes as they correspond to the situation of the mid-eighteenth-century: the productive class, the class of owners, and the unproductive class. Sismondi introduced a division more fitting to the capitalist system: capitalists and waged workers. *All* branches of production are productive since they give capitalists income, here still considered in general and not in specific categories, such as rent, profit, interest on capital, commercial benefits, etc. This way of looking at things leads to a division in essential consumption of workers and the consumption of luxury items in which only the capitalists take part. These are its improvements which are later fully adopted by Karl Marx, in his schema of reproduction at the end of the second volume of “Capital”.<sup>1)</sup>

Fictitious constructions such as these, basically do away with the premise of Say: “studying that what is”. Are they admissible from a methodological point of view? We must respond by saying that the premises of Sismondi are not arbitrary whims of the mind, constructed without any relation to reality. They form a construct, but a necessary one resulting from the disposition of its components under consideration; because their make up, and simultaneous existence within the components’ empirical reality, cause them to be quite variable according to the historical character of its organizational elements. The assumed foundations thus mark a selection of empirical components, limiting the analysis to a given group of phenomena to the exclusion of all other foreign elements; “which are *positive facts only in the absence of being a disruptive cause*”. They therefore comply with the requirements of methodical analysis, as defined by *Cairnes* under those circumstances where one utilizes “*cases of hypothetical constructs* with respect to the economic research being

<sup>1)</sup> If therefore *Rosa Luxemburg* affirms that in the history of political economy there are only two contributions dealing with a rigorous representation of the problem of social reproduction: the first step of this history having been undertaken by Quesnay, founder of the physiocratic school, and at the top being Karl Marx; this obviously is erroneous. Between Marx and Quesnay, Sismondi’s schema, both historically and logically, constitutes the required intermediately step. (See R. Luxemburg, *Die Akkumulation des Kapitals*, Berlin, 1913, p. 1).

conducted. For, although an economist is to be deprived of actually giving rise to conditions that suit his purpose, there is nothing that should prevent him to *make up* such conditions in his mind and of reasoning as if these conditions were present, while interjecting any new factor... that he wants to examine the influence of.”<sup>1)</sup>)

Thus the well-ordered methodical construction of Sismondi, is according to the term used by Cairnes “a substitute for a natural occurrence”, or in other words, “a hypothetical experiment” “Gedanken-experiment”. Contrary to the opinion of Hasbach, it shows the unquestionable superiority of Sismondi over the methodical processes presented by J. Steuart; while transcending by far the banal dispute relative to the application of induction or deduction, it creates the appropriate method to characterize the nature of economic phenomena, as analytical objects. It presented a formulation of capitalist development that by Sismondi’s time had reached a degree of development far beyond what it had achieved during the time of Quesnay and Steuart.

So when, in his “History of socialist ideas in England” (1903), H. S. Foxwell, a professor at the University of Cambridge, said that post-Ricardian England, comprised “a period of bewildering confusion and unimaginative semantic conflicts”; and that he saw the cause of all of this to lie with Ricardo, who having chosen a deductive and abstract method, failed to convey, through auxiliary formal expressions, the rigour of the mathematical method — it is difficult for me to share his opinion. Foxwell overstates the importance of this scientific auxiliary that is inherent in mathematical formulation. *Canard*, who in his “Principles”<sup>2)</sup>) was first to apply this approach to economic problems, showed that we could fill chapters of mathematical formulas and yet not take a single step forward in economic science. That is why Sismondi, without mathematical formulas, in my opinion, is more of a mathematician than those who apply it in political economy. The value of reasoning, *modo geometrico*, such as the accuracy and

<sup>1)</sup> *J. E. Cairnes*, *Le caractère et la méthode logique de l'économie politique*, Paris 1902, p. 65, et 97.

<sup>2)</sup> *Canard*, *Principes d'économie politique*. Paris 1801.

the effectiveness of its results depend, not on the construction of formulas, but instead on the construction of a specific method of research; based on clear definitions that are appropriate to the nature of the phenomena studied. Ricardo, in spite of the elegance of his *method of thinking*, lacks this *method of research* regarding the problem of social reproduction as a whole. And therefore the credit, of having continued on the methodical path as initiated by Quesnay's "Tableau", belongs to Sismondi <sup>1)</sup>; which later would lead to the ingenious methodical construction of K. Marx.

## II. SISMONDI the THEORETICIAN.

A. *The problem.* The misinterpretation that we mentioned before regarding the methodological position of Sismondi, repeats itself, and even more acutely, with respect to this economist being considered as a theoretician. Until now, the history of economic doctrines teaches us that Sismondi's main merit was to be the creator of a new social policy and a program of reforms that calls for "giving workers the right to unionize, banning child and Sunday labour, limiting the hours of work for adults, and compelling employers to maintain workers at their expense during periods of illness, unemployment and old age" (Rist, lc. 225). Sismondi as a theoretician, on the other hand, was given short shrift: In fact, as ensures us Rist, Sismondi's preoccupation is *less political economy*, than what in France ever since has been called "social economy" and "Socialpolitik" in Germany. His originality in the history of doctrines lies precisely in "having launched its study" (p. 206). "Sismondi is

<sup>1)</sup> Only in the "Études" published thirteen years after his "Essay in answer to Ricardo", Sismondi, at the end of his of life, attests to a certain apprehension against generalization and emphasizes the study of details (Préface). Here, while replicating his memories against Ricardo, Sismondi's schema presents us with the arithmetic in reference to social reproduction. "These hypothetical calculations seem to me to convey too little certainty to garner a place in the text." (Ét I, 81). This is as we see, keeping to the view adopted in 1824 and maintained in 1827 where, in the second edition of the "New Principles" these, "calculations" are still in the text.

the first of the interventionist” (p. 223). His role is quite different as it regards theory: “the dissidence of Sismondi *has no bearings on the theoretical principles* of political economy. On the contrary, he proclaims in this regard to be a disciple of Adam Smith” (p. 201). “The principle interest of Sismondi’s book does not *reside in any provided scientific explanations...* rather, its merit is to highlight *facts* that the prevailing trend in political economy continued to ignore”... “He showed the reverse of a coin more often, while others... did not want to see anything but the bright side” (p. 222). “Primarily, he relies on *sentiment* to take up a large part of his system” (p. 200). “In the eyes of Sismondi, economics is a *moral science*” (p. 202). It must strive for a fair distribution of wealth. It is precisely *in regards to the concept of ethics* that Sismondi, according to Rist, departs from the English School: “The classicals almost exclusively envisaged the production of wealth; in the eyes of Sismondi, at least as much weight must be placed on a theory of distribution” (p. 205).

Rist, as has become clear, particularly stresses the importance of Sismondi as a creator of the current ethics and reforms, and hardly appreciates him as a theoretician at all. It is impossible to imagine anything more confusing than the reasoning by which he strove to demonstrate the possibility of a general overproduction crisis” (p. 203). Elsewhere, Rist said Sismondi “seems to have come to agree with the opinion Ricardo” (that is probably why he wrote his “*Essay in answer to Ricardo*”), and he adds: “We see how hesitant a mind we are dealing with” (lc. 220). And where a sparingly assigned place for Sismondi as a theoretician does occur, Rist minimizes it further by claiming that Sismondi’s critique, far from originating through theoretical principles, is but the result of a “*violently sentimental reaction* against the stolidity of orthodox economics. One can believe to hear it vibrate in the voice of a Ruskin, of a Carlyle, in that of all Social Christians” (p. 227).

I shall not comment here on the opinions of other writers. There is a similar assessment amongst almost all of them, be it H. Denis, or Eisenhart, or Sombart, Schmoller, all reiterate the environment that Sismondi inaugurated: “the present-day ethics” in economics. “Sismondi’s allgemeiner Standpunkt – said R. Luxemburg – ist

vorwiegend *ethisch*, socialreformerisch”... “Das Ziel, auf das er hinsteuert, ist der durchgreifende *Reform der Verteilung* zugunsten der Proletarier”<sup>1)</sup>). And that means that Sismondi’s merit lies not in his theoretical explanation of the existing economic system, but as a normative indicator of “what should be”. He is a tireless preacher, said Sombart, if not spiritually Christian, then at least in a social spirit”<sup>2)</sup>). In the eyes of *Herkner*, Sismondi is a classical social reformist<sup>3)</sup>). In theory, assures us Denis, Sismondi “accepts the principles of A. Smith, and he only has originality because he gets to draw quite different conclusions”. “The most important aspect of the revolutionary goings-on in economic science”, according to Denis is that the economy “appeared to Sismondi not only as a theoretical science, but as practical one; that is to say, it is not only supposed to highlight the laws of what was and what is, but of what should be”. “Sismondi prepared or followed up on the ethical consequence of the science, the subordination of economics to morality.”<sup>4)</sup> Böhm-Bawerk is of the same opinion: according to him, Sismondi forms a link between the classical value theory and theoretical consequences that would be of benefit to the Socialists much later.<sup>5)</sup> Mehring himself did not see in Sismondi anything other than being the “last representative of classical economics.”<sup>6)</sup>

Does this role assigned to Sismondi correspond to the reality of the situation? The present paper is specifically intended to answer this question.

If Sismondi had only been an interventionist or proponent of the current ethics in political economy, he would in no way have been original. In England, some years before Sismondi came along, Robert Owen, in his book published in 1816: “A New View of Society or Essay on the Principle of the Formation of the

<sup>1)</sup> R. Luxemburg, *Die Accumulation*, p. 191. [(Transl.) Sismondi’s general standpoint – says R. Luxemburg – is mainly *ethical*, social reforming”... “The goal he is driving towards is a deep-going *reform in redistribution* to benefit the proletarian.”]

<sup>2)</sup> W. Sombart, *Sozialismus und Soziale Bewegung*, 5-ed. Jena 1905, p. 19.

<sup>3)</sup> *Herkner*, *Die Arbeiterfrage*, 7-ed. 1921, II. 48.

<sup>4)</sup> Denis, *lc.* II, 276, 283, 286.

<sup>5)</sup> Böhm-Bawerk, *Geschichte und Kritik d. Kapitalzinstheorien*. 1914, I, 443.

<sup>6)</sup> F. Mehring, *Geschichte d. Socialdemokratie*, 2-ed. Stuttgart, 1903, I, 21.

Human Character” demanded practical reforms in order to address: unemployment, on the basis of rigorous labour market statistics, labour negotiators to obtain work and the security of this work. Simultaneously, starting in 1815, Owen initiates projects espousing their original principles of modern industrial legislation, and thanks to their persistent protesting and the support of *R. Peel*, in 1816 the House of Commons establishes the *first parliamentary inquiry* into the situation of industrial child labour; which in 1819 led to a child protection law for work in cotton mills. Similarly ahead of Sismondi, under the influence of Fichte, *G. Sartorius* (1806) in Germany issued a critique of A. Smith’s notion of free competition and the unequal distribution of wealth it implies; while *J. Soden* (1805) stated that the economy is not the empirical science of what is, but an ethical science governing what should be.<sup>1)</sup>

Contrary to current opinion, it is not in the domain of social reform but primarily in the field of theory, that we see the historical merit of Sismondi; and it is precisely because of this neglected view that we would like to draw it to the reader’s attention.

It must first of all be mentioned that Sismondi himself ascribed quite a different role for himself than the one so far assigned to him by historians; he primarily saw himself as a theorist striving to explain facts, that according to him the classical point of view had not sufficiently clarified, with the help of a new explanatory theory that replaced the old one. “I startled a science that seemed to be one of the most noble creations of the human spirit”, into a position where “I could discover new principles” (N.P. Introduction p. 1). Without doubt he considers himself to be a disciple of A. Smith. But he limits this compliance as far as that “with A. Smith, he professes work to be the only source of wealth”. (N.P. I, 51). Sismondi completes this principle however by “the discovery of truths that Smith himself had not recognized” (N.P. I, 50).

<sup>1)</sup> *G. Sartorius* Abhandlungen die Elemente of Nationalreichtums betreffend, Göttingen 1806. *J. Soden*, Die National-Oekonomie, Ein philosophischer Versuch. 1805. 2-ed Wien, 1815 §§ 20, 138.

Sismondi stresses “the importance of the modifications” that he brought to Adam Smith’s system. “Everything that hitherto had remained obscure in this science, was considered from *this new point of view*, to have become more enlightened.” (N.P. I, XXI). It is true that in his findings and proposals, Sismondi diverges from the classical school. But this difference in conclusions derives from the difference in its theoretical conception. And that is why Sismondi rejects the classical theory, believing it to be mistaken. “When the fate of so many millions of men *rests on a theory* that experience has far from justified, it is fair to regard it with some mistrust” (N.P. II, 439). “That is why so few of them are satisfied with the classical theory, it projects *a path most different from the one they find themselves on*” (Ét. II, 210). Therefore, there is not only a difference in its practical conclusions, but *in the theory as a whole*. In the developing world the classical economic theory reckons there to be harmony, whereas reality acknowledges a discord. To counter the criticism of their opponents, the theory’s advocates deny the facts, by saying that there is a contradiction in the claim that “increasing *wealth* may be a cause of *poverty*.” (Ét. I, 114). Sismondi replied: “because a *fact* is a certainty it can not be contradictory, or rather it presents a contradiction in its applied *terms*, in the assumed definitions” (Ét. I, 115). And so it becomes a task of discovering those contradictions in the disconcerted theory. It would be erroneous however, to confine oneself rebutting contradictory definitions. Because a contradiction of real phenomena could be hiding beneath those contradictory definitions: “We are just indicating here... the proposition of what seems to be a contradiction in *terms*, while poverty increasing with abundance, could be a *reality*.” “One must therefore, “look for the fundamental principles of the science” (Ét. II, 233). In the reality of the facts, which to the classicals are demonstrated ends to themselves, Sismondi is contending, as he says, to explain them: “I explained them *by a theory that I believe to be new*” (N.P. II, 375).

