

Tadao Horie

# Marx's *Capital* and One Free World

Foreword by Murray Wolfson



# Marx's *Capital* and One Free World

A Fundamental Reappraisal of his  
Political Economy

Tadao Horie

*President and Professor of Economics  
Ohtsuki College of Economics, Japan*

Foreword by Murray Wolfson

*Professor of Economics  
California State University, Fullerton*

M

MACMILLAN

© Tadao Horie 1991

Foreword © Murray Wolfson 1991

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, 33-4 Alfred Place, London WC1E 7DP.

Any person who does any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

First published 1991

Published by

MACMILLAN ACADEMIC AND PROFESSIONAL LTD

Houndmills, Basingstoke, Hampshire RG21 2XS

and London

Companies and representatives  
throughout the world

Edited and typeset by Povey/Edmondson  
Okehampton and Rochdale, England

Printed in Hong Kong

British Library Cataloguing in Publication Data

Horie, Tadao, 1913-

Marx's *Capital* and one free world: a fundamental  
reappraisal of his political economy.

1. Economics. Value. Marx, Karl, 1818-1883. *Kapital*, *Das*

I. Title

335.4'12

ISBN 0-333-52553-1

## MARX'S *CAPITAL* AND ONE FREE WORLD

*Also by Tadao Horie (in Japanese)*

THE ANALYSIS OF POSTWAR WORLD ECONOMY

CAPITAL AND THE FATE OF CAPITALISM

CREATIVE DEVELOPMENT OF MARXIAN ECONOMICS

THE CRITIQUE OF DIALECTICAL ECONOMICS

DIAGNOSIS: The World Economy and the Prospects of Japan

HISTORY, THEORY AND PROSPECT OF THE WORLD ECONOMY

MARXIAN ECONOMICS AND REALITY

TWO ECONOMIC SYSTEMS AND POLITICAL ECONOMY

WAR AND ECONOMIC CRISIS



To Humanity

# Foreword

The era spanned by Tadao Horie's work is one in which individuals concerned with social welfare struggled to come to grips with Marxism. These days, Marxism – certainly Marxism-Leninism – appears as the ossified doctrine of regimes that are not capable of meeting the most modest demands of their people. But not very long ago the doctrine seemed to have been vindicated by events: the insane European dash for empire in which America and Japan joined at the end; the hideous First World War, the vindictive peace at Versailles and the Second World War it helped to spawn. These made Lenin's account of imperialism all too plausible. The world wide economic collapse between the two great wars seemed to announce the collapse of capitalism that Marx had foretold.

Marxism offered an apparently scientific explanation of these events as well as a programme for salvation. In Japan it served as a model of economic growth that took root and dominated the postwar economics faculties of many of Japan's great universities. Somewhat anachronistically, it entered through this route into the thinking of some of the leaders of Japan's postwar industrial capitalism. But most important, Marxism in one or another form deeply influenced the ideology of the labour, environmental and anti-war movements.

Tadao Horie was one of those people who were at first entranced by Marxism but who early on came to see the dangers inherent in it. They came to believe it to be a snare which would entrap movements for social progress into dogma, ultimate isolation and atrophy. Theirs was a hard row to hoe since they were type-cast as enemies of progress rather than its true defenders. One can see from Horie's writing how much he had to endure and how tenaciously he had to fight to justify his convictions.

The world can see now that Tadao Horie was right all along. Hindsight helps.

Horie tells us how he visited the Soviet Union and saw the outcome of Marxism-Leninism for himself. This clear eyed journalist-professor concluded that Stalin was not just another Russian despot. Nor was he simply a mistake of history, the end product of a series of events set in motion by the nationalistic blunders of the last century. These influences were operative, to be sure, but Tadao Horie understood more deeply. Stalinism was not an aberration from Marxism but

followed logically from the rationalist strand Marx had derived from Hegel. Lenin elaborated and implemented those themes which Stalin drove to their ultimate conclusion. Certainty about the future given by the 'science of society' hardened into dogma and dictatorship as Marxism played itself out in economics, philosophy and politics.

