5 Marx on Poverty: A Theoretical Exposition

Introduction

When Karl Marx in the early 1840's confronted political economy, it was a "dismal science". Malthusian population theory, David Ricardo's theory of the declining rate of return on land, Nassau Senior's "last hour", as well as the "iron law of wages", gave the air that poverty was something natural and inevitable. For the working population poverty was in the "spontaneous order" of things. Dressed up in Herbert Spencer's reading of "the survival of the fittest", and in Bernard de Mandeville's famous "Fable of the Bees", the poverty of individuals was further explained as the very precondition for the "progressive" development of civilisation. All in the "natural order" of things. As Friedrich Engels noticed in his Outlines of a Critique of Political Economy from 1844, political economy had abandoned the optimistic conclusions of Adam Smith that outlined the wealth of nations, "a get-rich economy", for Malthusian population theory: "the crudest, most barbarous theory that ever existed, a system of despair..." (Engels, 1964, pp. 197-199). Marx and Engels, both increasingly drawn to the communist movement, could be nothing but discontent with the scientific method and conclusions of political economy. They could only disdain a science, which first had declared that labour is the source of all wealth, but in which at the same time "labour comes off badly" (Engels, 1964, p. 212).
Marx’s subsequent critique of political economy, culminating in *Capital* (and from the viewpoint of history of economic ideas *Theories of Surplus-Value*) covers this political economy on almost all counts. It could be argued that the conception of “poverty” (as in the unequal *distribution* of assets) is not the main target of Marx’s criticism.1 But in Marx’s writings we can discern outlines of a conception of poverty and how it is to be explained in capitalist society, a conception, which is not only thought-provoking, but, arguably, inevitable to confront for adherent and critic alike to this day.

To put it succinctly, I will try to show how Marx’s conception of poverty differs from most mainstream accounts. These accounts, all other disagreements aside, tend to see poverty as something that hits upon individuals, who for various reasons (marginalization, discrimination, lack of education, “unfair” distribution of resources etc.) are denied access to, i.e. are *separated from society*. To these accounts, most often wealth and poverty are the antipodes of one another, and poverty is regarded as solved by “integration”, “education”, and the production and (more equitable) distribution of more wealth. To be sure, there is nothing in Marxist theory *per se* that denies the possibility, indeed the likelihood, of discriminatory, marginalising and “unfair” practices in modern capitalist societies, as well as the occasional occurrence of individual fate and “bad luck” as reasons for the poverty of individuals. But the main objective of Marx’s approach, from this point of view, was to conceive of how, in a capitalist society, poverty and wealth are *produced simultaneously*, i.e. how poverty is continuously reproduced *with* the capitalist production of wealth. This helps explain how the poverty of individuals is necessarily structurally generated *within* the system itself – not as a marginal external phenomenon, but located in the very core of its logic.

Below I will attempt to show how Marx’s theory can be constructed into a theory of poverty, focusing on his theory of alienation, the social relation of wage-labour and capital, and the contradictory processes of capital accumulation. In the end I will point out the distinctiveness of Marx’s theory in order to make clear, that discussions on poverty in contemporary society cannot disregard Marx’s perspective on the matter.

**Poverty in alienation**

Alienation is one of the most debated issues in Marx. Entering into all the twists and turns of that debate, or trying to exempt the meaning and genealogy of the concept goes far beyond the scope of this article.2 Rather, in order to link the understanding of poverty to the working of capitalism, I wish to start this exposé with accounting for some aspects of Marx’s treatment of alienation, since alienation is a structural precondition for the capitalist economy.3

**Separation from nature – alienation in work**

Capitalism is founded on the social relation of production between wage-labour and capital. A precondition for capitalist society is therefore the creation of a class of wage-labourers, who sell their labour-power, and a class of capitalists, who buy the labour-power. Hence, both *private property* (i.e. the monopoly of the means of production) as well *non-property* (i.e. the separation of the worker from these means of production) are *simultaneous preconditions* for capitalism. They condition each other.

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1. Arguably, the ever-growing inequality and the continuing suspension of individual freedom in alienation are at the heart of Marx’s critique of capitalism, from a moral point of view. It is furthermore doubtful, if at all Marx’s critique of capitalism should be regarded as “moral”, since it is based on a critique of the capitalist relations of production, not on moral principles of distribution. Hence, his insistence on the total overthrow of these production relations of capitalism. See Marx (1972). A subsequent famous statement of Marxism from the point of view of moral is Trotsky (1973). For a survey of Marxism and morality, see Lukes (1985).

2. See Ollman (1971) for a modern classic treatise on the concept of alienation in Marx.

3. Cf. Marx (1964, p. 118, original emphasis): “Just as we have derived the concept of private property from the concept of estranged, alienated labour by analysis, so we can develop every category of political economy with the help of these two factors.”
These states of affairs however are not natural – nature does not produce men as wage-workers and capitalists – but historically created, by the dissolution of feudal bondage, the separation of the immediate producers from the land. A process, which is “written in the annals of mankind in letters of blood and fire” (Marx, 1967, p. 715). Hence, in Marx’s words:

“It is not the unity of living and active humanity with the natural, inorganic conditions of their appropriation of nature, which requires explanation or is the result of a historic process, but rather the separation between these inorganic conditions of human existence and this active existence, a separation which is completely posited only in the relation of wage-labour and capital” (Marx, 1973, p. 489).