Indeed the very title of Sismondi’s book: “New Principles of Political Economy” attests to his ambition to create a new theory. He, for all intents and purposes, expressly says so. “This

rather vague title could leave the impression that this book is only a new reference work regarding the science's fundamentals. I carry my claims further, *I believe to have placed political economy on a new footing*". (N.P. I, XIV). This multitude of thoughts and the theoretical significance of their practical outcomes in political economy is so extensive, that the writer has to neglect all listings of practical means; solely for the purpose of not diverting attention from the theoretical analysis of the economy's central problem. Imagining there to be admonishments like: "it would have been better to point out what should be done", he said: "If I presented here what I consider to be a cure for the contemporary ills of society, such a proposition would prematurely forsake the examination of these ills for the scrutiny of my remedy, presumably to condemn it; and the question of balancing consumption with production would never even come up to be judged" (N.P. II, 449. – Ét. I, 105). That is why Sismondi at all times gives way to knowledge, to theory over practicality: thus "executing a systematic analysis of our involvement in the system, before giving thought to remedial actions". "One of the greatest accomplishments that we can get from our minds is to comprehend a systematic organization" (N.P. II, 448); because before a cure can be indicated, it is necessary to make a theoretical diagnosis first. So Sismondi starts out with abandoning, the prevailing theory that he "considered with mistrust", because no experience had yet been able to justify it, and for this reason he seeks a theory that seems better able to explain the facts, setting a contrasting tone a few years later in the second edition of his "New Principles". He finds comfort in the evolution of events confirming his theory and said cogently: "Seven years have passed and the facts seem to have fought successfully for me..." The advocates of the classical school are "forced to seek new explanations for phenomena that are losing contact with the very rules they believed to have established", and Sismondi adds not without pride: "The explanations that I have given in anticipation, have been found to be perfectly consistent with what has come about" (N.P. I, Préface p. 2).

So we see that, contrary to the prevailing thought, Sismondi's dispute with his opponents was firstly



about a theoretical construct of the economic system of his time, and not about guiding practical politics!

\* \* \*

So what is this “new theory”, as advocated by Sismondi, all about? Obviously, if we consider Sismondi to be a social reformer and not a theorist, the issue cannot be sufficiently clarified. We have been led to believe that the central point of Sismondi’s views on the unequal distribution of wealth, the inadequate apportionment of the product of social work to the working class; or, in other words, the fact that according to Sismondi underconsumption had to be the source of disruption and social misery.

We can not truly imagine a more clumsy mistake! If indeed the “new theory” of Sismondi did consist of addressing the unequal distribution of wealth, it would certainly not be new. Not to mention more erstwhile writers, numerous thinkers in the field of modern capitalism, England and France had, from the mid-eighteenth-century on, and more vigorously than Sismondi, protested against the unequal distribution of wealth; and above all, they had arrived at much more profound conclusions than Sismondi’s own<sup>1</sup>). In fact the “new theory” of Sismondi is something quite different!

The critical passages that are found frequently with Sismondi versus the “chrématistique” school or abstractionism, and against abstraction in general have been attributed to his methodological views. However, as we showed in the first part of our analysis, Sismondi not only was not opposed to the abstract method, but has applied it with rare finesse; so, that not being an explanation against him, what, in this case, is his objection to abstraction based on? How come everyone has been led to conclude *that Sismondi’s attack on abstraction could not be anything but a problem of method*. Certainly, our attempt will be to demonstrate that Sismondi’s criticism reached the very core of capitalist economic organization at his time.

<sup>1</sup>) See, *J. Jaurès, Histoire Socialiste de la Révolution française*, éd. par Mathiez. Paris 1924, T. VII, p.13 etc..

This won't be about his criticism of research *method*, but about the *substance* and constructed principles of the economic mechanism during his time, as well as the economic science that reflects this mechanism.

Sismondi argues that the classical theory is powerless to explain the mechanism that surrounds us. Any economic system aims to create organizations, in order to meet the material needs of humanity. The crises of overproduction, periodically recurring and causing the mechanism to convulse (patterns of bankruptcy, unemployment and mass pauperization of workers) are proof of some major defects in constructing the foundations of this economic system. The classical theory did not perceive this defect. A. Smith, just like Ricardo, took it for granted that the quantity of production has a spontaneous tendency to adjust to the size of the population and its needs. If production is too low, due to higher prices and profits, capital and labour will focus specifically on that branch where they are most demanded. Thus, with the help of the price mechanism and its benefits, given the free, i.e. the unlimited freedom of action by individuals seeking their own benefit, the equilibrium of the productive means with the magnitude of needs is restored. Free competition is thus the economic mechanism's regulator, maintaining a harmonious balance. It is undeniable that at the time of Ricardo, it was almost impossible not to see that the facts contradict this theory; but for Ricardo they were no more than passing disturbances, "temporary causes" determined by war, the vagaries of fashion, by trade restrictions, by fiscal policy and so on. Indeed "this is an evil to which a rich nation must submit" (Principles. ch. 19). But they can not permanently disrupt the economic mechanism's equilibrium, in its character of normalcy, its "permanent state of things".

It is precisely this theory of harmony, that Sismondi forcefully protests against. It typifies the errors of classical reasoning and shows that *the dynamics of the capitalist mechanism, in reality is completely different* from its movement

as defined by classical theory. This imposes the task therefore, to discover why the actual course of events differs from the currently espoused fictitious harmony of the classical theory.

Proceeding with the analysis of the capitalist system and economic disruption as they occur in reality, Sismondi finds himself convinced by the fact that these disturbances happen and grow progressively with the development of this new system, while they were unknown in earlier times; coming to this conclusion by having made historical comparisons. This analysis leads him to *discern two kinds* of economic systems that are essentially distinct: the self-sufficient and the trade dependent system. In the self-sufficient system, the well-being of people depends directly on the *quantity* of goods acquired from their production, that is to say: food, clothing, shelter; needs, upon which once satisfied, man rests. Within such a constitution “wealth can exist *without any exchange* or trade, on the other hand it cannot exist without work” (N.P. I, 59). And Sismondi put his thoughts in perspective, by describing a man on a deserted island. *The ownership* of land, forests, animals, fish and metals does not assure him any well-being – for in the midst of all this natural abundance, this man may perish of hunger and cold. – It is only *through work* that this man acquires goods that will meet his needs, he can become wealthy but “the extent of his wealth will not be the *price* he could get in exchange... But according to the extent it meets his *needs*” (N.P. I, 59). The totality of these assets acquired through work and used directly to meet his own needs will be the real “territorial wealth”. By that, Sismondi does not mean an agricultural product, as you might have thought, but what could be called a “natural economy”; which the Germans designate more precisely, by the expression, “Bedarfs-deckungs-Wirtschaft”, [“needs addressing economy”] as opposed to “Markt-(Waren)-Wirtschaft” [market (good) economy].

Concerning a self-sufficient society, his “territorial wealth” is described by Sismondi in Book III [of N.P.], while as such in Book IV he opposes “commercial wealth”; keeping the same sectionalization in his “Études”, where the first section (Essay 3-12) includes territorial wealth, and the second one (Essay 13 – 17), commercial wealth.

This systemic identification in the two major works of Sismondi serves to demonstrate that these are essentially different economic models. If territorial wealth didn't mean an agricultural economy, commercial wealth did not just represent a portion of commercially traded commodities, but these *very same* goods which, provided they are serving specific needs, become territorial wealth if they are trading on the market and are intended to be sold. "From the moment these products of the earth left the farmer, until they ended up into the hands of the consumer, they constituted commercial wealth" (N.P. I, 315).

But "these exchanges had in no way altered the nature of wealth: it was always some *thing* created by a pool of labour and stored to alleviate a future need" (N.P. I, 67). But now, in the course of exchanging, adjacent to the attribute of real wealth, a new phenomenon materializes, *the exchangeable value* of such goods, as a special kind of wealth coming into its own due to trade arrangements. The utility value of goods is an inherent wealth, residing within the good and remaining attached; this is therefore a real wealth, that is meeting needs wealth-independent of trade, and thus always hold true in any kind of economic system that produces output. "These goods are useful, they are necessary even for those who created them, their value is inherent, more so even than those that commonly take that designation and thus is independent of any trade, it antedates all exchanges" (Ét. II, 227).

In contrast to this real wealth, independent of any type of economic system, exchangeable value is a wealth due to trade, therefore linked only to certain kinds of economic systems that are based on exchanges.

In a system of exchanges, the real value of goods, their intrinsic value, usefulness, i.e. that what constitutes the essence of true wealth: the ability to meet needs, is immaterial to the producer of such goods, at least when they are created for resale. We are now dealing with commercial

output for use *by others*... goods that don't start to be useful until the time of an exchange" (Ét. II, 227). The value of these goods as far as their producer is concerned will not start to come into their own, until he gets rid off them; and gotten rid off, for the reason that they thereby realized *their exchangeable value*. "Using the inclusive name of commercial wealth, we mean all assets that are valued by their exchangeable value" (Ic.). The evolution of commerce has entirely transformed the nature of society's annual product: it has "usurped its use values to leave nothing but exchangeable value" (Ét. II, 230). Since the latter isn't an expression of the intrinsic value of goods, or real wealth, it is a "make-believe wealth" (N.P. II, 407), an "illusion" (Ét. II, 230), a "shadow without reality" (Ét. II, 234).

Since exchangeable value plays such a decisive role in Sismondi's theory, we will consider it more closely. We have seen that the exchangeable value of all objects is separate and independent from the utility value of individual objects; it is "prized in comparison with similar things, not evaluated as a thing *in itself*, but as an *every thing*". This imparts to exchangeable value a *social, generalizing, abstract characterization*. "Value has thus become a social concept, introduced to replace the individualistic one; <sup>1)</sup> *it is an abstract concept put in place of one that was substantial*" (Ét. II, 375).

And already we are starting to get an idea what this "abstraction" is all about, against which Sismondi is so critically expressing himself: "The exchange price... is among the most abstract notions presented by economic science, already so rich in abstractions (Ét. II, 379). If use value is something created by labour, exchangeable value is an "*abstract idea*".

This abstract value has found its most perfect expression in Capital, where it appeared in its most abstract form. "Here we are addressing *the most abstract question*... of political economy" (N.P. I, 84).

<sup>1)</sup> "Die Arbeit, soweit sie *Gebrauchswerte* hervorbringt... ist eine von allen socialen Formen unabhängige Bedingung des Stoffwechsel zwischen Mensch und Natur. *Tauschwert* setzende Arbeit ist dagegen eine specifisch *gesellschaftliche Form* der Arbeit [Transl. "Work, insofar it creates *use values*... is a metabolism between Man and Nature that acts entirely independent from any kind of social organization. *Exchangeable value* instigated work, on the other hand, is a *variant* of work specific to *business*."] (K. Marx, Zur Kritik der polit. Oekonomie. 2-ed. 1903 p. 13).

Indeed, for society as a whole, the totality of efficacious goods and services only continues to be real wealth, thanks to needs alleviation; but for each individual producer this is not at all so. For the capitalist, the natural composition of his capital and its consecutive metamorphoses in reality, he puts up with during the marketing process is absolutely immaterial. For him the only thing of importance is the abstract value he has invested in its production, and the enlargement of the same in the course of producing and marketing. Sismondi shows that whatever the incessant changes in the apparent composition of his capital are, the producer never lets go of this value; and to support his thesis he supplies the example of a farmer: “the same entity, being passed from hand to hand successively obtains a different identity, while *its value, which detaches from the object...* resembles a *metaphysical quantity* that one dispenses with and another exchanges, perishing for one... renewing itself for another... that lasts as long as the circulation does” (N.P. I, 84).

For the farmer, for example, wheat was harvested and this had been used to feed productive workers; “it was of *permanent value*, that would *multiply* and *perish no more*”. This perpetual value acquired a life of its own. “This value has detached itself from the food that had created it, remaining as a *metaphysical* and *insubstantial quantity*, still in possession of that farmer, for whom it just existed in alternating *forms*. First it was wheat, then its equal value in work (wages), then a valuation in terms of this work’s output, later yet a value of the claim against whatever these outputs would be sold for in turn; then money, then wheat again or work” (N.P. I, 89). “*This movement of wealth is so abstract*”... that “it requires the utmost concentration in order to comprehend it” (N.P. I, 95). The abstract nature of capital in general is equally consequential, both for all its constituent parts and for economy as a whole. “Circulating capital is an abstract and elusive quantity” (Ét. II, 395). It is the abstract presentation of all values that trade gets involved with” (Ét. II, 389). By way of utilizing this analysis, Sismondi describes the characteristics

of two different economic systems. From a dynamic perspective, he notes the impelling development of a self-sufficient economy, whose essence is the production of wealth proper, in its natural form, permanent and indispensable, considerate for all economic systems; this propriety retreats more and more under commercial influence, due to its modulation of the economic mechanism, imparting in ever greater measure, a form of accidental wealth, belonging only to a specific system, i.e. one composed of exchangeable values. “Commerce causes *the essential attribute* of wealth, its utility, to disappear; substituting a *haphazard quality*, its value in exchange instead” (Ét. II, 378).

But this abstract value has put its mark on the whole economic presence of our time. If, in terms of essential prosperity, the history of the well-being of society, is nothing but *the history of human activity*: “it is most important that we do become aware of all the necessary *operations* by which we can move from poverty to affluence” (N.P. I, 61), – in a trading society, the sole motivation of each producer is not to obtain labour output, but “the hope of a gain” (Ét. I, 59). In other words, the disposition to gain a profit; i.e. a value increase, as per abstract exchangeable value, over the value disbursed with. *It is this value abstractionism*, for the sole purpose of regulating production, that *Sismondi protests most bitterly against; showing that it is the source of all the troubles of our economic setup.*<sup>1)</sup> Although Sismondi lashes out at abstraction, abstract wealth, and abstract thought, he does concur with wealth based on exchangeable value in the same vein as later done by *N. Senior*, *Fr. Skarbek*, and *K. Marx*, calling exchangeable value abstract wealth.<sup>2)</sup>

<sup>1)</sup> “Die allgemeine Möglichkeit der Handelskrisen ist gegeben... weil der Gegensatz von Ware und Geld die abstrakte und allgemeine Form aller in der bürgerlichen Arbeit enthaltenen Gegensätze ist”. (Marx, Zur Kritik p. 85). [Transl. “The possibility in general of economic crises is a given... because the contradistinction of goods and money, everyone’s abstract and general imposition, is the contradiction of embodied wage-earning work.”]

<sup>2)</sup> “Money is an abstract wealth, because men possessing it may satisfy any need with it, of whatever nature these may be.” (*Nassau-Senior*, Fundamental Principles of Political Economy. (French transl.) Paris 1836, p. 221). – “Exchangeable value... can only be an abstract concept”. (*Fr. Skarbek*, Théorie des richesses sociales. Paris 1829, I, 138). – “Gold als Zweck der Zirculation ist der *Tauschwert* oder der *abstrakte Reichtum*”. [Transl. “Gold for circulatory purposes is of *exchangeable value* or an *abstract wealth*.”] (*K. Marx*, Zur Kritik, p. 163).

Sismondi therefore doesn't attack wealth, nor generally the accumulation of wealth, but instead criticizes the accumulation of wealth *in its abstract form of exchangeable value*, which he calls, "chrématistique" an economy's organization based precisely on such exchangeable values. The drive by the capitalist system with respect to *the accumulation of abstract values*, finds one of its fitting expressions in foreign trade policies; which Sismondi realizes to represent nothing but a modernized version of the former mercantilist system: "Governments continue to conduct themselves for the most part by espousing mercantilist principles, as if no argument had ever been advanced to shake those up". (Ét. II, 321).