In this collection of essays over thirty years Horie meets Marxism head on. Of course the rout of ideology has been driven by the practical failures of Marxist planned economies and the events that followed. But the intellectual groundwork for that disillusion was laid by the trenchant criticism by Tadao Horie in Japan and others elsewhere.

Wounded though it may be, Horie does not believe that Marxism is dead – safely forgotten. To be sure *perestroika* and humanist reinterpretations have tended to define Marxism out of practical existence. Yet one must wonder what would happen if Gorbachev and his reform were not to survive the transit to a more nearly market oriented economy? The present Soviet economy is admittedly out of control. What events would it take to for an ideologue to argue that Gorbachev is simply a revisionist who introduced all the instability of the capitalist market into the USSR?

The debacle in China preoccupies us all at this writing. It illustrates how the attempt to retreat from the command economy degenerated into what can best be described as special privilege and macroeconomic instability; it is closer to a corrupt mercantilism than to either planned communism or competitive capitalism. In the end the old dogma was invoked in Beijing to justify bloody repression.

It is impossible to say what the consequences would be of destabilisation in these two nations? Reversion to orthodoxy is one, but there certainly are others that are even more frightening.

Perhaps the most important reason to study Horie is that Marxism is a 'sigh of the oppressed' and revives periodically from within liberal and humane movements. However dangerous the consequences of its determinism, it is an intuitively plausible form of expression of the justified desire of the disadvantaged for progressive change. And so the lessons that Horie teaches may have to be learned over again. Where will Japan, England and America turn when the current conservative movement has played out its rope? Horie wants to tell us where not to go.

Through his work Tadao Horie reveals himself to his readers. This book shows us his intensity, conviction and concern. In so doing we gain the privilege of conversing with a citizen of Japan and the one peaceful world he seeks.

MURRAY WOLFSON



# Preface

At this time in world history it seems already platitudinous to declare that the myth of the superiority of communism (socialism) over capitalism has lost ground. Is it not still surprising, however, that Marx's *Capital* is full of elementary errors and self-contradictions? Non-Marxists usually regard the book simply as outmoded and therefore useless. Canonical Marxists stick to a belief in its 'infallibility'. Marx-oriented liberals easily admit the existence of faults in it, but do not doubt in principle the validity of Marx's methodology and the world-view (*Weltanschauung*), dialectical materialism.

These three stances are all mistaken. *Capital* not only is outmoded but also contains inherent inconsistencies, mostly originating from the application of dialectics itself. This methodology causes throughout the book a series of fallacies of ambiguity mistaken for profundity. *Capital* is the alpha and omega of Marxism. If it includes fundamental defects, and I say that it does, the whole edifice of the Marxian ideological system must be re-examined from its foundations.

It is true that Marxism, since its birth, had been playing the role of gadfly, especially in the age of crude capitalism in the nineteenth century. With the appearance of the first communist state, USSR, Marxism-Leninism came to be deemed by communists during the inter-war period as the sole scientific guiding doctrine both for the abrogation of the capitalist system and for the construction of communist society. And the Soviet Union, behind its Iron Curtain, attaining a breakneck industrial growth in the first and second Five Year Plan periods, succeeded in impressing the illusion of 'the workers' paradise' on the outer world which had been in the agony of the Great Depression. Marx's insight into the fall of capitalism and the rise of communism seemed to be almost coming true. The horrors of agricultural collectivisation and the Great Purge were known only to specialists abroad.

After the Second World War, however, various unconcealed events occurred which discredited communism: the disclosure by Khrushchev in 1956 of the cruelty of Stalinism, the suppression of attempted democratic reforms in Hungary and Czechoslovakia in 1956 and 1968 by Warsaw Pact forces, the collapse of the halo behind Mao Zedong

and his Great Cultural Revolution in the late 1970s, the military 'assistance to Afghan friends' by the Soviet Union in 1979 and withdrawal in 1988-9 in acknowledgement of its failure, the crushing of the Solidarity union in Poland by martial law in 1981 and its re-alisation in 1989 under the pressure of the Polish people.