This separation of man from nature is also an important aspect for Marx in explaining how capitalism generates pollution and environmental degradation – arguably an important aspect of “poverty”, the degradation of the quality of life, both in the society of Marx’s time and in that of our own. Having been separated from nature, man comes to see it as something alien to be “conquered”, and capital comes to regard nature, not as a precondition of “use values” for human existence, but as a wellspring of “value”, obtained as a “free gift of nature” (Burkett, 1998). This can help explain how the environment is polluted, and “exploited” in the capitalist process.

4. Engels (1973) provides a classic exposition of how industrial capitalism endangers both the health of the working population, as well as pollutes the environment in which they live. For a more modern exposition, see Rule (1986).

5. These ecological aspects of Marx’s critique of capitalism have recently been developed by Burkett (1999) and Foster (2000). Cf. Marx (1967, pp. 506-507): “All progress in capitalist agriculture is a progress in the art, not only of robbing the labourer, but of robbing the soil (…) Capitalist production, therefore develops technology, and the combining together of various processes into a social whole, only by sapping the original sources of all wealth – the soil and the labourer.”

The philosophical foundation of Marx’s historical materialism is the idea that human beings themselves begin to separate themselves from animals as soon as they begin to produce their means of subsistence (Marx and Engels, 1982, p. 42). Production, i.e. labour, should then, according to Marx, be the affirmation of the individual, “a free manifestation of life”, an “enjoyment of life” (Marx, 1986, pp. 34-35). Both work itself as well as the products of my work would be an expression of me, of my individuality. However, under conditions of alienation, of wage-labour and capital and private property, Marx argues, work becomes exactly the opposite: “My work is an alienation of life, for I work in order to live (...) My work is not my life” (Marx, 1986, p. 35, original emphasis). Given capitalist relations – i.e. separation – work does not become life itself, but a necessary, enforced precondition for life – an “external necessity”. Indeed, the worker can only find the possibility of expressing his individuality, when he does not work, during his free time. His day is cut up in two, one part in which the labourer wage-works for capital, and another part which belongs to the worker, when he does not work, his “free time” Marx himself paints the picture:

“[The worker] does not count the labour itself as a part of his life; it is rather a sacrifice of his life. It is a commodity which he has auctioned off to another. The product of his activity is therefore not the aim of his activity. What he produces for himself is not the silk that he weaves, not the gold he draws up in the mining shaft, not the palace that he builds. What he produces for himself is wages; and silk, gold, and palace are resolved for him into a certain quantity of necessaries of life (...). And the labourer who for twelve hours long weaves, spins, bors, turns, builds, shovels, breaks stone, carries hods, and so on – is this twelve hours [of work] regarded by him as a manifestation of life, as life? Quite the contrary. Life for him begins where this activity ceases, at the table, at the tavern seat, in bed. The twelve hours' work (...) has no meaning for him as weaving, spinning,
boring, and so on, but only as earnings which enable him to sit down at the table, to take his seat at the tavern, and to lie down in a bed. If a silk worm’s activity in spinning were to prolong its existence as a caterpillar, it would be a perfect example of a wage-worker” (Marx, 1935, p. 19).

The alienation of work not only consists of the fact that the object of my work is not mine, but also of the fact, that the activity itself of wage-work is not mine. Hence, work becomes not an act of individual development, but of “self-denial”, of “loss of self”, not an activity stemming from human self-realisation, but “a forced activity, and one imposed (...) only through an external fortuitous need, not through an inner, essential one” (Marx, 1986, s. 35, original emphasis).

It is these considerations on the nature of wage-work, which lead “the young Marx”, in the Economic and Philosophical Manuscripts of 1844 to put forward a “humanist” critique of capitalism. Here he describes capitalism as the alienation of man from his “essence” and communism as the “rehabilitation of man” to this “essence” again.6 We leave aside the question whether this perspective is prevalent throughout Marx’s life work, including the “mature Marx” of Grundrisse and Capital.7 Rather, we can settle for the proposition, that if production is part of the “self-realisation of man”, then alienation in work means, as a current Marxist, Cristopher J. Arthur, has put it, that capital can only put wage-labour to work by the “subjection of workers to alien purposes” (Arthur, 2001, p. 33). Historically, this process has been achieved through the organisational innovations of industrial capitalism: time-discipline, the factory system, Taylorism, etc., which transform the worker to an “appendage to the machine”.8

**Alienation as the loss of control**

Marx is of the opinion that alienation entails the loss of control for the individual in society. The development of the individual and of the community as a whole become conditions of dependence. A dependence, which appears to the individuals as a dependence on things, in themselves encompassing powers beyond control – what Marx calls “fetishism” (Marx, 1967, pp. 71-83). In short, rather than controlling the social relations of society, and the products of human labour, individuals are controlled by these powers: the commodity, capital, the market and competition – even the machine. Indeed, as the world market grows, the whole of society finds itself in a condition in which nobody seems to be in control. Therefore, it is not the individual, but capital, that is set free in the process (Marx, 1973, p. 650). Marx concludes:

“Hence (...) the insipidity of the view that free competition is the ultimate development of human freedom; and that the negation of free competition = negation of individual freedom (...) It is nothing more than the free development on a limited basis – the rule of capital. This kind of freedom is therefore at the same time the most complete suspension of individuality under social conditions which assume the form of objective powers, even of overpowering objects – of things independent of the relations among individuals themselves” (Marx, 1973, p. 652).