From this brief exposé, it has become quite clear that Sismondi fully understood the essence of the capitalist regime, whose purpose is not the production of *real goods* utilized to meet needs, but the production and accumulation of *abstract exchangeable values*. And that is why it is right to consider Sismondi to be the first economist to expose capitalism scientifically, which is his everlasting glorious entitlement in economic science.

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The specific character that we have come to endow our *economic system* with, is but one aspect of the problem that concerns Sismondi. Another facet of this problem involves the affiliation of *economic science* with real phenomena. Now according to Sismondi, the economic theory of his time was nothing but a speculative construct of the reigning economic system based on abstract exchangeable values. If this system, because of the vicarious way it was put together, is a source of ongoing upheaval; this likewise has an impact on economic theory, similarly based on abstract exchangeable values. The real contradiction of the economic system makes its appearance in theoretical science by way of concepts and incoherent chaotic definitions, leading to fruitless semantic disputes.



Through a painstaking analysis of the contradictory economic regime, Sismondi embarks on a search of its theoretical errors and contradictions: “This research necessarily takes us to the most abstract of scientific concepts, to the most contested definitions, to an utter logomachy” (Ét. II, 226). And systemically as well as in theory, the source of malevolence and imperfections is the same: “It is the dissension between *use* value and *exchangeable* value... which makes it impossible to give satisfactory definitions of various words like: price, value, wealth (Ét. II, 229). The abstract nature of the subject’s field based on exchangeable value, and the contradiction between the subject and the phenomenon of real wealth, makes it difficult to define concepts such as: the price of production, the effectual price, monopoly pricing, the nominal price, the real price, etc.; and this difficulty arises from the very nature of the system under consideration. This in theory leads us to a logomachy, a quarrel of words, not to the essence of obscured phenomena. We should not forget that verbal disputes regarding a definition cannot explain it, and neither are they able to explain what these phenomena consist of. Those who, by criticizing a definition, believe to be dealing with the underlying phenomenon, are greatly mistaken. The contradiction that manifests itself in the phenomena should first be eliminated from these phenomena and this cannot happen by means of a criticism in terms of words only. The classical *theory* of self-generated harmonious interests is unable to *effectively* resolve this contradiction: capitalist production causes together with a continual increase in wealth “a misery increasing with abundance” (Ét. II, 233). This seems to be a contradiction, but it is a *real phenomenon*, and the expressed *idea* is consistent with reality. So if the theory fails to clarify this view well enough, it is not because of some perversion, the error is in the definition, in the words: If a quite accurate analysis generates a contradiction, it is not the *idea* but the *word* that must yield; it is because of the *definition* and not in the *fact* that reasoning turns into a vicious circle” (Ét. I, 116).<sup>1)</sup>

<sup>1)</sup> Through the profound attribute of the logomachy, Sismondi precedes the anonymous English, author of “Observations on certain *verbal disputes* in Political Economy,” London, 1821; as well as his delayed épigone the German *Fr. Gottl*, “Die Herrschaft des Wortes,” Jena, 1901.

Sismondi, the originator, presents a profound analysis of the theory's contradictions, showing us that it is not the inadvertent outcome from shortcomings by economists, but as a necessary consequence of contradictions introduced by the economic system itself. That is why Sismondi makes reference to “chrématistique”, an economic theory based on the analysis of exchangeable values, and even to the economic system itself as being built on this basis. “The science commonly known as political economy, although the name Chrématistique would be a much better description, is supposed to exist for the purpose of studying wealth in the abstract.” He regards this economic science and the system itself “as pursuing a shadow without reality”. In contrast to this sham theory, he poses a true science: “We hold the designation of political economy to entail a study of the social organization of human beings in their relationship with material resources; that of man's wealth *consumption*, after it having been *produced* by him” (Ét. II, 234). Sismondi doesn't consider anything but real phenomena, the account of man involving real goods for use, that he produces and consumes, *irrespective of the exchangeable value* those goods might possess. And this economy independent from exchange and the calculation of value, he calls a genuine economy, “the prescript of the house and the city” (Ét. II, 226). As is becoming clear, the problem has nothing to do with the inquiry into the distribution of wealth; which up until now was opined to be the very essence of Sismondi's doctrine.

*The scientific problem* that Sismondi deals with is therefore twofold: a critique concerning theory – a critique of the system. For Sismondi it's all a matter of explaining how the economic mechanism constructed on the basis of abstract exchangeable values, that is to say whose apotheosis – economy-wide purpose – is to satisfy all of society's needs; in which the goal of each individual producer however, is to accumulate itemized abstract exchangeable values. He intends to “seek an *explanation* for the many facts that seem *contradictory*, to discover *what brought about the subterfuge of the industrialized system*, to show how it abandoned

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*substance* for chasing after *shadows*; and finally, to replace the *chrématistique* or abstract science of wealth, with a *true* political *economy*” (Ét. II, 226).

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B. *Positivist Theory*. So far we have tried to show what for Sismondi constituted the real problem of his research, and we saw that this problem was the dualistic nature of capitalist production; which on the one hand consists of real goods production, and on the other producing abstract exchangeable values. What remains to be explained is why he sees this as *the vice* of our economic setup; and why he is especially critical one of these elements, abstract exchangeable value, as a main source of all disturbances that affect our economic system. Due to its profundity, the very posing of the problem, not to mention its solution, moves Sismondi way beyond the horizon espoused by classical economic thought, and even the one by contemporary economic thinking in general.

In a system that is producing for the alleviation of human needs and not for the market to flow, increased production, in terms of the quantity of goods, is in fact a growth in wealth. “Before the introduction of commerce, when everyone’s concern dealt with their own provisions only, the increase in the *quantity* of things produced was an increase in wealth” (Ét. II, 378). “This is without doubt a true perception of the meaning of wealth as such” (lc. 379). “While men work to meet their own needs, *utility* for them is the true measure of values, and the increase in the quantity of something useful is an increased degree of wealth” (Ét. II, 229). It still is a requirement to *produce these goods at strictly defined limits*. It is true that the needs and desires of man are boundless, “but not *stringent* needs like: food, clothing, and shelter, etc.. (Ét. I, 139). “One can have too much, even of luxuries” (Ét. I, 64). Consumption can not exceed a certain limit, difficult to trace, yet certain” (Ét. I, 151); and that man can not cross. “All work

*beyond that would be useless. All accumulated product would be valueless*” (Ét. I, 69). “In system without commerce however, such a production encumbrance would be inconceivable” (Ét. II, 243). For stringent needs are giving the impetus to production, insofar a furtherance of the works’ magnitude and direction is as appropriate as possible to the scale of those needs. Man, “after having provisioned his consumption stockpile, inclusive of reserves, will stop” (Ét. I, 68). Under those circumstances, one produces to the extent it is needed and produced goods are always wealth, because they fulfill their intended function on their own, i.e., they are being used to satisfy needs .

Things are quite different in a system of commercial exchanges. The organization of the whole has a defined purpose, that is identical to the system without exchanges; but now split into distinct and independent from each other operations, these could even be diametrically opposed to one another. The independent producers are left to themselves and produce for the market, that is to say for others, without knowing the needs of these people, and remain linked to them through exchanges; each cog in the mechanism disengaged and operated independently from the others, the common movement, coordinated for a specific purpose is divvied up into specific and isolated parts. “Commercial trades, or exchanges are shared among members of society, their functioning aimed at a common goal. Everyone, in the pursuit of private intentions, loses sight of the common interest... they pursue their goal without knowing for certain how much society quantitatively requires from them” (Ét. I, 69).

This non adaptation of individuals to act conformant to the social needs of all, consequently disrupts the whole. The fact is that society, although divided into specific and independent functions, does not cease to constitute a *social community*. If in an economic system organized for producer self-sufficiency, it would be necessary to keep each activity and every economic function in line for the benefit of the individual producer, this same obligation would exist for a system with exchanges: “Production has inherent limits that are not to be exceeded...”

“These rules... remain equally true in *any kind* of society, the more so since it won’t be directed by an intelligence that takes into account all its members’ interactions, from the perspective that all should contribute to the common good” (Ét. I, 140). In a society based on the division of labour and its functions, their coordination is a necessity; Sismondi compares it to a watch, where all the gears and their movements, by the nature of things, must be coordinated. “All movements of society are interconnected, they all act in unison, just like the various movements of the gear-mechanism of a watch” (N.P. II, 454).

From the moment however, that society is split up into factions that operate independently and even at cross-purposes from one another, the indispensable appropriation can only obtain objective *results* if, through the interests and divergent movements of individuals, this yet occurs coordinately. “Civilized society seems to be subject... to these general laws... forcing a concerted walk towards a common goal, through disasters that merciless strike various parties” (N.P. II, 246). Those are thus the laws under which a social union becomes realized, regardless of the actions of individuals.<sup>1)</sup> Under these conditions, economic difficulties are natural and unavoidable in our economic setup. Since each individual acts independently, producing as much as possible, without taking into account the social need, available real goods exceed the *social need* and thus cease to be an asset. “Anything being produced beyond that scope is unnecessary and ceases to have value” (Ét. I, 69).<sup>2)</sup> The vice of capitalism is precisely that, coping with the law according to which all economic functions in society must be coordinated for a specific purpose, each producer tends to maximize production, thinking that by increasing the quantity of goods, he also increases the amount of wealth.

<sup>1)</sup> “Die wirklichen Beziehungen der Waren aufeinander ist ihr Austauschprozess. Es ist dies gesellschaftlicher Process, die von den einander unabhängigen individuen eingehen” [Transl. “The actual relationship between goods is their process of exchanges. It is this organizational process, entered into by mutually independent individuals (K. Marx, Zur Kritik,, p. 12).

<sup>2)</sup> Als Gebrauchswert muss sie (die Ware) erst werden, zunächst für andere. Wenn nicht, war seine Arbeit nutzlose Arbeit”. [Transl. “As a value in use, it (the good) must first of all acquire this through others; in the absence of which, his work was useless work”] (K. Marx, Zur Kritik p. 20).

“The error on which the whole system of the modern chrématistique rests... is confusing the increase of *production* with an increase in *wealth*” (Ét. II, 312).

And it is from this thought process, arising directly, as we shall see, from the new convention that evaluates this law, that Sismondi employs to establish his theory. On top of this, Sismondi does not cease to incriminate the theory of the classicals. “The misconception that befell them is wholly due to holding onto this false premise; which is that in their eyes, annual production is the same thing as annual revenue” (N.P. I, 366). Therein lies the source of all their theoretical errors, the confusion of concepts and inability to explain phenomena... “The confusion of annual revenue with the annual product casts a thick veil on the entire science”. “With their premise, it becomes absolutely impossible to explain the fact of congested markets... From this misconception, it is equally impossible to make sense of Say and Ricardo criticizing each other on the meaning they must give to the word value and to the word wealth” (N.P. I, 367).

Sismondi is referring here to the well-known conflict between Ricardo on the one hand, and Malthus and Say on the other. The latter two ascertained the identity of value and wealth. Malthus claimed that the revenue from the grounds of a landowner is an increase in social wealth, “a new creation of richness”<sup>1</sup>). Ricardo conveys his reasoning to Sismondi, considering revenue to be a purely abstract value: “rent a value that is purely nominal... and as such forming no addition to the national wealth, but merely is a transfer of value” (lc.). Ricardo expresses a similar view in his chapter 20, where under the obvious influence of Sismondi he demonstrates that the theory was confused about the “concepts of value and wealth”. It is not value that determines wealth. “A man is rich or poor according to the *abundance* of necessaries and luxuries which he can command” regardless whether “exchangeable *value* of these... be high or low” (lc. ch. 20).

This undoubtedly points to the ambiguity of Ricardo’s entire system, which is based precisely and above all on exchangeable value. And this is also why Ricardo did not draw any conclusions from the difference between exchangeable value and wealth.

<sup>1</sup>) Ricardo. Principles, ch. 32.

Chapter 20 in the scheme of Ricardo appears totally isolated, without any connection with his method. Sismondi, as originator, highlighted all the consequences arising from the economic mechanism being based precisely on this abstract exchangeable value being: a “purely nominal value”. And in this fact he sees the source of all troubles, all disturbances of the economic mechanism.

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We now have to show in a detailed analysis why and how we must necessarily end up in disarray, if one bases the economic mechanism on abstract exchangeable values. Sismondi says that if the economic system is based on this principle: it becomes *impossible to proportionally appropriate the extent of production in terms of aggregate needs. The imbalance becomes the norm and its pattern a normal phenomenon.*

Thus, in a self-sufficient system consisting of mutually independent producers, it is irrelevant that the number of producers increases, since everyone produces for their own needs and the function of production and consumption are mutually interdependent; closely correlated is the fact that the equilibrium of the above is assured in advance. Things are quite a bit different in a system of exchanges, where one produces for someone else. Here a separation of producer and consumer has been effectuated, “someone else replaced the producer’s consumption” (N.P. I, 68). “Through the introduction of commerce, each no longer works for oneself, but for an unknown; proportions... between production and consumption have been made independent from one another” (N.P. I, 327); which then self-imposed the need to regulate the mutually dependent quantitative accounts between aggregate production and aggregate needs. But since nobody does this regulating, these accountings are entirely hit-or-miss: the number of producers and the extent of their production are divergent and arbitrary in each branch; *need* has ceased to be regulating the extent of production, whose place was taken by capitalist *profit* arising from a difference in value that was “superior

over advances by means of obtaining the former” (Ét. I, 137) This difference, this “gain”, itself is a value in exchange, and therefore an abstract quantity. This profit, this abstract value from now on has become the goal, affecting the entire capitalist system, it became its engine, directing all activities, regardless of actual needs. “The prospective gain has become life’s premier motivational factor” (N.P. I, 457). “The hope of a gain makes capital circulating quickly from one end of the known universe to the other” (Ét. I, 59).

How does the exchange mechanism function under the action of this regulator? This brings us to the very core of Sismondi’s theory.

Although in society each social choice is made independently, this doesn’t stop it under economic conditions to behave as a singular economic entity, subject to the law of the whole and not to its components; which manifests itself in the law of value. Sismondi rectifies the individualistic value theory of Smith and Ricardo, about the value of goods being determined by the work expended in their production, by adding this far-reaching modification: that it should be the work that is *necessary* for production. “In the final analysis, its commercial value is always fixed by the amount of work necessary to obtain the evaluated item” (Ét. II, 381). Indeed it seems that Ricardo also defined value the same way: “I say it is a comparable amount of required productive work that sets the relative value of products.”<sup>1)</sup> But while Ricardo only speaks about technically necessary time to produce a given unit, Sismondi uses the word “necessary”, just as Marx later, in the meaning of “socially necessary”, i.e. the necessary time to produce the whole mass of a given good needed for society: <sup>2)</sup>

<sup>1)</sup> Letter from Ricardo to Say, 11 January 1820.