The advanced capitalist countries, which, according to Stalin, should have been in a long term contracting trend through cyclical ups and downs, realised an unprecedented economic growth through the 1960s and early '70s. It is true that since the 'oil shock' of 1973 the capitalist world suffered a lingering stagflation for several years, but is now again in the process of normal expansion. The communist countries, in contrast, have been troubled by their unsteady and inefficient economies. They are even borrowing colossal amounts of money from the 'moribund' capitalism to escape from their crises.

Thus by now it should be evident that the Marxian paradigm is of no avail in interpreting the present situation and dealing with difficulties arising therefrom.

In the early 1930s I was a university student believing in communism as the only way out from mass misery under capitalism. This conviction of mine collapsed when I travelled through the Soviet Union in 1936. First-hand observation let me know that the country was not necessarily a 'heaven on earth'. It was the same sort of experience as described by André Gide in his *Retour de L'URSS* which was severely denounced by the Soviet authorities. (Gide and I happened to be in Moscow on the same day.)

I was en route to Berlin, where the 11th Olympic Games took place, and which I attended as a member of the Japanese national football team. In Germany I found a society far more advanced than Russia. But these two countries had a curious characteristic in common, i.e. the excessive presence of Stalin's busts and Hitler's photographs displayed almost everywhere, an unmistakable symbol of one-party (= individual) rule and thought control.

After the Olympic Games we visited a few West European countries. In London, at the entrance of Hyde Park, I came across a soap-box orator, who professed himself to be a Trotskyite, appealing for donations in support of the People's Front government of Spain fighting against Franco forces in the Spanish civil war which had broken out about a month before. A communist youth was jeering at the speaker and a policeman standing nearby was listening to their dispute. It was a scene one could never expect to be met with in prewar Japan, an impressive example of freedom of speech and thought, real democracy.

In retrospect, I feel that the basis of my later work, the fundamental reappraisal of Marx's political economy, was formed, although still subconsciously, through this trip to Europe. I learned that Marxism was not necessarily an exclusive 'absolute truth' and realised the validity of an old Chinese saying: 'Explore the facts and seek the truth' (Shishi jiushi).

In 1949 a recession took place in the United States. According to Marxian economic-crisis theory, it was to develop inevitably into a grave world-wide depression. After the event, however, it turned out to be no more than a temporary panic. At that time I still believed, say 97%, in Marxism as far as its general theoretical framework was concerned. But reflection upon the outcome of this recession made me face the critical choice between Marxian 'truth' and reality. Of Hegel a plausible anecdote is told. Someone asked him: 'Your thoughts are great. But aren't they in some cases contrary to reality?' Hegel's answer was: 'So much the worse for the facts (Um so schlimmer für die Tatsachen).' Not being an idealist of his sort, I could not follow suit. I decided to carry out an exhaustive re-reading and re-thinking of the contents of *Capital*.

By the end of 1955 I already had confidence that the theoretical construction of *Capital* involved a coherent series of fundamental defects and contradictions, not 'dialectical' ones, but violations of the Aristotelian law of contradiction. But I could not find the opportunity to make public my arguments because the mental climate of Japanese intellectual society was peculiarly favourable to Marxism. It had been fostered before and during the war. In the dark 1930s the 'underground' activities of communists fighting against the relentless persecution by the ruling power bestowed upon them a mystical glory of martyrdom. During the war the indomitable and heroic resistance to it shown by some of them amplified the lustre of communism. Thus, after the end of the war during the early Occupation period, communist activists came to be regarded as 'warriors for liberty and peace' at least among the Marxist-oriented trade unionists and intellectuals. And liberals, lacking precise knowledge of Marxian ideology which is nebular and abstruse, were apt to develop the 'Marx-complex'.