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6. On Marx’s conception of “human essence” and human nature, see e.g. Geras (1983), Meikle (1985).
7. Cf. Louis Althusser’s (1977) for the argument of an “epistemological break”, separating the “young Marx” from the “mature Marx”.
8. On the introduction of the factory system seen from these perspectives, see Thompson (1978, 1993 chap. 6), Pollard (1965), Margin (1974), Erg (1980). For the argument that industrial capitalism leads to the “deskilling” of work, see Braveman (1974). Marx (1967, chap. 15) also analyses the “machinery and modern industry” from this perspective.
Marx argues, therefore, that the loss of control over the conditions of existence is endemic in capitalist society. It is a condition of alienation, which reflects the lack of freedom of the individual in the degradation, not the “all-round development”, in work, and the absence of control in society at large. Indeed, the condition of alienated wage-labour makes bare existence as well as work itself a matter of dependence, of “overpowering objects”. The individual literally cannot live without first “earning a living”. This is most evident as regards the relation of the worker to labour, which itself “becomes and object which he can obtain only with the greatest effort and with the most irregular interruptions” (Marx 1964 p. 108). The worker is “lucky” to find work, since:

“Precisely from the fact that labour depends on nature, follows that the man who possesses no other property than his labour-power must (...) be the slave of other men who have made themselves owners of the objective conditions of labour. He can work only with their permission, hence live only with their permission” (Marx, 1972, p. 9).

To be sure, the free worker is “free” in the sense that he does not belong to any one capitalist, but he does, as long as he remains a wage-labourer, belong to some one capitalist, to the class of capital. In essence, therefore, the worker can, at best, only choose to which one capitalist he belongs, if at all he can find one (Marx, 1935, p. 20). If not, his bare existence is threatened. Alienation and fetishism are, furthermore, in Marx’s view, reflected in the consciousness (or ideology) of liberal political economy, which tends to see the alienated structures as natural, eternal relations rather than socially grounded historically contingent ones. It is as a critique of this “consciousness” that Marx conducts his critique not only of capitalism, but of its political economy too.

Alienation is the social description of the human condition under capitalism in Marx. It results in an inversion of subject and object, so that “it is not the workman that employs the instruments of labour, but the instruments of labour that employ the workman” (Marx, 1967, p. 423). Admittedly, this does not yet capture the economic aspects of “poverty”, nor its production and distribution. But alienation in the above-mentioned meanings, is not only the prerequisite for and aspect of the basic economic categories of capitalism and its political economy, but also an integral part of a description of individuals, who are left in a condition of constraint, dependence and enforced ”self-denial”. Aspects of wage-work, which themselves form a part of poverty as opposed to wealth. Therefore we must have the concept in mind when we confront the economic aspects of the relations of capitalism, the most fundamental ones being the relation between wage-labour and capital and the value-accumulation based on commodity production. To these we know turn.

The relation of capital and labour

“The wealth of those societies in which the capitalist mode of production prevails, presents itself as an immense accumulation of commodities” (Marx, 1967, p. 35). Thus begins Capital. In Marx’s economic theory, the commodity entails the essence of capitalism. From this concept, we can derive the social relations of wage-labour and capital, value, exchange-value, surplus-value and exploitation, and the production of both wealth and poverty.

If alienation is a disputed concept in Marx, the conception of the commodity and its relations is even more so. The “labour theory of value” remains the most controversial issue in Marxian economics. However, to account for Marx’s theory of the production of poverty and wealth as internal to capitalism

9. For reasons of limited space, I have left out an important aspect of alienation in Marx, namely the “alienation of man from man”, foremost reflected in competition, where the fellow man becomes not a precondition for my freedom, but its ultimate limit. My freedom ends where that of my fellow man starts. This leads Marx to regard the liberal theory of freedom as a freedom of alienation, not from alienation. On this matter see, Marx (1964, pp. 114-119) and Marx (1975).
without these concepts would be losing any semblance of Marx's theory. The interpretations of Marx's value theory are too numerous to mention here.\textsuperscript{10} So, what follows below is but one possible account of the theory.

Based on certain re-readings of Marx's value theory by various authors, over the last twenty years, I will account for it based on two distinct characteristics: (i) The concepts of value and price in Marx are non-equilibrium concepts.\textsuperscript{11} (ii) The concepts of surplus-value and exploitation describe capital's command over labour in the production process, not the distribution of products (or even value) after production.\textsuperscript{12} These conceptions are no doubt contestable, but they are suitable to ground the claim that Marx's theory of poverty (and wealth) is related to the process of production. The first conception (among other things) retains internal movement in accumulation, and the second one retains Marx's contention that exploitation takes place in production, not in distribution.