<sup>2)</sup> Marx himself pointed out: “In direkter Polemik mit Ricardo betonte Sismondi sowohl den spezifisch *gesellschaftlichen* Charakter der Tauschwert setzenden Arbeit, wie er es als “Charakter unseres ökonomischen Fortschritts” bezeichnet, die Wertgröße auf *notwendige* Arbeitszeit zu reduzieren, auf das Verhältnis zwischen dem Bedürfnis der *ganzen Gesellschaft* und der Quantität Arbeit, die hinreicht, dies Bedürfnis zu befriedigen.” [Transl. “In a direct confrontation with Ricardo, Sismondi stressed both the particularly *societal* character of labour determining exchangeable value, and in the way he noted it as being “characteristic to our economic development”; boiling down the measure of value to the *necessary* work time, upon the proportionality between the needs of *society as a whole* and the amount of necessary work to alleviate those needs.”] (Zur Kritik, 2nd ed. Stuttgart 1903, p. 44).



“Value is the correlation between the demand of all and production of all” (Ét. II, 376). “Value results from the interdependence of society’s needs as a whole, and the amount of work that suffices to satisfy those needs” (Ét. II, 379). Only the work that it takes to alleviate all those needs is necessary, and the value of output corresponds exactly to work as measured by time. This would require, on the one hand, *setting quantitatively* the number of producers and the extent of their production, and on the other, the quantification of social needs in their entirety. Ultimately only under those conditions, would the process of production be *proportionate* to needs, and would it be *natural*, without disturbances or losses for the producer. “To be sure to sell, a producer should know two things: what quantity of to be produced goods does it take to alleviate needs, and what amount can be produced by anyone in the same position as him” (Ét. I, 120). “While wealth and population, perceived in individual units, are only abstractions; the real problem is finding the *proportion* of population and wealth” (N.P. I, p. XXII). Apart from the issue of unequal wealth *distribution* among the different classes of the population, the crucial point is that reproduction is commensurate with the productive forces and the needs of society as a whole. “*My Nouveaux Principes is expressly based on this commensuration*; it is important that on this I impute my *essential difference* with thinkers who avow the economics of Say, Ricardo, Malthus and MacCulloch” (N.P. I, p. XI).<sup>1)</sup> Assuming that the entire production corresponds to need in its entirety, if 10 pieces of clothing and 20 bags of wheat are produced by the same amount of labour, they would exchange for equal value.

But in the real world nobody adapts production to needs, that is why the flow of production and exchanges does not take place in this manner. Given the

<sup>1)</sup> Rist is committing a big mistake by interpreting the issue of the commensuration of productive forces, brought up by Sismondi, as a question of *wealth distribution* mainly in the interests of the poor, i.e. workers wages. “According Sismondi, (says Rist) wealth doesn’t deserves its name, unless it is distributed in a decent proportion.” (Rist, lc. p. 205).

fragmentation of society in terms of its functions being separate and independent from one another, the number of producers and the quantity of their production are arbitrary and random. “To acquire gains, a producer would tend to produce indefinitely” (Ét. I, 70). So any excessive amount of accomplished work concerning the production that exceeds the total social needs, not only doesn’t amount to anything because it has no buyers, *but because nothing of value had been created*. “Anything that is being produced in excess is unnecessary and ceases to have value” (Ét. I, 69). Because things only become wealth from the moment they find consumers who agree to buy them for use” (Ét. I, 30). Individual work only becomes creator of value if this function at hand is a *necessary component of the whole*; otherwise is superfluous, i.e. a waste of time.

If thus the number of clothing producers, for example, is increasing in spite of unchanged needs; the work spent on this additional clothing production does not create value, the aggregate mass of clothes will have the same value as before, and the price of each garment must consequently fall. An actual producer of clothing continues to make clothes for example, 10 garments, as in the previous year, i.e. the same amount as before; given the decline in the value of this production however, it can no longer buy the 20 bags of wheat, but only 12, 8, and even none if all his 10 garments remain unsold. So, despite the assertion of Say and Ricardo, it would appear that only in a self-sufficient economy the quantity of output is identical to revenue and under unchanging circumstances sufficient to year after year meet the same needs. In a commercial system, the quantity of output is not equivalent to revenue. This quantity of output must first be sold. Each producer is now aware “that by doing the same amount of work, he could earn a lot, he could earn little, and he could even lose out altogether” (Ét. I, 65). The output of one year, identical in quantity and quality to that of the previous year, may and does represent an entirely different account of its revenue; *despite the identity of products, revenue is of a variate size*. In a system of exchanges “products are in no way already positive quantities of a portion

of wealth, while they are still in the hands of the producer. Only their sale... determines their value” (Ét. II, 231). Under these circumstances the clothing manufacturer in terms of producing is, true enough, making the same quantity as before; his revenue however will depend not only on the quantity of goods created by him as an individual producer, but also on the quantity of goods created by all other producers, and consequently *depend on production processes done extraneous of each producer in particular* and independent of him, in short by the competition. “Thus in this new state of affairs, the existence of any working and productive man depends not... on his work, but whether it sells. It counts for little that the work is well done, but it must be in an *exact proportion* to production. The producer who doesn’t sell, doesn’t exist” (Ét. I, 120). <sup>1)</sup>

From the perspective of society looked at as a whole, revenue is always a certain *given*, effectively reproduced, mass of goods. “Revenue, of which we have seen all its various sources, is a material and consumable thing and it originates from work” (N.P. II, 20). But in the scheme of exchanges, producers act in isolation; for them revenue is always a *variate* quantity: it is an abstract value, subject to fluctuations. This disproportion between production and revenue, between value in use and value in exchange, the primary source of turmoil, manifests itself due to our economic mechanism. The development of this thinking constitutes the first part of Sismondi’s theory. This is what the penetrating observation by *K. Marx* is all about: “Sismondi hat auf dem *Gegensatz* zwischen Gebrauchswert und Tauschwert seine Haupttheorie begründet, nach welcher das *Einkommen* abnimmt in Verhältnis wie die Produktion gesteigert wird. <sup>2)</sup> Despite that

<sup>1)</sup> We have taken as starting point of our reasoning an overabundance of clothing producers, because of which a portion of these garments could not have been sold. But as clothing producers they in turn are consumers of the products of other branches, so reducing their revenue must also cause a disparity in the other branches, that is to say, a universal encumbrance” (N.P. II, 375).

<sup>2)</sup> [Transl. “Sismondi based his principal theory on the *contradiction* between value in use and value in exchange, according to which: *income* diminishes proportionally with the increase in production”] *K. Marx*, Poverty of Philosophy, Ch. 1, § 1. See also Sismondi, N. P. II, 375.

these words were written nearly 80 years ago, Sismondi's principal theory about the nature of revenue still hasn't been understood.

If the classical school considered crises as accidental phenomena provoked by an erroneous trade policy and by restrictions; even if so-called socialist egalitarians, like for example, *W. Thompson*, only regard the real source of the crises to lie in the branches of the luxury goods industry, and this because of whims and changes in fashion among the rich<sup>1</sup>); for Sismondi crises are a *necessary* consequence of a defective construction of our economic mechanism's principles, based as they are on abstract, exchangeable values.

Sismondi's analysis is nowhere near in agreement with the above conclusion. The classical school ensured that even if a crisis erupts, it can only be a temporary phenomenon, because our industrial producer has a spontaneous tendency to restore order once disturbed. Sismondi is of a different opinion. He shows that an economic system being controlled through variate exchangeable values, continuously incites movements that intensify the imbalance between production and needs, creating a tendency to constantly expand production regardless of needs.

First, the market for goods.

The mechanism described by the classicals is well-known: all excess in production lowers prices and profits, automatically regulating a reduced production. The tendency to equalize profits in the various branches of production causes a withdrawal of capital from non-performing branches and removes the imbalance. Sismondi on the other hand argues that in a society, where the producer's objective does not correspond to a given quantity of production output, but to the highest possible profit; a lowering of the selling price and of revenue caused by oversupply, by no means brings about a *reduction* in production, but on the *contrary* only extends it so that by means of greater quantities the producer can recover

<sup>1</sup>) *W. Thompson*, *An Inquiry into the principles of the distribution of Wealth* 1824. ch. II, part 2.

any losses due to price. The producer “always seeks to produce at a greater advantage, to produce cheaper, to produce proportionately more... to recover by quantity what he loses on price” (Ét. I, 74). “The consequence of lower revenues, is that more capital is required to exist; it takes more land to garner the same rents, and more ready cash to collect the same interest” (Ét. I, 146). Overproduction lowers prices and revenues, forcing individual producers to continue overproducing yet again: “Because they already had too much merchandise, they were demanding to get a further advantage through cheaper prices” (N.P. II, 451). This seems like a paradox. Yet the market is constrained and so there was no outlet for the increased production, as the previous situation wasn’t dealt with by producing less. The increased production reduces costs however, by which the major producer outweighs his competitors and gets rid of his merchandise at the expense of those competitors. “Each producer seeks to undersell his rivals, attracting the right buyer with good deals; which is much preferable than being someone who cannot sell at all” (Ét. II, 232). Such a producer prospers even in times of general stagnation, he increases his production even when there are no additional demands. This is a factitious invigoration: “manufacturing is reviving”, “but this temporary activity is more so the effect of hazardous speculation, misplaced confidence and a glut of capital, rather than newfound demand” (N.P. I, 450). “This is a misleading activity”, “a false prosperity” (Ét. II, 329).

“The necessary consequence, inevitable in the underselling by some, is the over-crowding for all, or the arrival of a quantity of goods on the market that exceeds needs and that can only be sold at a loss” (Ét. II, 233). Success in competition is stipulated by vast production, buying raw materials cheaply, the application of the division of labour, the use of machinery, new inventions, etc.. But this success also depends on an abundance of capital and low interest rates. “A drop in the rate of interest, while on the lookout for a productive application, can make capital superabundant” (N.P. I, 398). “Capitalists, using their funds, could start up an industry that

consequently fails to attract a sufficient market” (N.P. I, 448). Ultimately one arrives at this vital fact that not the augmentation of consumption controls the magnitude of production, but that the increase of production “is determined not by need, but by the abundance of capital” (N.P. I, 368). All motivations, ways and means of capitalist production are not determined nowadays by the magnitude of actual needs, but “those who have found themselves in the possession of a certain amount of accumulated wealth, have in general been responsible for the direction of the annual production” (Ét. I, 141).<sup>1)</sup>

It is obvious that under these conditions, increased production, “regardless of demand” generates a more hostile competition that “enriches some individuals and causes a certain loss to all others” (N.P. I, 403). Increased production is analogous to lower revenues and even to the ruin of all of society. The augmentation in production, “linked to a much larger circulating capital and to the use of a much larger fixed capital may be advantageous to the entrepreneur, and make his factory thrive, but without necessarily resulting thereby in a social benefit” (N.P. I, 399). On the other hand, the source of unrest remains the same: the control of the extent of production for profit, that is to say through abstract exchangeable values. The rectification of this abstract magnitude effects an enlargement of the means of production in real terms, as well as the mass of real goods, in spite of lacking demand; in short, through the confrontation between value in exchange and value in use. It shows that “the revenue of all, is not the same as the output from everyone’s work. ...It is quite possible that output increases while revenue decreases” (N.P. II, 375).

<sup>1)</sup> “Mit der Entwicklung der kapitalistischen Produktion, wird die Stufenleiter der Production in stets geringerem Grad durch die unmittelbare Nachfrage nach dem Produkt bestimmt, und stets in grösserem durch den Umfang des Kapitals, worüber der individual Kapitalist verfügt, durch den Verwertungstrieb seines Kapitals und die Notwendigkeit... der Ausdehnung seines Produktionsprocesses” [Transl. “With the development of capitalist production, the level of production becomes determined by the direct demand for merchandise to an ever lessening degree, and to an ever greater one by the extent of capital that the individual capitalist has at his disposal, through the drive to valorize his capital and its urgency... the expansion of his production activities” (K. Marx, *Das Kapital*, Bd II, p. 121).

In both above cases we have to consider that the weakening of the value in exchange was – a technicality with an unchanging labour productivity – the result of an excessive increase either in the *number of producers* or to the extent of their production. This weakening of the value in exchange can also take place due to *changes in technique*, in other words, due to an increase in labour productivity. And here we arrive at the third part of Sismondi’s theory. Ricardo had perceived the same fact (Principles, ch. 20). Sismondi develops it and shows the consequences: The commercial value is always defined, in the final analysis, by the amount of work required to get the thing under consideration, procured; this is not what it actually did cost, but what it would cost now, with means that could have been advanced” (Ét. II, 381). Hence *the constant devaluation of goods already produced* and dumped on the market, introduces a new source of unrest. In addition to that, older factories with their antiquated tools are subjugated in a hopeless struggle against competition from large manufacturers more efficiently equipped: “The old machines, even entire factories, replaced by new inventions, have lost all their value; the immense capital that had been fixed in their construction is annihilated” (Ét. II, 302). “Each really important discovery in mechanics, each of those producing... a considerable profit, immediately tends to create new factories, dedicated entirely toward those profits” (Ét. II, 298). It is an unremitting race to monopoly profits by innovation, but only for a very short time; for a new participant, in turn, will soon come around to depreciate this innovation too. “It is in the nature of creative activity that inventions succeed one another, a new discovery comes off the fruition of previous ones” (Ét. II, 305).

This ceaseless competition has resulted in a constant process of devaluating values that had already been accumulated, a general collapse of exchange values and, consequently, an unavoidable disruption of the economic mechanism, which is being controlled by these values. “It has been noticed that *violent shake-outs experienced by the manufacturing industry these days, are due to the speed by which scientific discoveries follow one another*” (Ét. II, 366).

And the effects of so many “revolutionary inventions” are deplorable for human society. “Not only do all goods already produced find themselves diminished in value... but all fixed capital, all machinery... is rendered useless” (Ét. II, 367).

Under these conditions proprietary fortunes are always threatened with ruin, and the revenue of producers, not depending on work actually done, is therefore not of a positive magnitude, does not depend on the actual volume of goods produced, but on the value they were able to obtain by selling on the market and managed to conserve during constant upheaval, to which those values were exposed. His operation takes on the character of a game... “his profit is haphazard or based on losses suffered by someone else” (Ét. II, 232).