The wind changed with the official criticism of Stalin by Mikoyan and Khrushchev at the XXth Congress of the Soviet Communist Party in February 1956. During the 'Thaw' period Stalin became the object of exposure and denunciation. In this atmosphere I managed to find a few magazine editors interested in publishing my essays on the fundamental criticism of Marxian economics. My argument aroused

a furor in all schools (there are many in Japan) of Marxists; their volley of condemnation continued for about three years and I made counter-arguments one by one to virtually all of them. Then came the period of benign neglect. Although I went on developing my work through published papers and books, they kept silent as if I were non-existent. And yet my stand has been slowly but steadily gaining ground.

Internationally I wrote several articles in summarising my works in Japanese and sent them to friends in other countries in both 'East' and 'West'. Direct contacts were also made when I went abroad and when they visited Tokyo. My Western friends were usually quick in understanding my position and agreed with it. My Eastern friends showed keen interest in my criticism and were glad to have frank discussions with me on a private level.

Now political democratisation and economic restructuring are going on in the East countries in various forms and degrees, accompanied by ideological conflicts, economic difficulties, nationality problems, etc. In this turmoil the most fundamental and crucial problem is that of the 'infallibility' of Marxism-Leninism. Around this we can see three approaches. First, the ultra-leftists or conservatives still believe in it. Second, the moderate reformers avoid directly touching on it.<sup>1</sup> Third, the radicals clearly deny it. These patterns are also seen in the attitudes of the leftist reformers in the 'West' and the 'South'.

One thing to be noted here is the absence of a clear-cut cognisance of inherent faults in Marxian economics and philosophy even among the radicals squarely challenging the Marxian 'absolute truth', which is the origin of the wrong belief that Marxists know 'the future course of history' because they are guided by it and therefore qualified to lead the people.

Not that criticism of Marxism is in short supply. On Marx's philosophy, we have a long list of arguments, pro and con. On the economics of *Capital*, elaborate and minute studies, interpretations and controversies are piled up (especially in Japan). What is now needed is an integrated observation and rigorous reappraisal of the Marxian ideological system as a whole. Through this comprehensive inquiry, the immanent fallacy in Marxian determinism would be exhaustively elucidated. This purely intellectual work is an indispensable prerequisite for promoting democracy in varied societies and attaining mutually credible peace, One Free World, emancipated from dogmatism and assured by freedom of thought.

This book is devoted to the aim mentioned above. It is based on the eight essays written from 1959 through 1983. These have been

amplified, corrected, backed with new data, etc. and edited to make them into a coherent whole. The arrangement of the essays is half chronological and half logical.

Chapter 1, 'Towards a Higher Stage of Marxian Economics' (*Waseda Economic Papers*, No. 4, 1959), is an inquiry into Marx's labour theory of value, disclosing a basic inconsistency involved in it. At this stage of research my arguments did not go beyond the realm of labour-value theory. I was aiming at a 'creative development' of Marxian economics through correction of defects inherent in *Capital*.

But gradually I became aware that my 'creative development' had been developing into a system of radical critique. Thus in Chapter 2, 'The Immanent Self-Contradictions in Marx's Labour Theory of Value' (*Waseda Economic Papers*, No. 18, 1979), his labour theory is not only put under a more rigorous reappraisal but also evaluated as 'true' solely in a purely abstract and simple model, having no use as an operational theory of relative prices. The author's evaluation of the celebrated 'transformation problem' is presented here in connection with the critique of the labour theory of value.