**The commodity**

The commodity consists of three relations: (i) Use-value, which describes the inherent properties of the commodity to satisfy human wants. The use-value is, so to speak, the immediate relation of the commodity to human nature and human wants – its "utility". Hence, "use-values become reality only by use or


\textsuperscript{11} For this perspective on Marx, see the articles in Freeman and Carchedi (eds.) (1996). Cf. Marx (1983, p. 273): "Between these spheres that approximate more or less to the social average, there is again a tendency to equalization, which seeks the "ideal" mean position, i.e. a mean position which does not exist in reality".

\textsuperscript{12} Arguments for this contention are developed in Arthur (2001).

consumption, they also constitute the substance of all wealth whatever may be the social form of that wealth" (Marx, 1967, p. 36). (ii) Exchange-value is the relation of the commodity to all other commodities, the rate at which they exchange on the market. This rate however is not something purely relative, but determined by another relation i.e. (iii) Value, which is "the common substance" of all commodities, and therefore the precondition for exchange-value, the comparison of one commodity to another. This "common substance" is abstract general labour (Marx, 1970, p. 29).\textsuperscript{13} Marx summarizes the relations of the commodity:

"(...) [T]he value of commodities has a purely social reality (...) they acquire this reality only in so far as they are expressions of or embodiments of one identical social substance, viz., human labour. (I) It follows as a matter of course that value can only manifest itself in the social relation of commodity to commodity [i.e. exchange-value]" (Marx, 1967, p. 47).

The value of a commodity is equal to the "socially necessary labour time" required to produce it. This determines the rate at which commodities exchange.

The basic characteristic of capitalist production is that exchange-value predominates use-value, i.e. it is a system of production for exchange, not of production for use. That means that the use-value of a commodity is only realized if the commodity first is turned into exchange-value. In short, capitalism is production for the market, or in everyday language, production for profit. Separation of producer and consumer is therefore its first prerequisite. This furthermore entails that capitalism is not only a system where exchange (of the superfluous) takes place but rather one in which exchange becomes the driving force of the system as a whole. Under

\textsuperscript{13} Abstract labour here means "labour in which the individual characteristics of the workers are obliterated" (Marx, 1970, p. 29).
capitalism the very livelihood of individuals becomes market-dependent. Individuals must exchange in order to live.

In the description of a commodity-producing society the difference between labour and labour-power is essential to Marx. Being that labour is the measure of value of the commodity, what is the value of labour itself? Marx’s answer to this question is that what is traded for wages in the labour market is actually not labour (which is an activity that no one can “own” and trade), but labour-power, the physical and mental capacity to work (which is indeed tradable). Hence, the “value of labour-power is determined by the quantity of labour necessary to produce it” (Marx, 1947, p. 53).

Labour-power, however, is a special commodity, since it includes actual living human beings. No human being can “part with” his labour-power as he can “part with”, say, his shoes, his clothes etc. The value of labour-power hence has two elements: its “ultimate limit”: i.e., the values of the necessaries to maintain physical existence, life itself. But the value of labour-power also has a “historical or social element”, related to the “traditional standard of life”. This means that the value of labour-power itself “is not a fixed but a variable magnitude, even supposing that the values of all other commodities (...) remain constant” (Marx, 1947, pp. 50-51). These considerations show that to Marx wealth and poverty are, for all intended purposes, relative terms. The “bottom limit” of poverty is determined by physical existence – i.e. starvation and death – but its “upper limit” is not set once and for all. It is relative to the social standard and the development of the mode of production. Therefore, at any given moment, the actual level of wages – reflecting the value of labour-power – is a matter of class struggle (Marx, 1947, pp. 49-55).

14. Cf. Marx (1847, chap 1.1 pp. 2-3): “Exchange has its own history (...) There was a time, as in the Middle Ages, when only the superfluous (...) the excess of production over consumption, was exchanged. There was again a time when not only the superfluous, but all products, all industrial existence had passed into commerce.” On the concept of market-dependence, see Wood (1999).

15. We leave aside here the difference between value and “price of production” introduced in Capital vol. III. On the capitalist market it is the latter which determines prices and profits. There is no one-to-one relationship between values and prices and profits. See e.g. Marx (1981, p. 277, my emphasis): “The exchange of commodities at their values or at approximately these values (...) corresponds to a much lower stage of development than the exchange at prices of production, for which a definite degree of capitalist development is needed. Whatever may be the ways in which the prices of different commodities are first established or fixed in relation to one another, the law of value governs their movement.”
between labour and labour-power becomes crucial. Because, although the worker sells his labour-power at its value this value does not limit the amount of time during which this labour-power can be put to work. In all simplicity, then, there is a relation between the amount of work that is required to reproduce the value of the worker's labour-power and the amount of work the worker can perform in a working-day/week/month etc. The relation between this necessary labour time and the surplus labour time, explains the origin of surplus-value, the value that on the market is turned into its monetary form: profit.