The circumstances that we have just described: an inexhaustible supply of producers and output, as well as technical revolutions would have caused unrest, even in a system which only consists of independent producers, each with their own means of production. In both cases the reduction of profit and subsequent depreciation of capital and already produced goods, ascertains the ruin of small producers. “The prosperity of the producer who enriches himself does not make us forget the misery of the producer who has been ruined by his competition” (Ét. II, 295). It is impossible to insure against this competition by going into another branch of production: “capital withdrew from an industry only *by the bankruptcy* of its owner” (N.P. II, 220). A spontaneous tendency to restore equilibrium between production and consumption does not exist. Thus under the present system of overproduction, there is an inability to sell some products. “However, if production grows gradually, the exchange of *each year* should cause a small loss... if this loss is slight and well distributed” (N.P. I, 121). But if the indicated causes act suddenly and with violence, and “there is a large disparity between the current production and the previous one”; then some of the producers will enrich themselves but only at the cost of impoverishing others: “capitals shrink, and there’s suffering all-round” (lc.). The rise of the new fortunes happened at the cost of diminishing the old fortunes” (Ét. I, 31).



Hence, *a natural tendency toward concentration*: “Discoveries in the mechanical sciences have always resulted in a move to concentrate industry in the hands of a smaller number of rich industrialists” (N.P. II, 327). Obviously this is consistent with bankruptcy and the ruination of others – of proletarianization and pauperism. Sismondi is not satisfied, as we have seen, with viewing this trend empirically, as he shows that the concentration of industry and its consequent proletarianization are the inescapable result of the current economic setup: “Pauperism is the state to which proletarians are *necessarily* reduced when their work is lacking... This society, which lends its full support to the rich, does not permit the proletariat to work... condemning them to idleness instead” (Ét. I, 44). Ultimately, the causes outlined above constitute the historical basis on which the trend formed that has led and continues to lead to a *separation of property* and labour. “We tend to completely separate any kind of property from any kind of labour” (N.P. II, 434). So on the one hand, there is the concentration of capital and on the other one, a growing proletarian mass: “A seething population, already having arrived in this world, is denied room to exist” (N.P. II, 303). But this surplus population “exists today, and it is *the inevitable result* of the current order” (N.P. I, 431). When a savage hunter dies, failing to have found game, “he succumbs to a need that *Nature* itself has presented”. Nowadays the departure for people without work is different, “it happens surrounded by opulence... and when the rich refuse a job offer, by which the worker in his final moment could have bought bread, it will be *men* that he incriminates and not nature” (N.P. II, 313).

It is true that after a catastrophic crisis a new balance will be established eventually. This fact was held up as demonstration that a crisis is a bad transitory state and that an equilibrium is automatically restored. Sismondi believes the theory of a self-restoring equilibrium to be dangerous. “It is true enough that over time a certain balance is restored” (N.P. II, 220), but the disaster is nevertheless profoundly damaging. Some producers have gone bankrupt, falling into the rank of proletarians, and while others have succeeded in expanding their businesses,

it has produced a concentration of industry. *Equilibrium was restored, but on a new basis: the social structure having undergone a grave transformation.*

\* \* \*

The look that we have just thrown on Sismondi's conceptions allows us to conclude that current economic science so far has not considered the facts brought out by our writer: such as competition, the struggle between large and small industries, concentration, crises, impoverishment, the reserve army of labour, abuses perpetrated in factories, and especially the issue of wealth distribution, other than as isolated, extraneous happenings, as "*disjecta membra*". It was not explained and internal connections were ignored, the drive and cause uniting these phenomena into a set of parts of a common mechanism in full mutual dependence – hidden under the surface of all these extraneous manifestations. This vital element is the fact that *abstract values of exchange control the extent of production*. The economic system is used to satisfy the actual material needs of society with the help of a given means of production. Some, as well as others to some degree, are magnitudes and phenomena which may remain in a mutual relationship with nature, without regard to their value. Contrariwise, to implement measurements to what is known as the means of production with respect to the magnitude of needs, the economic system as controller makes use of exchange values; which in a regulatory process based on free competition *is necessarily a changing yardstick, whose movements are the inverse of the goods being measured effectively*, since the *value* of commodities decreases, with the general mass of them increasing. These factors, as two worlds impenetrable to one another, thus far do not have a common measure that would be consistent with a gram of weight, or a meter. "The current suffering results from increasing quantities, while their values decline"<sup>1)</sup> (Ét. II, 478).

<sup>1)</sup>See K. Marx; "Es ist allgemeines Gesetz der Warenproduktion: Die Produktivität der Arbeit und ihre Wertschöpfung stehen im umgekehrten Verhältnis" [Transl. "It is a general law of commodity production: Labour productivity and its value creation are inversely related" (Das Kapital, Vol. II, 127). This theory can, in a perverse form,

Our system is similar to the mechanism of a mill in which each pulley, each machine set in motion by a transmission belt, would experience disruptions in its movements, if that belt is shrinking or stretching disproportionately. It is in this dualistic principle of the organization of our economic mechanism, that the fact appears that by addressing the dimensions of the current setup, we employ a unit of elastic measure, an abstract and variate value. It is the contradiction between use value and value in exchange that Sismondi sees as the fundamental construction flaw of our economic system, the actual cause of its crises, that is: overproduction and economic anarchy<sup>1)</sup>; so disorders of this system are not transient deviations from the normal equilibrium, but stem from a constitutional defect, a phenomenon that is constantly regenerated, periodically and necessarily, so it becomes

be rediscovered in *Wilhelm Neurath's* (Die wahren Ursachen der Überproduktion, [The true sources of overproduction] Wien, 1892), when he critiques “die verfehlten Wertrechnung” [the maledicted value account] and denounces the fact “dass nicht das Verhältnis zwischen der Menge der Güter und dem wirklichen Bedarf nach demselben den Wertansatz der Güter bestimmen” [that the relationship between the quantity of goods and their effective demand does not determine any increase in the value of those goods] (lc. p. 18). With the implementation of this “verfehlten Wertrechnung”, of this “Wertphantom” (p. 17), “kann der Gesamtwert der Produkte sinken, wenn auch die Menge... der Produkte zunimmt, dass der Gesamtnutzen und Gesamtwert zu einander teilweise in Gegensatz treten” [can, despite an increase in their *quantity*, the aggregate value of commodities decrease, because the aggregate utility and the aggregate value occur to each other partly in conflict]. In Neurath's opinion, there is something “Höchst Sonderbares” [highly peculiar] and “Unzweckmässiges” [inexpedient] to this (p. 16). According to him, factories have this, autonomous(!) “Wertrechnung” having the “Fähigkeit Reichtümer zu erzeugen und Köpfe und Hände zu beschäftigen” [ability to create wealth, keeping heads and hands occupied] even when they lose their value.”

<sup>1)</sup> *Die beständige Entwertung der Arbeit* ist nur eine Seite, nur *eine Konsequenz der Abschätzung der Waren* durch die Arbeitszeit; übermässige Preissteigerungen, Überproduktion und viele andere Erscheinungen industrieller Anarchy finden in diesem Abschätzungsmodus ihre Erklärung. "Auf Stelle eines Proportionalitätsverhältniss" haben wir ein Disproportionalitätsverhältnis" [Transl. *The ongoing devaluation of work* is only one facet, just a single *consequence of the valuation of commodities in terms of labour time*; immoderate price increases, overproduction, and many more manifestations of industrial anarchy find their explanation in such a type of evaluation. In place of a proportionality relationship we find a disproportionality relationship instead (*K. Marx, D. Elend d. Philos.* Stuttgart, 1919 p. 41).

possible to predict its regular repetition. “A period of prosperity for all manufacturing is promptly followed by a period of distress. Just knowing a manufacturer to be flourishing today, is enough to have the power to predict, almost with certainty, that in ten years, even in less time yet, he in all likelihood will have succumbed to competition” (Ét. II, 306).

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We propose not to systematically expose Sismondi’s concepts, but rather to emphasize his essential thought. We have done this so far by analyzing phenomena occurring on the goods market. We will complete our demonstration by *the analysis of phenomena appearing on the market for waged labour*. And here too we encounter what we have already reported upon. So far these have cohered only to surface features without entering into the heart of the matter; symptoms, rather than deeply existing root causes. Hence the firmness in repeating that for Sismondi, the source of all disturbances, all crises appearances, lay in the unequal distribution of wealth and in the underconsumption of the working class. “Die Quelle aller Uebel – wrote R. Luxemburg – sieht Sismondi in dem Missverhältniss zwischen der kapitalistischen Production und der durch sie bedingten *Einkommensverteilung*.”<sup>1)</sup> According to Gonnard, “in the eyes of Sismondi, questions of distribution take on a high priority and he has near socialists mores regarding rights of the poor and a minimum of enjoyments<sup>2)</sup>. Nothing is further from the truth. Of course, nobody before Sismondi had thoroughly penetrated the capitalist character of the creation and distribution of wealth, and nobody before him had done such a penetrating critique of this system. With Sismondi we find the seeds of the doctrine developed later by Marx and called *economic fetishism* by the latter; according to whom there exists in the capitalist system a tendency to obscure the objective reality of this regime, its institutions and the real source of its wealth. Exchanges by currency is precisely the instrument by which this artificial transformation process is accomplished. In any economic

<sup>1)</sup> R. Luxemburg, *Die Akkumulation des Kapitals*, Berlin 1913, p. 148. [Transl. “The source of all evil, according to Sismondi, lies in the discord between capitalist production and the *distribution of income* this is able to impose.”]

<sup>2)</sup> René Gonnard, *Histoire des doctrines économique*. Paris 1922. vol. III, p. 208.

system “wealth was always something created by labour” (N.P. I, 67). “The history of all wealth is always enclosed within the same delimitations: work that creates, the economy that accumulates, consumption that destroys” (N.P. I, 62). But while nothing is so easy to conceptualize than this truth, commerce “disturbs our view of an irrefutable objective and makes it nearly metaphysical” (lc.). Just as wealth, revenue is derived from this common origin – work. “It is customary, however – (and this is what makes it metaphysical) – to recognize three kinds of revenue under the names of rent, profit, and wages, coming from three different sources: land, accumulated capital and work.” We must lift the veil of exchange by currency, to see what these phenomena are truly all about. “With some further attention one recognizes that these three divisions of revenue are three different ways to share in the output of the working man” (N.P. I, 185). Through his daily work, a worker produces more than his daily expenses. But the owner of land and capital, through the ownership of those means of production, forced the worker to hand over the surplus “beyond that what is strictly necessary” (N.P. I, 87). This surplus constitutes the rent of the landowner and the profit of the capitalist. What remains is the wage of the worker (lc.), the worker has become a proletarian. “The latter is a man for whom it has been calculated just what he needs to work and still stay alive” (Ét. I, 22). “The owner of the workshop is the only one benefiting from any increased productivity of labour power” <sup>1)</sup> (N.P. I, 92).

Unlike the trivial way by which one identifies capital in terms of the material elements of operative work, however common this is to all forms of production, Sismondi demonstrates that *the character of capital is decided by its exploitative function of work by others*; that is to say, its power to capture what had been created by the worker, in excess to what had been received under the form of wages from the capitalist. “Every time the rich man earned a profit from carried out work, he found himself in all respects in the condition of a peasant who tills the earth. The wage paid to his workers was like a

<sup>1)</sup> So Marx’s Criticism: “Hatten diese bürgerlichen Ökonomen den richtigen Instinkt, es sei sehr gefährlich die brennende Frage nach dem Ursprung des Mehrwerts zu ergründen”. [Transl. “If ever those bourgeois economists do have the right instincts, there is yet quite a danger in delegating to them: figuring out the crucial question of the source of profits”] does not apply to Sismondi, (D. Kapital. Bd. I, 3 éd, p. 528.)

seed entrusted to the earth; which, in a given time, should grow” (N.P. I, 92). The capitalist knew “that the seed would provide a harvest” (lc. 93), a “commodity of greater value” (lc. 88), namely that he would obtain in return, “first a value equal to his entire employed capital”, followed by “a *surplus* he will call his profit” (lc. 93). Contrary to the wide-spread conception, then as well as later, that capitalist profit follows *from circulation*, thus consequently, when capitalists sell more expensively than their outlay, when in short he sells above the value of the merchandise, (profit upon alienation); Sismondi develops the possibility of capitalist profit even when merchandise is sold *according to its value*, that is to say at the cost price as measured by the labour. “He doesn’t gain because his business produces more than what it has cost him, but because he doesn’t pay out all that it is costing”. “The benefit of an entrepreneur is oftentimes nothing but the spoliation of the worker he employs” (N.P. I, 92). However not only the newly generated capital by the exploitative work done by others<sup>1</sup>), but already existing capital is preserved just the same by this operation, “because any wealth that one intends to maintain, has to be exchanged against a future wealth that the work was about to produce. The wage was the price which the rich man got in return for the work of the poor man”. (N.P. I, 90). Solely thanks to the capital “employed to nourish productive workers has a permanent value been created, that multiplies and no longer perishes” (lc. 89). “This value detaches itself from its underlying corporeality, and turns into an insubstantial or metaphysical quantity.” Thus, while it is in the hands of a capitalist, the real function of capital is to become the procreative portion of accumulated wealth” (N.P. I, 88); an abstract value, detached from its material base, and incessantly creating new values: it is a multiplying value.”

Here we have the theory of “extended-value” exposed in substance and in form, with an accuracy that no one else had attained before K. Marx. Sismondi explains not only forms of capital gains like: rent,

<sup>1</sup>) As shown, *Fr. Oppenheimer* makes a mistake when he argues that Marx is the first, “welcher das Kapital als ein gesellschaftliche Verhältnis erkannt das alle Vorgänger für eine Sache gehalten hatten. [Transl. “who recognized capital in terms of an organizational relationship, rather than an object like all his predecessors did.” (Kapitalismus, Kommunismus, Wissenschaftlicher Sozialismus. Berlin 1919, p. 92).

profit, or interest etc., but he envisaged it in its general form, not yet differentiated, and seeking its source, not in the sphere of circulation but in that of *production*.

It is from this theoretical point of view that Sismondi takes stock of the classical school's ideology of limitless labour and incessant production: "The majority of modern economists... don't stop encouraging nations to produce." They forget "that man's only reason for tiring himself out is for a concomitant repose". But in the capitalist system things are very different: "the efforts nowadays, are separated from their reward: it isn't the same man who works and then rests, but it is because one works that another is able to rest" (N.P. I, 76).

So it is only in this system of "two classes of citizens with opposing interests, I mean the class of owners of accumulated work, and the class of men who only possess their vitality," (N.P. II, 347) that superfluous production is possible. If everyone had to work for their own self-made luxury objects, "there wouldn't be a single worker hesitating to choose less luxury and more rest. Luxury is only possible when one buys it with the work of others" (N.P. I, 79). "Thus only because the wealth creating workers themselves hardly partake in it, is luxury possible at all" (N.P. II, 377).