Then follows Chapter 3, 'An Error Common to the Transformation of Money into Capital and the Primitive Accumulation' (*Waseda Economic Papers*, No. 19, 1980). Chapters 1 and 2 are concerned with Chapters 1–3, Book I of *Capital*, where Marx explains the genesis of commodities and money on the basis of his labour-value theory. He proceeds to a theoretical exposition of 'the transformation of money into capital' in Chapters 4–7, its historical counterpart being 'the so-called primitive accumulation' in Chapters 26–31. My Chapter 3 covers these problems and brings to light a critical self-contradiction committed by Marx: He asserts in essence that pre-capitalist societies do and do not produce surplus value. Its concern with this problem has been a notable merit of Japanese Marxism, and I deal here also with that.

Chapter 4, 'The Fundamental Defects in the 'Laws' in *Capital*' (*Waseda Economic Papers*, No. 7, 1962. Original title: 'The Historical Limits of Marx's Cognizance'), deals with 'the general law of capitalist accumulation', Chapter 25, Book I and 'The law of the falling rate of profit', Chapter 13, Book III of *Capital*. Here is disclosed the most important self-contradiction in *Capital*. Marx begins with the assumption that technology progresses and so productivity rises. And yet, in the course of unfolding these laws, he unconsciously drops (forgets?) these assumptions and becomes trapped in a queer implication that productivity does not rise when it rises.

Chapter 5, 'Materialist Concept of History and the Structure of *Capital*', is composed of 'Dialectics and Economics in *Capital*' (*Waseda Economic Papers*, No. 10, 1967) and Section V 'Obligatory Correspondence of Production Relations to the Productive Forces' of 'Hegelian Fallacy in Marxian Economics' (*Waseda Economic Papers*, No. 12, 1972). Here we touch on Marx's methodology in *Capital*. First, the materialist concept of history, i.e. the law governing the replacements of social organisms, is reviewed. Then, its application, the explanation by means of 'dialectical triad', of the rise and fall of capitalism leading to the advent of communism, is followed and criticised.

Chapter 6, 'Hegelian Fallacy in Marxian Philosophy' (*Waseda Economic Papers*, No. 12, 1972. Original title: 'Hegelian Fallacy in Marxian Economics'), makes inquiry into the philosophical basis of *Capital*. Hegelian and Marxian dialectics as the negation of the Aristotelian law of contradiction is scrutinised. An unwarrantable interchange of the concept of contradiction with that of opposition and struggle is laid bare. The ambiguous character of the 'unity and struggle of opposites' is criticised. It is pointed out that the Hegelian fallacy inherited by Marx is the prime cause of the obscurity with the appearance of abstruseness that prevails in *Capital*.

Chapter 7, 'The law of the Falling Rate of Profit, Reproduction Scheme and the Imperialist Expansion' (*Waseda Economic Papers*, No. 20, 1981), sets out from the examination of Marx's self-contradictory argumentation embedded in the law of the falling rate of profit. It leads to the elucidation of the involvement of the same contradiction in Lenin's expanding reproduction scheme, which is nothing but a two-sector analogy of Marx's 'Hypothetical series' (one-sector model) illustrating the law. This contradiction, the neglect of the rise of the workers' real income which should be realised proportionate with the rise in productivity, is the origin of Marx's 'absolute impoverishment' theory and Lenin's explanation of imperialist expansion driven by people's 'half-starved' standard of living in the mother countries, both being contradictory to historical facts.

In the last chapter, 'Marxian Economics in the Contemporary World' (*Waseda Economic Papers*, No. 21, 1982), the author's experience is introduced of a lecture in China entitled 'The economic growth of world capitalism vs. the foresights of Marx and Keynes'. The discussions following the lecture revealed that the Chinese economists were emancipated in their mentality from the obstinate dogmatism in the period of the Great Cultural Revolution. But as far as their

fundamental theoretical position was concerned they were still remaining faithful to Marx's political economy, although thereafter they began to loosen their interpretation of Marx's propositions here and there to their advantage in the analysis of contemporary capitalism and the building of Chinese-style socialism. The second section criticises the fallacy of the 'law common to all social systems', in substance, the law of the priority growth of Department I (means of production) as a requisite for economic development. The third section is newly added. This is a brief record of my discussion with some Soviet economists in a symposium held in Moscow in October 1983.