Surplus-value is extracted from the worker even though all products are sold at their value and this is the basis for the concept of "exploitation" in Marx. This "exploitation" is the precondition for expanding production in capitalist societies, the very life-blood of capital accumulation. Capital accumulation is nothing but the accumulation of value, as expressed in money. As two modern-day observers have put it: "Exploitation should not be understood so much as the expropriation of surplus product or surplus labour (...) but rather as direct and indirect imposition and control that affects all labour." (Bellofiore and Finelli, 1998, p. 63)

With this conception of exploitation, i.e. surplus-value extraction, we can also reconnect it to the concept of alienation: "Exploitation in production is in effect not dissimilar to alienation in that it involves the subjection of workers to alien purposes; it goes on throughout the day" (Arthur, 2001, p. 33, original emphasis).

The production of poverty in the midst of wealth – growing inequality

In Marx view, since profit – the aim of capitalist production – is in effect dependent upon surplus-value extraction, capital will try to minimize the time of the working-day necessary to reproduce the value of labour-power. It can do so by trying to increase the length of the working-day for the worker (which has its obvious limits). But more importantly it can try to increase the productivity of work itself. This drive in capital to increase the rate of exploitation (i.e. the rate between necessary labour time and surplus labour time) is according to Marx a main reason why it is a self-expansionary force. Capital must expand, both geographically, but also in the ever ongoing commodification of new aspects of the economy and life itself, on threat of extinction (a threat which capital experiences in competition with other capitals). This explains why capital constantly revolutionizes the means of production, how it conquers new markets, how it further enhances the division of labour, and produces ever more commodities ever more cheaply.  

16. i.e. there are only 24 hours to a day. In Capital vol. 1 (Marx, 1967, chap. 10) Marx analyses the case of England, based on official documents, showing how capital historically has tried to lengthen the working-day to an absolute maximum. Up to 16-hour working-days were more than common. He also gives the example of workers who were forbidden to work in their front gardens on the Sabbath, but at the same time were sentenced for breach of contract if they did not show up at work on that very same Sabbath. Empirical evidence of "absolute" exploitation was not wanting, but rather the rule. (And, arguably, remains so to this day in many parts of the world.) Marx's indictment is harsh: "Capital oversteps not only the moral, but even the merely physical bounds of the working-day. It usurps the time for growth, development, and healthy maintenance of the body. It steals the time required for the consumption of fresh air and sunlight (...) It reduces the sound sleep needed for the restoration, reparation, refreshment of the bodily powers to just so many hours of torpor as the revival of an organism, absolutely exhausted, renders essential. (...) Capital cares nothing for the length of life of labour-power. All that concerns it is simply and solely the maximum of labour-power, that can be rendered fluent in a working-day. (...) [Capital] produces also the premature exhaustion and death of this labour-power itself. It extends the labourer's time of production during a given period by shortening his actual lifetime." (Marx, 1967, pp. 264-265) As the quote indicates "the value of labour-power", for Marx, is not an individual but a social magnitude.

17. See e.g. the famous description in The Communist Manifesto (Marx and Engels, 1967, pp. 79-94).
To liberal political economy this is also the blessing of the market: commodities, ever cheaper in greater quantities. To Marx however, looking at capitalism only from this sphere of the market, from the things produced, is a "vulgar" mistake.\(^{18}\) Capitalist expansion is nothing but the expansion of capital rooted in production. Since capital is a social relation to wage-labour, it follows that at the same time as capital grows, the quantity of wage-work grows: "The production of wage-labourers and capitalists is thus a chief product of capital's realization process. Ordinary economics, which looks only at the things produced, forgets this completely" (Marx 1973, p. 512, original emphasis).\(^{19}\) In short, private property, capital, produces its own negation: non-property, the wage-worker. Ever-cheaper commodities through competition, necessarily entails the cheapening of the workers' labour-power as well: a downward pressure on wages.\(^{20}\)

Wage-labour and capital are therefore class relations, but not in distributive terms or in terms of status and income, but as relations in production. Wage-labour and capital are not only the preconditions of capitalist production, but also its main result. The existence of this class division is hence not something "accidental" or "marginal", but lies in the very core (being both the precondition and result) of capitalist production.

So, we have shown how Marx argues that when labour and capital meet to exchange at the value of commodities, capital accumulation begets its own negation. How in the process of capitalist growth "the social chasm that separates [the worker] from the capitalist has widened" (Marx, 1935, p. 40). This is all the same the best-case scenario for the worker under prevailing capitalist conditions, according to Marx; the fastest possible growth of capital is what might possibly help to ensure the fastest possible growth of wage-work. The bigger the pie, the bigger the crumbs that fall from the table to the worker. But at the same time the dependence on the power on which wage-work depends increases: capital (Marx 1935, pp. 39-48). This increase of the workers' relative poverty, the production of poverty in the midst of wealth, is a prevalent theme in Marx:

"Rapid growth of productive capital calls forth just as rapid a growth of wealth, of luxury, of social needs and pleasures. Therefore although the pleasures of the labourer have increased, the social gratification which they afford have fallen in comparison with the increased pleasures of the capitalist, which are inaccessible to the worker, in comparison with the stage of development in general. Our wants and pleasures have their origin in society; we do not measure them in relation to the objects which serve for their gratification. Since they are of a social nature, they are of a relative nature." (Marx, 1935, p. 33)

"If the working-class has remained 'poor', only 'less poor' in proportion as it produces for the wealthy class 'an intoxicating augmentation of wealth and power', then it has remained relatively just as poor. If the extremes of poverty have not lessened they have increased, because the extremes of wealth have." (Marx, 1967, p. 652)\(^{21}\)

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\(^{18}\) Cf. Marx (1981, p. 455): "The genuine science of modern economics begins only when theoretical discussion moves from the circulation process to the production process."

\(^{19}\) Cf. Tilly (1984) where it is argued that Europe's rate of "proletarianization" from 1550 to 1843 was 131 million people, nearly equivalent to the whole population growth during that era. And this was before the real spread of industrial capitalism.

\(^{20}\) See Marx (1935), Marx (1947) and Marx (1967, chap. 25).

\(^{21}\) As the two quotes indicate, Marx theory does not assume an absolute impoverishment of the workers, but only a relative. This contention is given empirical support in Marx's analysis of the struggle for the shortening of the working-day (Marx, 1967, chaps. 10-18). Here he argues not only that under certain historical conditions the interests of the worker (a shorter working-day) and of capital (increasing surplus-value) are compatible, but also that at the same time the rate of exploitation increases and the growth of capital accelerates. In sum: "A change in the productiveness and intensity of labour either precedes or immediately follows, a shortening of the working-day." (Marx, 1967, p. 526).
So, even in the event of successful capital accumulation, rising inequality is inherent in this process.

However, this so far assumes that capital accumulation is a frictionless process, a process of values and prices in equilibrium. But this assumption runs counter to Marx's conception of capital accumulation per se. It is a very problematic and shaky process, not in equilibrium but in constant non-equilibrium, not only now and again but constantly. Motion, cycles and crises are the nature of capitalism. Marx theory is, therefore, a theory based on non-equilibrium. This raises the issue of two aspects of capitalism relevant to our exposition of poverty and inequality: the production of the relative surplus population, and the capitalist crisis, in which all the contradictions in capitalism are brought to their peak.

The capitalist crisis and the relative surplus population

The existence of crises under historical capitalism is almost beyond dispute. Booms and downturns, business cycles, recessions and depressions have been commonplace areas of investigation for economists even outside of the Marxist tradition. All these things do happen.22 The distinctiveness of Marx's theory is of course not that he detected capitalist crises, but rather how he conceived of them.23 However, it would be an exaggeration to say that there exists a consensus in the interpretation of Marx's crisis theory, even among Marxists.24 For the purpose here, I

22. For empirical work on capitalist crises in the modern era, conceived in the Marxian sense of a "falling rate of profit", see e.g. Moseley (1992), Duménil and Lévy (1993).

23. Political economy in Marx's time was predominated by "Say's Law" (which actually originated with James Mill) which denied the possibility of a general crisis, based on the idea that supply creates its own demand. Arguably, general equilibrium theory retains this idea. Marx's critique of this notion is developed as a part of the critique of Ricardo in Marx (1969).

24. For expositions over different versions of crisis theories in the Marxist tradition, see e.g. Clarke (1994). Also, in the wake of the acclaimed, yet highly controversial, theory of the crises of the 1970's and onwards, contained in Brenner (1998), many of the differences of opinion within the Marxist camp on the issue of crisis theory have surfaced yet again — with some additional ones. With the possible exception of the now discredited (but once so popular) "profit squeeze theory" (Glyn and Sutchif, 1972), almost all kinds of Marxist crisis theory are represented in the debate. See the symposium on Brenner in Historical Materialism (1999 no. 4 and no. 5), which contains no less than 17 articles on the matter, and Fine, Lapavistas and Milonakis (1999).
accumulation itself.\textsuperscript{25} It is a normal, not an abnormal occurrence. So although capital’s subjection of wage-labour is the cause of the accumulation of wealth under capitalism, at the same time, Marx concludes:

"The true barrier to capitalist production is capital itself (...) The barriers within which the maintenance and valorization of the capital-value has necessarily to move — and this in turn depends on the dispossession and impoverishment of the great mass of producers — therefore come constantly in to contradiction with the methods of production that capital must apply for its purpose (...) The means — the unrestricted development of the forces of social production — comes into persistent conflict with the restricted end, the valorization of the existing capital" (Marx, 1981, p. 358).