Without any doubt the theory of exploitation and the inequality of distribution is exposed here by using a purely objective economic argument, the product of a careful theoretical analysis, many times better than the views of contemporary English "egalitarian socialist" like: W. Thompson, Bray, Gray, and Hodgskin, who are still to be appreciated for their ethical stance. Yet, despite the originality of his ideas outlined here, nothing would be more false than to claim that Sismondi considered the inequality of distribution, the underconsumption of masses of workers to be the cause of crises, and the need to give it priority in theory as was taken up a quarter of a century later by *Rodbertus* in Germany. Sismondi's analysis penetrates much more deeply into the very essence of the economic system based on exchanges.

When, in a capitalist system based on waged labour, work itself (a life force) has become a commodity,

bought and sold and at the same time evaluating that work as if it were a good on the market, in currency, that is to say in abstract value; all strife resulting from the application of this *elastic measuring unit*, that we have observed on the market for goods, is also clearly happening on the labour market, and so does accentuate a general production anarchy. In the “pure” capitalist system analyzed by Sismondi, which is composed of, as said before, only by capitalists and workers, these possess, at the end of production period A, all the output created by them during this period, a portion of which output attends to the reproduction of fixed capital spent on this production, and the rest being ceded for consumption by capitalists and workers. The portion of output destined for the maintenance of workers in the future production period B, has, as a result of production during period A, an exchange value determined by the work employed in its production, being sufficient to occupy a given number of workers at a given amount of work. But this wage of workers is a flexible amount depending on their competition; that is to say, given the fact that, as far as the market for goods is concerned, no one has determined the number of producers necessary in a certain branch of the labour market, there is no fixed number of workers needed for production either. If in period B, there are too many workers relative to the demand of capitalists, their wages, i.e. the value of work (the life force) drops. “When the value of work is to be established by competition, this value may interminably decrease” (N.P. I, 430). Thus, the same portion of the annual product of period A, earmarked for the maintenance of workers is now, in the period B, in a position to pay more workers, and even to engage a greater amount of work. “The wage is not an absolute quantity of work, but only a quantity of subsistence which was sufficient to sustain workers in the previous year.” Given the changed value of work (of labour power) “the same amount of subsistence will instigate in the following year, a quantity of work that is greater or less” (N.P. I, 105). It is precisely in the fact of having used workers as representing a unit of



abstract exchange value, that the source of the disruption of economic equilibrium lies. The number of workers necessary to create a determined quantity of necessary products, is in effect from the moment a fixed magnitude is given; dependent on technique and entire independent of the level of pay. However, if instead of this natural regulator, we use to establish the number of required workers through exchange values, “the revenue of last year must pay for the production of this year; it being a *predetermined* quantity which serves to measure the *inconclusive* quantity of work *ahead*. The mistake of those who incite an unlimited production comes from the fact that they have confused past revenue with future revenue” (N.P. I, 120).

So, although a greater number of workers is not required, each capitalist, disposing of their capital, is expanding production because of cheap labour . “The bosses are determined to undertake works, not because consumers ask them to, but because their workers offer them a discount” (N.P. II, 450). The natural measure to fix the number of necessary workers, was replaced by abstract values. “Naturalrechnung” [natural computation] was replaced by “Wertrechnung” [value computation] instead. All in all there is an inordinate quantity of workers with diminished earnings, the total annual production increased, although demand did not change, the total revenue of the working class decreases. Result: overproduction crisis.

So we see that the mechanism described above has nothing in common with the issue of unequal distribution of wealth, nor with the underconsumption of workers; far from it, the underconsumption is intensified here as the result and not the cause of the crisis. On the other hand, the disparity of production is the result of applying controls on the quantity of means of production with respect to needs in terms of a altering abstract measure: the value in exchange rather than its natural measure: the quantity of effectively necessary goods, as well as the necessary size of the workforce. “*It is the confusion between the assessment in terms of value in use and value in exchange, that provides the basis for the misrepresentation by the modern chrématistique system*” (Ét. II, 229).

The results that we have reached, are entirely different from espoused views thus far acknowledged. Capitalism is an economic configuration in which all the economic concepts appear in the form of an exchangeable value. But this format of exchangeable value is merely accidental, appropriate only during some historical period, and in no way conveys the real substance of these concepts. Thus, for example, the concept of revenue in a system of exchanges, is formatted as a determinate exchangeable value. But the concept of revenue is in no way amenable to this format; it is a self-determined concept, appropriate to all kinds of economic organizations, and consequently also to a self-sufficient economy. In such a system, “numerical prices cannot exist, because exchanges are conceptually ruled out; and yet the idea of revenue was understood much more clearly there, than in our complex society” (Ét. I, 137). “Such revenue consists of a determined *quantity* of food, clothing, furniture” (Ét. I, 138). And it has only been the introduction of an abstract exchangeable value, measured by work, as being the regulator of production, that brought about all these economic consequences of unrest and incessant upheaval. Continuous technological changes, by the nature of things, would also cause a depreciation of labour, and ipso facto incessant changes in the measuring standard by which we assess the value of all other goods, and control the size of their production. Thus, instead of there being a proportionality between supply and demand, an everlasting disproportion necessarily appears.

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Curiously, these ideas of Sismondi have not been remarked upon; our minds had been so used to the mundane capitalist concepts of economic thinking, that we were no longer able to understand a system whose designs carried us into an entirely different direction. There was one exception however: Karl Marx alone had a clear view of Sismondi’s system and clearly understood it too, although he did speak about it in very brief notes and almost in the form of aphorisms. It is true that in his “Anti-Proudhon” (1847) he called Sismondi a reactionary and in his Communist Manifesto the head of petty

bourgeoisie socialism. But this negative attitude of Marx with regard to the reforming proposals of Sismondi, by no means conceals his true appreciation for the theoretical constructs of the latter. If for the English socialists, both Sismondi's contemporaries as well as those of today, in addition to the many epigones and critics of Marx's theory of value based on *work* had an ethical character, if they detect something ennobling with an at the same time revolutionary premise: an equitable basis for determining the award of future work, that is to say, for the distribution of the social product between its producers<sup>1</sup>); Sismondi and Marx much later, saw the opposite, a source of all the current economic system's troubles. They conceived work to be considered a source of exchangeable value, not for any ethical reasons, but because an objective analysis of the phenomenon of value and price demonstrated, in their opinion, a causative dependence between labour and value. So they never sought to idealize and "ennoble" work as a source of exchangeable value. On the contrary, for Sismondi it is in fact the real source of most of all, disorder, and all kinds of economic crises; and with Marx expressing the same view in his polemic with Proudhon. "The fact – Marx said – that working time serves as the exchangeable value, *enforces by law the constant devaluation of work... Sismondi... sees in this value, consisting of working time, the source of all conflicts between commerce and industry.*" And in accordance with Sismondi, Marx develops

<sup>1</sup>) "Marx möchte offenbar jeden arbeitenden Bürger, wenn möglich, mit mathematischer Genauigkeit lohnen, und glaubt dieses Ziel zu erreichen, wenn jedem Einzelnen, der eine bestimmte Menge von Werten zum Nationalprodukt beigesteuert hat, eine gleiche Menge von Werten als Lohn zugewiesen würde." – "Marx verlangt, dass die Arbeit den Masstab für die Güterverteilung bilden soll." [Transl. "When at all possible, Marx would obviously like to compensate every working man with a mathematical precision; and believes to reach that goal for each individual, having contributed their share to the national product, to receive an equitable amount of goods as compensation in return." – "Marx calls for work to be the measuring rod for the distribution of output." (*Fr. Kleinwächter*, Grundlagen d. Wissenschaftl. Sozialismus 1885, p. 65, 68). – Marx hat die Bedeutung der Arbeit für das ganze moderne Leben gehörig beleuchtet. Jetzt beginnt(!) das Zeitalter der Arbeit... Die soziale Gleichheit ist auf Arbeitsgleichheit begründet. Darin liegt die Bedeutung der Marxschen Werttheorie." [Transl. "Marx has duly lit up the meaning of the work for the whole of modern life. Now starts(!) the Age of work... Social equality is founded upon on the equality of labour. Therein lies the meaning of Marxian value theory." (*Th. G. Masaryk*, Philos. Grundlagen d. Marxismus. Wien, 1899, p. 310).

this thought further: “The constant devaluation of work is only a facet, a *consequence of the evaluation of goods by labour time, the excessive price level, overproduction, and many other phenomena of industrial anarchy are explained by this devaluation aspect...* “Instead of a “proportional association”, we get a disproportional one”.<sup>1)</sup>

In our view, this passage has never been sufficiently taken into account, and whose connection with Marx’s entire theory has not been sufficiently emphasized either. The crises and overproduction, that is to say, the outcomes of economic disparity, are here in conformity with Sismondi, not inferred from the unequal distribution of wealth, nor because of any underconsumption by the working class, *but the basic fact* on which the whole edifice of the capitalist system rests: that *labour time functions as a measure of exchangeable values*, and that therefore all outcomes are based on these variate exchangeable values, constantly amending, constantly being devalued. Indeed, “each new invention”, each machine refinement depreciates work, and because of that, so does the measure of exchange on which the capitalist system rests. That is why, when large industries systematically began to introduce these new inventions, these new machines, disorders have become an inevitable and constant phenomenon – and therefore the critique that Sismondi raised against these machines. And after him, Marx: “Along with the creation of large industrials, actual proportionality (between supply and demand) would disappear and with that, the natural demand for output must go alternatively through prosperity and depression, crises, stagnation, renewed prosperity and so on.” (lc.)

A few months later in his “Communist Manifesto”, Marx said that the actual proposals by Sismondi were simultaneously reactionary and utopian. But with a for him highly unusual deference, Marx emphasizes the extraordinary insight with which Sismondi analyzed the contradictions of the new production outcomes. “He has torn the veil of false optimism from the bourgeois economy. He has irrefutably demonstrated the destructive effects of machinery

<sup>1)</sup> K. Marx, Poverty of Philosophy, ch. 1, § 2.

and the division of labour, the concentration of capital and land ownership, the mechanism of overproduction and crises, the necessary downfall of the middle class and independent farmers, the misery of the lower classes, the anarchy of production, glaring inequity in the distribution of wealth, implacable wars between industrial nations”<sup>1)</sup>.

Marx reviews Sismondi again in his “Mehrwerttheorien”, written around 1865. “Sismondi – he said – expressed a profound sentiment in that capitalist production is embroiled in contradictions, like the contradiction between value in use and value in exchange, between merchandise and currency, buying and selling, production and consumption, capital and labour, etc., all expand much more than is encompassed by the productive force. Above all he senses this fundamental contradiction: on the one hand, an indomitable growth of productive forces and increasing wealth in the form of merchandise, which therefore needs to be sold; and on the other, basically limiting its producers the necessary means of existence. For this reason, crises for him are not as those for Ricardo, accidental phenomena, but a great many assured blowups and periodically, inevitable conflicts.”<sup>2)</sup> “*Sismondi made history in political economy*, by having presented this contradiction.”<sup>3)</sup> Also in “Zur Kritik” (1859), Marx clearly affiliated himself to the analysis of Sismondi, about the principle of work being “socially necessary”, as Sismondi calls it with respect to the discord between value in use and value in exchange”<sup>4)</sup>.

More important than these critical glosses of Marx's, is the positive theory that he formulated in “Zur Kritik” and later again in “Capital”; which, as far as he is concerned, is but a more profound and comprehensive development of what we already in immature form encountered in Sismondi's doctrine about the contradiction between value in use and value in exchange.

Given the above, all of Andler's efforts, to the effect of demonstrating the indirect influence that the epigones of Sismondi, like *Buret, Vidal, and Pecqueur*,

1) *Ch, Andler*, Introduction historique et commentaire au Manifeste communiste. Paris 1901 p. 173.

2) *Marx*, Mehrwerttheorien 3 éd (1919) III, 55.

3) *lc.* p. 308.

4) *Marx*, Zur Kritik, p. 44.

would have had on K. Marx, (lc. p. 110, 175), seems superfluous, since it is quite well possible to demonstrate Sismondi's own direct influence. But the problem is to nail down the characteristics of this influence. Can we be in agreement with Rist, when he posits that: "of all the ideas that Marx adopted from Sismondi, the most significant one is that the *concentration* of wealth among a small number of owners is leading to an increase in the proletarianization of the labouring multitudes"? According to Rist "this idea, which is the linchpin of the Communist Manifesto and continues to be the foundation of Marxist collectivism, belongs to Sismondi" (lc. p. 229). Nothing is further from the truth. The concentration of wealth and proletarianization of masses of workers is not in the least a theoretical *conception*, but an empirical observation of economic developments often observed from the middle of the Eighteenth century<sup>1</sup>). Marx had no need whatsoever to borrow Sismondi's facts established by the industrial statistics of contemporary England. But what Rist doesn't get and couldn't possibly understand, is that there are root causes that necessarily condition that concentration of wealth on the one hand and the misery of the working class on the other. It is exactly the *explanation* of these phenomena that Sismondi introduced. Similarly, Sismondi's fundamental ideas were neither understood, nor even discovered as such, and no true linkage between Sismondi's conceptions of and the basic concept of Marx could be grasped .

### III. SOCIAL POLITICS of SISMONDI. – CONCLUSIONS.

The ingenuity of Sismondi's conclusions have often been pointed out as well as the discrepancy in his objectives; sometimes we saw in him a spokesman of petty bourgeoisie illusions, sometimes as a timid reformer aiming to eliminate the "abuses" of this regime, without wishing to undermine its foundations.

<sup>1</sup>) "The little by little accumulation of wealth into a small number of hands; to promote a few clever people, all others are reduced to indigence." (*Holbach, Système Social*, (1773), part III, ch. 7).

We have tried to show that the strength and originality of Sismondi reside mainly in the theoretical analysis he puts forth; it concerns the capitalist system, while social policy places a very modest role in his thoughts. Clearly, Sismondi did not advance from the domain of solid practical conclusions emanating from his theory, into a *clear program of action*. Instead he declared that “one can never count on being sufficiently certain about theories, however well established” (N.P I, 449). This conviction made him cautious in terms of programs and forced him to limit his policy recommendations to needs that were directly experienced in those times. Anyway, clearly formulating plans of action for the future would have been difficult, in a time when the capitalist system was just emerging from the previous organization.