This book is not easy reading. But it does not contain inconsistencies as does *Capital*. If one reads *Capital* believing that it is without inherent faults, it becomes hopelessly confusing beyond comprehension. In pointing out clearly these defects and stating flatly what is wrong, this book should at least not be unintelligible and misleading in the manner of Marx's *magnum opus*.

Disclosure of truth might hurt and cause misgivings among some people concerned for a time. But, in the long run, it must be a positive way to trustworthy peace and the happiness of mankind. This is the belief underlying my work of more than thirty years. Marx himself, I believe, would be pleased with this book. He once wrote in the preface to the first German edition of *Capital*: 'Every opinion based on scientific criticism I welcome.'

TADAO HORIE

# Acknowledgements

This book could not have been published in this form and content but for the aid of Professor Emeritus P.J.D. Wiles, London School of Economics, an old friend. He cordially took pains to elaborately examine my first, second and third manuscripts. He made numerous corrections and suggestions on facts, theoretical points, editorial arrangements, and English expressions and gave effective assistance for realising publication.

I tried hard to follow his advice in most cases. As for the difference of opinion on some theoretical matters, I am grateful that he gave me good impetus to make my thoughts stricter and, I hope as a result, more persuasive.

Professor Murray Wolfson, Oregon State University (now at California State University, Fullerton), and Professor Kurt Dopfer, Hochschule, St Gallen, Switzerland, also kindly helped me by presenting suggestions on the contents and strongly supporting me in the actualisation of this project. The pertinent Foreword written by Professor Wolfson, who is well versed in the subject, is heartily appreciated.

My long contact with Professor Martin Bronfenbrenner, Aoyama-gakuin University, Tokyo, has been helpful in fostering my idea of this work.

Thanks to Professor A.W. Peterson, my late-colleague at Waseda University, Tokyo, for checking my English. Professor Peterson has since passed away. May his soul rest in peace.

I am also indebted to Professor Paul Snowden, Waseda University, for his aid in preparing the index.

Mr T. M. Farmiloe, my publisher, has kept an encouraging eye on my work since he came to know it through Professor Wiles five years ago and his decision in favour of publication offers the English-speaking world a good opportunity to be acquainted with it. My deep appreciation is due for this.

Last but not least, I would like to express my gratitude to all my colleagues, friends and students who have been associated with me in relation to this work. It has been cherished and developed in the course of seminars, lectures and discussions with them

In spite of valuable suggestions and comments and the efforts of myself, it is inevitable that my work will contain some defects and faults. It goes without saying that they are all of my responsibility.



# Contents

<i>List of Figures</i>	xiii
<i>List of Tables</i>	xiv
<i>Foreword by Murray Wolfson</i>	xvi
<i>Preface</i>	xviii
<i>Acknowledgements</i>	xxv
<b>1 Towards a Higher Stage of Marxian Economics: The Concept of 'Value' Fundamentally Re-examined and Developed</b>	<b>1</b>
I Newly Developed Interrelation of Three Concepts – Labour-time, Value and Price	2
1 Why did Strachey abandon the labour theory of value?	2
2 Is equal labour-time always expressed by an equal price?	3
3 How to fill the gap between 'constant price' and Marx's price?	9
II Doesn't Tertiary Industry Create Value?	10
1 Questioning the 'law' of the falling tendency of the proportion of tertiary industry	10
2 Can commercial business operate without capital? Origin of the confusion	11
3 How can we make a consistent theory of the Marxists' method of accounting for national income?	16
4 Fundamental re-examination and development of the concept of 'value'	19
5 Supplementary notes added in 1984	20
<b>2 The Immanent Self-Contradictions in Marx's Labour Theory of Value: In Connection with the Transformation Problem</b>	<b>23</b>
I Is the Labour-Value Theory Really Valid in <i>Capital</i> ?	23