A crisis in capitalism is therefore, according to Marx, nothing absolute but a relative crisis of the specific economic system.\textsuperscript{26}

\textsuperscript{25} The rate of profit is defined as "the rate of surplus-value as measured against the total capital" (Marx, 1981, pp. 134-135). Marx (1981, p. 319, original emphasis) furthermore says: "The progressive tendency for the general profit rate to fall is thus simply the expression, peculiar to the capitalist mode of production, of the progressive development of the social productivity of labour." In Marx's view, the profit rate falls as a consequence of capital's inherent drive for technical innovations to replace "living labour" with "objective labour" (i.e., machines etc). This means that the mass of labour declines in relation to the total mass of capital as a whole and since this is the very definition of the profit rate, this entails that the profit rate falls (Marx, 1981, chaps. 13 and 15).

\textsuperscript{26} Capitalist "overproduction" does not mean "overproduction" in terms of too much means of subsistence (in a crisis people literally starve), not in terms of too many means of production (workers are left unemployed), nor in terms of too much wealth (how could that be?). It only means in terms of too much means of subsistence to be sold at profitable prices, in terms of too many means of production to employ the workers at profitable rates and in terms of too much wealth to be used for purposes of capital accumulation (Marx, 1981, pp. 359-368).

At the same time, a crisis is a recurring temporary phenomenon in capitalism that also fills the function of restoring "the balance" anew. The crisis paves the way for yet another cycle of capital accumulation, of ever-expanding surplus extraction, of the opening of new markets and of even bigger investments. So, although a crisis entails a falling profit rate, its function is to restore it to a higher level again (which actually happened very clearly e.g. after "the Great Depression").\textsuperscript{27} This also means that the next crisis of the new wave of accumulation will be a deeper one, since more wage-labour, more markets and bigger capitals will have been dragged into it — in the end leading to a worldwide crisis with the creation of a world market.

A capitalist crisis, according to Marx, adds to the "chasm" between capital and wage-labour, in the sense that the impoverishment of labour increases in unemployment and decreasing wages. In order to counteract the crisis, every single capital will try to press the wages of its workers below their value, thus trying to rescue itself through "saving" (Marx, 1981, pp. 339-342). At the same time, in a crisis capital itself gets concentrated into fewer hands. Only "big capital" can withstand the crisis, and hence comes out of it relatively stronger than before. This concentration of capital Marx calls a "cardinal fact about capitalist production" (Marx, 1981, p. 375). The other side of the coin of the crisis is the accentuation of what Marx calls "the absolute general law of capitalist accumulation": the creation of a "relative surplus population" (Marx, 1967, p. 644).

Like with the crisis, the existence of a surplus population was not in dispute in the political economy of the 18th and 19th centuries. In fact, the Malthusian formulation of the law was somewhat the "official" stand on the matter. Already in his manuscripts of 1844, Marx notes the irony of a theory, which had proclaimed that in market capitalism supply and demand always balance each other, yet in which "there are too many people". Hence, existence itself was regarded "a pure luxury, and if the worker is ethical, he will be sparing in procreation" (Marx 1964, p. 152, original emphasis). Marx heavily criticizes Malthus

\textsuperscript{27} Cf. Freeman (1999, p. 40).
for ascribing the existence of a surplus population to nature and for "stupidly" reducing historical reality into mathematical relations between the geometrical progression of people and the arithmetical progression of the means of subsistence. Marx points out (as had indeed Ricardo before him), that the existence of a surplus population in capitalism is a relative phenomenon, but not related to the means of subsistence at all but rather to the means of employment. Malthus had asserted that the principles of his population theory held in all forms of society, but "proved it he has not". Marx insists instead, that "the invention of surplus labourers, i.e. of propertyless people who do not work, belongs to the period of capital (Marx, 1973, p. 605). Each society has its own laws of (over)population, for example "we never hear that there were surplus slaves in antiquity. The call for them increased, rather" (Marx, 1973, p. 607).

Unemployment in capitalism, although accentuated in a crisis, is not limited to a crisis but is an endemic feature of capitalism, through all the stages of the "industrial cycle". Capital not only produces an army of wage-workers in work, but also an "industrial reserve army" of people, at the disposal of capital. The magnitude of this "industrial reserve army", of the surplus population, is related to the growth of capital itself:

"The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labour, the greater is the industrial army. (...) The more extensive (...) the lazarus-layers of the working-class, and the industrial reserve army, the greater is official pauperism (...) The mechanism of capitalist production and accumulation constantly affect this adjustment. The first word of adaptation is the creation of a relative surplus population (...) Its last word is the misery of constantly extending strata of the active army of labour, and the dead weight of pauperism" (Marx, 1967, p. 644).

In short, like the working class itself, the surplus population of it is a product of capital in Marx’s conception, not of nature, not of the “laziness” of individuals, or what have you. The creation of a surplus population does not only show the poverty of the conditions of the working class, according to Marx, but also the “poverty” of the capitalist system.

The distinctiveness and relevance of Marx’s conception of poverty

From what has been said above, three traits of Marx’s theory are worth mentioning as constituting the distinctiveness of his analysis of poverty under capitalism.