But is it true, as Andler and Gonnard assure us, that the entire reformative thought reform of Sismondi is reduced to the premise of “insurance legislation”, a “professional guaranty”, which Sismondi thought would *all by itself* disseminate worker protection similar to what the justice system had granted to him; that his prescribed political platform of interventionism asked the State to intervene only to soften competition, to protect the weak against the strong and that business leaders and agricultural managers should be forced to dispense mandatory insurance, and be responsible to provide for the needs of their workers in the event of unemployment or distress?<sup>1)</sup> In response to this supposition, we are of the opinion that at least as far as Sismondi’s theorization is concerned, we can facilitate the comprehension of the characteristics of his proposed diagnosis regarding the malignancy of the economic system and the means by which he proposes to address this, by pointing out that seemingly: the contradictions he is being criticized for are often only apparent, and that in his proposals there may be something more than what up until now has been noticed.

Sismondi’s diagnosis established that the disparity of the means of production with respect to demand is the inevitable consequence of applying, as control of this production, abstract and always varying, exchangeable values.

<sup>1)</sup> *Ch. Andler*, Introduction, p. 177; *Gonnard*, lc.III, 213.

This assessment is the necessary result of the current economic organization, based on free competition by an arbitrary number of producers independent from one another, and remaining a social union solely by means of exchanges. Under these conditions, disorders and conflicts of the capitalist system cannot be avoided and necessarily occur in this system, as well as in the economic doctrine that reflects “*the intractable issues that modern political economy is loaded with*” (Ét. I, 197). Sometimes, for example, it has been tried to force labourers to work excessively, while at the same time there was “no hesitation to dismiss them from doing any work at all” (lc.).

Whoever would characterize this state of affairs to be a disorder, who would perceive those defects to be stemming from the very foundation of the current regime, who for that reason, criticized the economics of his time to be relying on abstract exchangeable values and thereby found “unsolvable questions” in the impasse – that person would conclude that a remedy lies in rebuilding the foundation of this regime. If the source of evil is in how *exchanges* are organized, with its imperative consequence of an abstract measure of value, then a radical cure of the economic organization is only achievable by grounding the economic setup on an entirely different foundation, by functioning *without systemic exchangeable values* instead.

Is there such a program in Sismondi? Did he draw all its conclusions from the principles that he posed? There is only one thing that we can say with certainty: Sismondi had in any case, if not the *exposit*, then at least the *ideal* of a better system in the future. Although he has been accused of longing for the way things were in the past, he himself has said: “In no way do I want what has been, what I want is something much better than what is”. (N.P. II, 433). His interest in the past stems only from his perspective as a historian and in order to draw lessons from it: “The way things are today cannot be judged in terms of the way things were in the past and I am far from wanting to resurrect ancient ruins” (lc.). He is simply an opponent of the present, and his objections bear “against the modern organization of society, an organization that provides no protection against competition” (lc.). In support of the ideal that he is pursuing, he makes several sociological arguments: he



protests against those who believe the defects of the current system to be unavoidable, saying things are the way they are because the current system just cannot be changed. “It is the belief in a kind of *fatalism* that takes hold of us and the inclination to close our eyes when running towards a precipice, as soon as we do not expect there to be any possible escape” (Ét. II, 335). Also these people are so accustomed to the current regime that they cannot even imagine another one: “Our eyes are so used to this new societal organization, to this universal competition that is degenerating into hostility between the wealthy class and the working class, that we no longer can conceive of any *other mode of existence*” (N.P. II, 434; Ét. I, 92).

In contrast to this fatalism resulting from the conviction that the existing system cannot be changed, Sismondi *describes the historical evolution of regimes*. Society has the opportunity to modify itself “because organizing human society is our task”. (Ét. II, 372). The contemporary setup is, in fact, of a quite recent date. “This organization is so new that it is not even half established.” (N.P. II, 434). It would be difficult to believe it to be indefinitely sustainable: it establishes itself at the cost of disassembling older systems, that themselves had done so in turn. Each of these older systems had become the reigning organization because it proved to be superior to the system which had immediately preceded it. “Each of these systems seemed to be a progression towards civilization. *Slavery* itself, followed from a savage state of universal warfare... as it superceded massacring its prisoners, it was a society in progress” (N.P. II, 435). And it took a long time before this system became an obstacle to further progress and contributed to the fall of the ancient world. This was followed by the feudal period, based on *vassalage and serfdom*; it being the first improvement in the condition of the poor. (N.P. I, 208). “Feudalism also had its bright and prosperous times” and it also took a long while before the feudal system “became intolerable”, (N.P. II, 437) because “the social order, constantly threatened, could only be maintained by violence” (N.P. I, 207). It therefore became replaced by the system of *guilds*, and finally by our “system of *liberty*, which puts us in the picture, the revolution not even having been halfway accomplished”. Having presented this historical development,

can we pretend that “the day-labourer system” will be the last form of progress, since we cannot imagine something better will succeed it? “While any of these three systems were in force, what could be replacing it later would have been inconceivable too; *a rectification of the existing order would have seemed, similarly, or impossible or absurd*” (Ét. I, 95). Based on the fact that the old systems ultimately showed to be disastrous “because, after initially having done a bit of good, they then weighted down mankind with terrible disasters – can we conclude that nowadays we have arrived in the right”? (lc.). From the above reasoning necessarily derives the conclusion that “our present organization, that is to say, a worker subduable one” (N.P. II, 318), is historically transient also and will be replaced by a superior system in the future <sup>1</sup>). This will only take place “when we discover the fundamental defect of the day-labourer system, just as we discovered those of slavery, vassalage, and the guilds” (Ét. I, 92). And it is only reflecting upon this regime to come, that Sismondi could have said: “The time will come without a doubt, when our descendants don’t judge us any less barbaric for having allowed the working classes to be without any security; then we ourselves consider barbaric, the nations that have reduced these same classes to slavery” (Ét. I, 93).

That is why *Ch. Rist* is trying in vain to interpret Sismondi’s thoughts, exemplified in the latter’s criticism of “abuses of competition” (lc. 224), by showing that defects are specific to the period of transition between the former and the new organization, and that the substance of his doctrine is reduced to a “protest against the indifference of the classicals vis-à-vis the distress during transition periods”. Rist then adds: “But Sismondi is a historian. He is particularly interested these transitional periods that lead from one scheme to another and involve so much unmerited suffering” <sup>2</sup>).

Such expression obliterates the very meaning of Sismondi’s

<sup>1</sup>) Marx, rightly noted that Sismondi “felt that the productive forces created in capitalist society... must create new forms of hoarding wealth; capitalist forms that have a transitional character and are inconsistent”. (Mehrwerttheorien III, 56).

<sup>2</sup>) Ch Rist, lc. p. 210.

thought. No, he is not criticizing periods of transition from one regime to another, but the very foundations of the present regime, not the “abuse” of competition, but the very principle of competition itself. Overproduction with all its consequences is not a transient phenomenon, but “the congestion of markets is on the contrary, the inevitable result of a system wherein one finds oneself mired” (N.P. I, 372), the inevitable effect of the “fundamental flaw of the day-labourer system”. This is thus not some one-time event in a period of transition between the old and the new organization, but a phenomenon with its roots in the structure of a new vicious regime, acting out as such in order to establish itself, and with ever increasing effect as the scheme develops to become the reigning economic variant. This is with the greatest possible clarity expressed by Sismondi in his polemic with J.B. Say, in 1824, “for seven years now, I have been pointing to this indisposition of society, and for seven years it has continued to deteriorate. I cannot see in this prolonged suffering, *a crumpling that always accompanies transitions*<sup>1)</sup> and... I think to have shown that the anguish we experience is *a necessary consequence of organizational flaws of ours*, that are not even close to having ended” (N.P. II, 463) and a few years later, in his “Etudes”, Sismondi could affirm that the distress had newly gotten worse, and that although there had just been a bit of a rare upswing, it has only continued to aggravate the situation of the poor”. (Ét. II, 334).

It thus seems certain that Sismondi envisions for the future, the need for a better regime than the present one based on competition; but for special reasons that we will get to soon, he never tabulates that system. Anticipating objections, that makes him “indicate what remains to be done”, he affirms: “We would like to convince economists... that their science is now on a false path. But we have not enough confidence in ourselves to point out which way is indeed a veritable one”. In any case, the ideal of a better future system just glistened in his eyes, and he did not even think about making only small corrections to the present social order – which results

<sup>1)</sup> *Italics* by Sismondi.

precisely from what he insists on, the *difficulty of conceiving* this future mode: “One of the greatest exertions we can push our mind to make, is obtaining a clear conception of society’s organization. So who would be a bright enough man to *conceive of an organization that does not even exist yet*, to construe the future; as we already have so much difficulty in envisioning the present” (N.P. II, 448). Only a regime entirely different is difficult to conceive; corrections of details however, not so much. But ahead of the tactics of future socialism, Sismondi would have to be content with showing the need for a future superior system, thus at the same time setting his own limitations “to the analysis of the system in which we have just entered” – without getting distracted by a comparison with a “*most ideal theory*” and “before considering a system that will *replace*” the existing system. (N.P. II, 449).

What could have pushed Sismondi to do otherwise? We have already noted his scientific discretion in formulating a course of action that at most “could not have been such an ideal theory”. But Sismondi mentions another reason, more serious still. For him, as theorist, he is primarily concerned with explaining the existing mechanism and finding “the fundamental flaw”, because, as we know, that is, in his opinion, the necessary precondition to achieve a change in regime. That is why Sismondi does not want to indicate concrete ways of amendment. “If I presented here what I judged to be a cure for the ills of contemporary society, its critique would abandon all *examination* of these ills and concentrate such instead only on my *remedy*... and the question of a balance of consumption with production would not come to be judged at all.” (N.P. II, 449). This passage allows us to conclude that Sismondi does have what he considers to be a “remedy” against the indisposition of the social system, and the reason for its non-divulgence is only not to divert attention from his theoretical purpose: to establish the diagnosis of malevolence afflicting the regime of his time. For elsewhere, concrete remedial projects have met with little success, as evidenced by reformers of those times, like: Ch. Fourier and Juste Muiron, whose works had recently been published. So it is precisely because he does not go into details that Sismondi is superior to these utopian socialists. Whereas they were drawing up chimerical projects,

Sismondi *through his critique undermines the very foundations of the system's superstructure of his time*, and indicates “that there is without doubt something very wrong with the social order”. To Sismondi a critique of the shaping elements of this regime, for the time being is most important; because of the inertia of the mind, once having been convinced, human beings fear to abandon explanations: “We have to struggle against the apathy of the human spirit; which, beguiled by the latest statements of some scientific authority, refuses to fall back onto first principles, and undermine the axioms on which they rest” (Ét. II, 334).

Evidently, the evaluation of these fundamental principles systematically in effect, in general led to a *positive direction* of Sismondi's thought. He agreed to an organizational ideal, in which the *competition* from producers independent of one another, would be replaced by *rational controls* on the scale of production, according to the magnitude of needs, independent of exchanges and their oscillations in market prices. With respect to agricultural production, he says: “For the security of a nation, it would never be appropriate, that their livelihood depends on market fluctuations” (N.P. I, 264). We have seen above (p. 39) that Sismondi's “Nouveaux Principes” are based on the *proportionality of production output with respect to the needs* of society; and that this is the crucial point by which it differs in essence from Say, Ricardo, Malthus and MacCulloch. It is this idealistic economic system in its proportionality, that inspires Sismondi to this comparison: “All the interlinked motions of society are resulting from one another, like the movements of the various gears in a watch.” (N.P. II, 454). In this properly controlled regime, without free competition, human activity finds its purpose, not in the struggle of men against men, but in the struggle to dominate nature: “It is not that there is no room for the development of human activity in wealth creation, all the time... man is supposed to struggle with nature and not with other human beings”. (N.P. I, 410).

In an ideal regime without competition, in which production is organized systematically in each branch of it, any change, such as for example an extension of production, can occur in one branch to the exclusion of another,

but must be done systematically for all branches, if one does not want to impinge on the scheme's equilibrium. "When the progress of wealth... is *proportional* within itself, when none of the parties falls out of line, a universal welfare is spread, but *as soon as one of its components performs its activity earlier than another one, there will be suffering*" (N.P. I, 409) <sup>1</sup>).

Obviously this quantitative determination of the various branches of production cannot be the work of chance, but the result of a concerted action by a central authority instead: thus Sismondi demanded that the government "put a stop to increased *disorder* in industry" (N.P. I, 415). According to him, "the duty of government would be to retard the movements *in order to regularize them*" (N.P. I, 410). Seen from this point of view and under the influence of the Italian economic tradition

<sup>1</sup>) The formal outline in the "Essay in answer to Ricardo" is simply an attempt to establish *precise quantitative proportions exactly determined* according to the dimensions of production in each branch of the social activity. Assuming that, at a given technique and level of wages, farming employs 10 people, Sismondi concludes that for the system to be in equilibrium, we must determine the size of production in such a way that the industrial capitalist in the industry producing essential goods employs  $23 \frac{1}{3}$  workers, and in the industry producing luxury items  $4 \frac{2}{3}$  workers, those together with the 10 farm workers and the two entrepreneurs makes 40 people. Only in these proportions, determined exactly in the various branches of production and the condition of a constant value, would an equilibrium of consumption and production be possible. But since this constant value is not compatible with a system of exchanges, where value, following never-ending technical revolutions, is subject to incessant fluctuations, whenever a technical improvement increasing the performance of this work is made and by the same token depreciates that work in the given branch, it must result and indeed does result, as demonstrated by Sismondi, in oversupply; a disturbance in equilibrium which, according to our author, makes a system of exchanges impossible. So, counter to conventional wisdom, Sismondi proves that the scheme based on the abstract measure of exchangeable value has to lead to a *constant imbalance*. That is why he seeks to fix the proportion of production of each branch, according to a different principle, without resorting to the measure of exchangeable values; notably, according to the principle of *proportioning the actual size* of the means of production with respect to the magnitude of needs.

of the Eighteenth century<sup>1</sup>), political economy would become “a science of government”; in the same sense as that includes Saint Simon when he talks about the need to replace the current system “by an administrative system”, or yet, as it is understood by German theorists: “Verwaltungs-Wirtschaft” [administrative economy]. The *chrématistique*, that is to say, the free rein of individual producers, is replaced by a systematic *regulation* of the economy according to the principle of self-sufficiency, otherwise known as “the precept of the house” within the Aristotelian meaning of “*oikonomia*”. “We consider political economy, the precept of the house and the city, to essentially be a science of government. It is resolved... by *establishing a plan of conduct* or influence, that is most advantageous to society” (Ét. II, 238).

It is with respect to this general principle that Sismondi abstains from exposing in detail what to him is the ideal objective, what in his thought system would be the *utmost course of action*, the fundamental “remedy” for the by him pointed out indisposition of the economic system. If Sismondi stops short of laying out these remedies, his incertitude relates primarily to the latter part, the utmost course of action available. Should we see a paradox here if, in spite of the declaration, he does not come right out with any remedies? Several times and at places separated by just a few pages he nevertheless indicates them, such as when proposing to remove all laws that adversely affect the division of inheritances, protecting workers against coalitions of employers, or when he asks for laws that would compel employers to guarantee the livelihood of the workers they employ, and so on (N.P. II, 451). Or yet, when he proposes to ensure each worker a certain ownership of his work, to set limits to competition (N.P. II, 435)? Consider the issue more closely.

In Sismondi’s theoretical way of thinking, the real cure of the indisposition is possible only through a change in the construction of the current regime. For him that is the only effective means to set the situation straight. Sismondi fails to dwell on this subject and we have already said why, but he was confident of the triumph

<sup>1</sup>) See, R. Gonnard, *lc.* III, 206.

of this idea in the future, and he prepared for this victory by a theoretical elucidation, of public opinion, all the while being restricted to posing practical conclusions for the time at hand. “But *while the current situation lasts*, while the well-being of the poor is being sacrificed because of the effects of free competition” (Ét. I, 113), it is a must first of all to *soften of the effects* of this regime, by creating barriers to tendencies that are naturally germane to this regime; because these barriers “provide time... granted to those who have been affected, a *recovering from their injuries* in ease” (Ét. I, 110). Sismondi recommends to economists, “that they grant to the generations rendered superfluous, the time to *let it pass*” (Ét. I, 113). Because “*our first consideration must be to stop human beings from suffering, after that we can think about the future*” (N.P. I, 449). And since, according to him, those who are forever expanding production, mainly from the perspective that personal profit creates big capital, as it is primarily “the stupendous fortunes which disturb the equilibrium of society”, there is a reason that “legislation puts obstacles in the way of accumulation, or to the agglomeration of capital” (Ét. II, 459).

We have seen that Sismondi’s struggle against big business is in no way inspired by the desire for a more equal sharing of wealth, nor by any aspiration towards the organization of guilds in the Middle Ages. “In no way do I want what has been... I am far from wanting to resurrect ancient ruins” (N.P. II, 433). “It is in no way a type of guild management that he strives to reestablish”. Indeed, these could never be a means to the salvation of workers employed in manufacturing, machinists; because “since the general upgrading to machines, all those who used to perform almost the same tasks that the machines are doing now, have been removed from their influence” (N.P. I, 435). On many occasions he complained that he never had any intention to renounce all technical improvements, inventions, as applied to machinery (lc.). If however, as we have seen, he wants to create “obstacles” to big business, this has to be because of his profound pessimism; the belief that as long as the system of free competition, the waged system remains in force, economic troubles are inevitable, whose remedies are not to be found within, and that only in the interests “of the victims of this organization



that crushes them” (N.P. I, 378) must, with help of obstacles, its development be delayed.

Only when moving to this interpretation, Sismondi becomes understandable when he says: “We agree, that in effect: to these great injustices, we cannot offer more than *palliatives*, which must seem awfully inadequate”. (Ét. II, 335). And a little later, he once more insists: “To alleviate distress of such severity as at present... we know only palliatives. Firstly, the most important is *to enlighten public opinion...*” (Ét. II, 363), and he then proposes ways to delay development, that is to say, to reduce the harmful effects. In regard to this he says: “about the remedies that we are proposing, there is nothing illegal, nothing revolutionary, and nothing visionary either, nor is it requesting a new organization of society” (Ét. II, 372); and from those suppositions, conclusions were drawn that Sismondi had no vision beyond the framework of the existing regime. But the means that he proposes can be called palliative, both by someone who presumes that there is no effective cure, or, as Sismondi does, recognizing in principle the historical necessity of the move towards a higher form of organization, considers all other means as ineffective, or as a palliative only partially effective. These palliatives are Sismondi’s *minimum program*, “as long as the current organization is in force”, and that is why from this point view “the first and most important remedy is to enlighten public opinion”. It is therefore in the first place a question of getting a good idea about the causes of disorder, the defects in the setup of the current system, this being the precondition for a future fundamental reorganization.

It is precisely this pessimism that puts its stamp on Sismondi’s interventionism. Rist has indeed been wrong to claim that Sismondi was the first interventionist. Interventionists, is what the mercantilists had also been. The essential difference consists in the entirely distinct manner of conceiving the *dynamics* of the economic mechanism. James Steuart, representing the most prominent mercantilist of the Eighteenth century, calls upon powerful intervention all the time. And he does so because, as he claimed: government intervention can and must *maintain the economic mechanism’s balance*. The interventionism of

Sismondi is of an entirely different character. A half-century of capitalist development had dispelled all such illusions, and Sismondi found that an equilibrium of this mechanism is impossible. If one “almost constantly invokes this intervention by government”, this would only be to *protect the victims from distress*: “We regard the government having to become the protector of the weak against the strong, the defender of those who cannot defend themselves” (N.P. I, 52). And that is where Sismondi differs from future movements of social reform.

Such organizations called for the reform of the existing regime, while retaining the foundations of that regime; for Sismondi however, these would only be half measures, because as he said, its very foundations are vicious. The program of your reform looks at the State as an institution above the classes, predisposed to safeguard the social interests of all. Sismondi is pessimistic on this point also. For him *the State is the champion of the owning classes*. “The government, most often protects the established order, without even considering the rights of all constituents, unceasingly giving powerful support to those that have, against those who do not” (N.P. II, 156). The government sets its support agenda in favour of the capitalists and against the workers: “While these unfortunates quarrel about a wage that will ensure their livelihood and those of their children... soldiers and the police are watching them, eagerly awaiting the first uprising so they can deliver them to court to be severely punished” (N.P. I, 378). The social institution’s greatest expense is to defend the rich against the poor” (N.P. II, 155).

These considerations by Sismondi on the power of government show that he was far removed from any idealization of the present State, as espoused much later by the school of social reform.

If however, he advocates State intervention in favour of the weak he does not consider that anymore than *a half measure for a transitional period*. In principle These disadvantages can in principle only be overcome in a system without competition.

\* \* \*

Now let’s finally summarize our analysis of the work of Sismondi. Can we consider him to be a socialist? Certainly, if we apply the usual criteria of socialism:

abolition of private ownership of the means of production, abolishing the difference between rich and poor – *Sismondi was not a socialist*. It is not that he was an obstinate defender of private property. Far from it. Although Saint Simon for example, proclaimed around this epoch (1818) that: “The existence of society depends on the conservation of property rights”<sup>1)</sup>, Sismondi does not recognize the intangible and perpetual right of land ownership: “It must be considered just like all other social institutions, for the good or evil that results from it for society” (N.P. I, 152). It is a “*gift from society, and not a natural right* bestowed to it from earlier times” (N.P. I, 159). As a historian, he knows that many peoples are not familiar with the concept of private land ownership, and that the institution of such property is descended from historical development. The ownership of land is not based “on a principle of *justice*, but on a principle of *public utility*”. Society may determine the conditions under which it grants property to individuals, it can regulate them too. If its owners act against the interests of society, it must submit land ownership to legislation that results in the *well-being of all*” (N.P. I, 160).

However despite these contemplations about ownership, and although, as we have seen, his ideal was a system without competition, he never did advance the premise of the abolition of private property; he only presents that disorder is due to exchanges and that these exchanges themselves are unresolvable phenomena related to an economic organization based on individual ownership.

Despite this attitude of Sismondi regarding private property and the question of individual ownership, Sismondi *constructs the ideal regime* of free competition, consciously and in a systematic manner regulating the magnitude of production relative to that of needs. We are nevertheless obliged to see Sismondi as a socialist, to diagnose whether socialism was his goal, if we stick to yet another criterion “that characterizes economic socialism: the condemnation of competition and the call for a rational coordination, that is

<sup>1)</sup> Oeuvres de Saint Simon (Rodrigues) Paris, 1832. II, 265

systematical, and not uncaring about economic elements either”<sup>1</sup>). After having asked on what basis such a new organization should be established, Sismondi came up with a truly original doctrine; that such a coordinated rational organization is not possible for a system based on the abstract measure of exchangeable values, regulating the extent of production. It is precisely this point that his critique of the existing regime and his positive economic views that oppose it, are much more profound, and cover an entirely different scope than the contemporary enunciations by theoretical utopian socialists. These socialists, such as J. Gray, R. Owen, or as later Bray, and during the revolution of 1848, Bonnard and Proudhon, only attacked money, and were aiming to abolish the “privileges” of precious metals, while *keeping commercial exchanges, and the exchange of goods unaffected*; formulating exchange-bank projects wherein the role of the coinage is filled by a currency based on the work – such as for example the projects of value certificates issued by the National Bank, conceived by J. Gray in 1831, or Owen’s Labour Exchange in 1832, the Central Bank of Bray in 1839 <sup>2</sup>), and then during the revolution of February the well-known project by Proudhon and the Bank of Exchange of Bonnard in Marseilles<sup>3</sup>). They believed in basing exchanges not on coinage but on work instead, and therefore introduced a “fixed and unchanging” measure of value <sup>4</sup>); thus securing for the worker the entire outcome of his job. On this point, as we have seen, Sismondi separates himself from many of the utopian socialists and demonstrates – as Marx is to do later that work being the cause of value means that this measure cannot be fixed, that it must necessarily

<sup>1</sup>) See R. Gonnard, lc. III, 25.

<sup>2</sup>) See J. Gray, *The Social System etc. Treatise on the Principle of Exchange*, Edinburgh, 1831; Bray, *Labour’s Wrongs and Labour’s Remedy*, Leeds 1839. (*Marx*, *Das Elend d. Philosophie*, 7 ed. 1919, p. 52, 162).

<sup>3</sup>) *Gide and Rist*. lc. p. 362; K. Knies, *Das Geld*, 2nd ed. Berlin 1885, p. 240.

<sup>4</sup>) See F. Muckle, *Die grossen Socialisten*, 1920. I, 53. All have seen fit to take work as a basis for exchange, the “revolutionary theory” of the emancipation of the proletariat from all exploitation. Marx’s reply to them: “The value measured by work time is *necessarily the formula for the modern enslavement of workers*’, and not as Proudhon assured: a revolutionary theory of the emancipation of the proletariat” (*Das Elend d. Philosophie*, p. 25).

also be subject to incessant fluctuations and for this reason evokes the undermining of society. Also Sismondi does not merely want to get rid of exchanges by monetary means, but also wants to avert all exchanges of value, he would not only destroy money as a measure of value, but any measure of value at all; and replace it by production controls, regulating its size by means of actual proportions in natura. In this regard Sismondi's idea was both more profound and consistent than the "socialist exchange banks" <sup>1)</sup>).

This being a consequence of viewpoints according to which the regime would function and assumes that there would be no development of tangible remedial projects such as exchange banks, or small communes, as some rationalizing socialist like Owen and Fourier dreamt about, but instead should be the transformation of present capitalism, according to new principles constructed in the interests of the working classes; he says: "I would seek a means of ensuring that the products of work go to those who do the work, and that the profits from machines goes to those who make machines" (Ét. I, 105). He considers this premise to be impossible to achieve with a regime based on exchangeable value mensuration, leading to the concept of a system without exchangeable values. Sismondi is trying to model this new reconstructive principle of the future regime, not through voicing arbitrarily created imagery, but through analyzing both the ruling regime, and former historical economies. In this respect, we must consider Sismondi's analysis to be the first of the methodical studies, as later carried out by scientific socialism.

Sismondi however evades the problem, and does not examine how it is possible to get rid of exchangeable value mensuration, as regulating the size of production, without the abolition of private property. It is precisely regarding this point, that Sismondi becomes susceptible to Marx's fair criticism against the attempts by utopian socialists to take away coinage, a critique according to which "products must be *produced as merchandise*, but *not exchanged as*

<sup>1)</sup> *Marc Aucuy*, Les systèmes socialistes d'échange. Paris 1908.

merchandise”<sup>1</sup>). Marx ridicules those utopian socialists who do “accept merchandise but don’t consent to money”<sup>2</sup>), and he affirms that “between goods and money a *necessary link* exists”<sup>3</sup>): “hard currency is already inherent within the invisible measure of value”<sup>4</sup>). In this regard Sismondi’s idea goes beyond the concept of socialist exchange, but it also stops halfway. Thus the criticism of Marx is quite legitimate when he says that Sismondi: “rightly *appreciates* the contradictions of capitalist production, but *does not understand them*”<sup>5</sup>).

Sismondi does not tell us who will conduct or facilitate this evolution, this economic reconstruction of society. He does not direct himself to any particular social class. The proletariat, in whose interest he was fighting, in his time was a passive multitude, singularly unfortunate. What Marx was saying about theorists of the proletariat, can be applied to Sismondi as well: “As long as they seek science and are content to build models... they only see misery within poverty and do not notice revolutionary facets”<sup>6</sup>). In this regard Sismondi concedes a first place to Owen. On the other hand the supremacy of Sismondi over St. Simon comes to the fore in that while the latter happens to be in the forefront of the “industrial” fight against a feudal backlash; and with this industry including, along with the most diverse agricultural and commercial sectors, business owners and workers, in short: effectively masking all the then existing contradictions – Sismondi’s opposition is completely modern. With a clearness that nobody before him had practiced, he highlights the discrepancy of class interests between owners and the paid proletariat: “he denounces industrial big capital”<sup>7</sup>) and with a penetrating criticism he rages *against capitalism*, making it prudent to attribute its scientific discovery to him.

<sup>1</sup>) K. Marx, Das Elend (1919), Appendix p. 167.

<sup>2</sup>) K. Marx, Zur Kritik p. 53.

<sup>3</sup>) K. Marx, P. Das Elend 168.

<sup>4</sup>) K. Marx, Zur Kritik p. 53,

<sup>5</sup>) K. Marx, Mehrwerttheorien, III, 56

<sup>6</sup>) K. Marx, Poverty of Philosophy.

<sup>7</sup>) K. Marx, Zur Kritik p. 44.

Admittedly, Sismondi often deviates from the line that we have tried to characterize: it would be very easy to highlight and show the contradictions of his fundamental concept. However, these deviations only prove that Sismondi's script is not ivory tower, but pertains to a living reality. From this wide variety of phenomena and in opposition to the classical theory, Sismondi unleashed in fact, a brilliant flash of geniality, a unified conception on which this heterogeneity of phenomena has left its mark all over the place. Whether we call it socialist or not, his immortal glory in economic science is that he is the economist who for the first time scientifically demonstrated that an economic system based on abstract exchangeable values, as the sole purpose of production as well as regulating it, necessarily leads to upheaval and *unresolvable challenges*; and it has been this cardinal point of Sismondi's doctrine, that was one of the most important sources for the genesis of Karl Marx's scientific economic concept.