First, Marx’s conception of poverty is genuinely economic, in the sense that it traces the causes of poverty in the economic logic of society, and not outside of it. As has been shown above, Marx argues that the cause of the division of capital and wage-labour, the rise of relative (as well as absolute) poverty lies in the structural inequality produced by the logic of the economic system of capital accumulation itself. Hence, wealth and poverty, in capitalism, are not antipodes, but rather two sides of the same coin. This is the main difference in Marx to conceptions of the economy which assume equilibrium, conceptions which almost by necessity lead to explanations of the difference of wealth and poverty that reside in politics, "ideology" "market imperfections", "culture", "backwardness", etc. If not in the individual himself.

The second distinctive trait in Marx’s conception is the focus on relations of production. The causes of inequality and poverty do not so much lie in the exchange relationships, or the distribution mechanisms of capitalism (which to Marx are merely derivatives of the relations of production) but in the relations of production themselves. The very existence of private property, i.e., the class monopoly of the means of production, is the underlying cause of growing inequalities and the

28. A recent survey of conceptions of inequality and equality from a Marxist perspective is Callinicos (2000).

29. E.g. the modern-day New Institutional Economics proposes versions of these perspectives, see e.g. North (1990).
proliferation of "relative" (and occasionally indeed "absolute") poverty. This separates Marx's conception from those who exclusively focus on distribution and the market per se (being "unequal", "unfair" or "twisted") as the main causes of poverty and inequality.  

This points to a third distinctive trait in Marx, the inherent radicalism of his theory ("radical" in its original meaning of "going to the roots"). Since his conception of the capitalist economy, its inequalities and its production of poverty in the midst of wealth, is based in the economic relations of production, the analysis points to the demand for a change, not only of policies and of distribution, but of the very mode of production itself. To Marx poverty and inequality are not so much evidence of the fact the capitalist market system sometimes "does not work". Rather poverty and inequality are evidence of the fact that the capitalist market system consistently works in a specific way (i.e. when "it works", it generates inequality and poverty). Poverty does not arise outside of the system, but in its very core - and can therefore only be combated in this very core. This separates Marx from those accounts, which argue that inequality and poverty can find their long-lasting solutions in policies that move within the capitalist economic system, without questioning its very basic ownership structure and its social form of production of wealth itself - e.g., by trying to "perfect the market", "getting prices and the institutions right" etc. So, although Marx's perspective does not deny the relevance of (differences in) policies, his analysis points to the conclusion that all such policies to reduce poverty and inequalities are bound to fail, or at least to crumble on very shaky grounds, as long as they are based on capitalist grounds, which themselves remain unchanged. 


31. The question in Marxism of how to in practice change the social relations of capitalism, i.e. Marx's politics, goes beyond the scope of this article. This would raise major issues in Marx, such as the questions of the nature of class struggle, the theory of the state and of the social organisation and implementation of "communism" in its "lower" and "higher" phases etc, which cannot be dealt with here. But, to be brief, Marx envisaged the coming of a "classless society", based on the class struggle against capital from the whole class of wage-labourers, in the wake of what he perceived to be a contradictory and crisis-ridden capitalist economic order. When Marx's summarises his political demands in simple sentences they are either "abolition of private property" (Marx and Engels, 1967, p. 96) or "the abolition of the wages system" (Marx, 1947, p. 55). It is also clear that Marx and Engels were of the opinion that only the working class itself could be the agent of its own liberation. For famous instances of Marx's political analyses and stands, see Marx (1966), Marx and Engels (1967), and Marx (1972).

32. The statistics are taken from official reports from The World Bank and UNDP.
of every individual. These rights include the right of work at a sufficient wage, a “living standard”, which is sufficient for individual well-being and health, including enough food, clothing, housing, health care and necessary social security to guarantee this standard of living. Less than $2 a day simply will not provide for this. For most people of this world even over 50 years after this declaration, unparalleled world economic growth notwithstanding, these basic “economic” and “social rights” are but a distant dream.

The philosophically cautious person will know that facts do not immediately speak for themselves. But considering the reality behind the above-mentioned statistics, as well as e.g. the economic and financial crises in the 1990’s that have moved all over the world, from Brazil, Mexico, Indonesia, Thailand, Malaysia, South Korea, Japan, and now Argentina (to name some of the most obvious cases), it seems that we have to acknowledge that we have some explaining to do – to this day. This is a recent Marxist analysis of the Asian crises of the 1990’s is Burkett and Hart-Landsberg (2000).

This suggests, in light of the persistence of world poverty and world inequalities, that Marx’s perspective on poverty – and capitalism in general – remains a major challenge to economists and policy-makers the world over. Not least since Marx locates the causes of this poverty and inequality, in the very social structures that, arguably, have remained the same and become even more widespread, from his time to that of our own, i.e. wage-labour and capital – the capitalist mode of production itself. The question whether the social forms in which the world economy


34. See e.g. De Angelis (1998) and Went (2000) for modern Marxist analyses of globalisation. For a critical analysis of “the globalisation of poverty”, see Chossudovsky (1997).

produces wealth are closely linked to the social forms of its production of poverty does indeed pop up. For that reason alone (not to suggest that this is the only reason) it could be argued that Marx’s perspective should be taken seriously into account in the discussions on how to understand and how to in practice combat and reduce poverty and inequality in today’s world of global capitalism.

References


Marx on Poverty: A Theoretical Exposition


