

Engels, Werner Sombart, and the Significance of Marx's Economics



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In 1894, 11 years after Marx's death, and 9 years after the posthumous publication of Volume II, Engels had finished his editorial task and published the long-expected Volume III of *Das Kapital*. In his preface, Engels reported on the enormous difficulties of his task to integrate the often "sketchy and fragmented" manuscript which Marx had left behind into a halfway coherent text. The major part of the preface is devoted to the alleged "great contradiction" between Volume I and Volume III: that prices observed in reality admittedly do not conform to the law of value, according to which exchange ratios between goods are proportional to the quantity of labour expended for their production. Engels' reaction to various comments on this issue by bourgeois economists is often malicious, condescending at best, whereas he treats socialist authors in a friendly way. In Engels' view, the latter came close to what he believed was the definite solution provided by Marx in the final volume, without, however, stating this explicitly.

1 I

Among the numerous reviews that followed immediately after the publication of Volume III,¹ Werner Sombart's 40-page essay was the first. It appeared in the *Archive für soziale Gesetzgebung und Statistik*, whose editor was Heinrich Braun, a

¹The introduction to Meixner, Turban (1974) lists eight extensive reviews, appearing in renowned journals between 1894 and 1898.

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sympathizer of Social Democracy, before it became the famous *Archiv für Sozialwissenschaft und Sozialpolitik* in 1904. At first, Sombart refers sympathetically to Engels' "history of sufferings" as editor of Marx's estate in Engels' preface, but nonetheless he criticizes his practice of publishing as much as possible of the unfinished manuscript, suggesting that a more selective edition of the principal lines of argument could have facilitated reading and above that would have been in accordance with Marx's intentions. If the pleasure of the reader is impaired by the heterogeneity of the text, in Sombart's view, the third volume is superior to the previous ones from a theoretical point of view, much to the satisfaction of readers interested in economic theory.

Sombart then turns to the question whether Marx has successfully solved the problem of transformation of labour values into production prices, which is enforced through competition among capitalists demanding equal rates of profit for their capital whose proportion to labour varies between different branches of production, under the condition that the "law of value" still holds. In Marx's setting of the problem, a non-capitalist economy in which goods are exchanged at labour values serves as starting point, but then Marx refers to competition (*Konkurrenz*), the interplay of supply and demand, which functions to equalize profit rates between different production branches. At this point, Sombart detects a certain "obscurity" to which he comes back after completing his survey of the content of the book.

The central piece of Marx's theory of long-term development of capitalism is his theorem of the "declining tendency of the rate of profit". On this point, Volume III offers new, interesting arguments, which would, however, require a discussion more thorough than possible in a review article. With respect to Marx's treatment of commercial capital Sombart's reference to Marx's distinction between "productive" and "unproductive" labour appears neutral, he considers the use of expressions of "paid" and "unpaid" labour for workers in commerce as "misleading" (Sombart 1894, 566). Of Marx's treatment of the financial sphere of the total process, Sombart considers the chapters on banking and credit a "child of sorrow" (568). If, on rent Marx follows the doctrine of differential rent, his achievements in further development of known arguments are nonetheless remarkable. The concluding chapters on "revenues and their sources" can hardly be considered as Marx's "last word" – rather, they convey the feeling of the "decline of the author's mighty powers" (571).

The decisive question of Marx's theory, in Sombart's view, concerns the place of the labour theory of value in a theory of capitalism. Can the labour theory of value be defended if – admittedly – prices (and money wages) are determined by their "cost of production" and if values do not enter the calculus of the agents of the capitalist production system which is oriented at the rate of profit? For Sombart, two aspects are essential for a correct understanding of the meaning of the Marxian theoretical system.

- (i) Marx's "value is not an empirical, but a conceptual fact" (574), an instrument (*Hilfsmittel*) of thinking (577).
- (ii) "Value" is "the economic expression of factual social productivity of labour which underlies economic existence". "Value is the specific historical form by

which the productive power of labour determines the economic process in the last instance" (576–577).

- (iii) Therefore, "the law of value becomes the principle that regulates economic life." It does so without ever appearing in the thinking of economic agents, effective as "hidden cause", or "intrinsic law" (*inneres Gesetz*) (577–578).

Ad (ii) Obviously, Sombart's focus is on commodities in the sense of outputs of (the flow of) current production, with "social necessary labour" as the "most relevant" characteristic, although not the only one. The "economic existence, the material culture of men", which is equivalent to the "quantum of economic goods available to them" – if we "abstract from other circumstances" – essentially depends on the development of the social productivity of labour (576). In modern language, what Sombart has in mind here is the level of total production is determined by the labour productivity. Another implication is that changes in relative prices are caused by changes in labour productivity which are different for different goods – but Sombart does not make this explicit, as his focus is not on price determination.

Ad (iii) Even though value does not appear anywhere in economic reality as perceived by its agents, it is "effective as hidden cause" – the law of value is effective inside the system. The task of Marx's *Kapital* is to show "not the movement of competition in its reality, but only the interior organization of the capitalistic mode of production, quasi in its ideal aggregate form" (583). As a consequence, Sombart puts special emphasis on the "fictional" – conceptual character of the transformation of values into prices.

The rate of surplus value (m/v , *Mehrwert*-surplus/wages-variable capital), in combination with the organic composition of capital (C/v , C is the capital stock), determines the rate of profit (583). As a quantitative concept, value is expressed in terms of labour time. The rate of surplus value depends on the relation between total production and that part of production which is necessary for the reproduction of labour power. Once the average wage is assumed as given, the rate of profit (m/C) is determined by the rate of surplus value. This is ensured by the identity of the "total sum of surplus value" (*Gesamt Mehrwert*) and the "total sum of profit". Sombart accepts this as conceptual model for the explanation of income distribution. At this point, he does not say anything whether the model could be subjected to statistical testing. But it follows from the explicitly quantitative nature of the central concepts that in principle working time and m/C can be observed statistically independently of prices. It is another question whether this can ever be done in practice.

If prices can in this way be deduced from value, in Sombart's view, this cannot be understood as a historical process in which prices gradually emerge from originally prevailing labour values, as Marx sometimes misleadingly seems to suggest (584). "Theoretically, in order to explain the rate of profit, the rate of surplus value must be the starting point; but certainly not empirically. The equalization of different profit rates resulting from different organic compositions of capital towards a uniform rate of profit is a conceptual construct (*Denkoperation*), but not a process in real life. I assume that is the opinion of Marx, unless Engels ensures me of the

opposite” (586). However, Sombart’s terminology is misleading – he rejects Marx’s genetic-historic explanation, not “empirical verification” in itself.

In the last part of the review, Sombart discusses possible future developments of economics after the completion of publication of *Das Kapital*. Despite all the numerous contrary efforts, Sombart is convinced that the Marxian economic system cannot be refuted but only developed further, in the same meaning as the insights of Quesnay, Smith, and Ricardo et al. continue to be part of the body of present-day economic theory. He thinks that for a “positive further development of economics”, it is especially “scientific (Marxian; G.Ch.) socialism” which has to be considered, “alongside with the Austrian School” (588).

On the other hand, it will be necessary to fully comprehend the sharp contrast between the two fundamental approaches. What Marx is aiming at in the last instance is “to unveil the economic law of motion of modern society”, searching for conditions which are independent of the intentions of individual agent, effective “behind their back”. Not competition is the determinant factor of the economy, but the rate of profit, which is determined by value and surplus value, which are both expressions of “social productivity of labour” – by “social” Sombart means aggregate, not individual. Thus, the Marxian system is “characterized by an extreme objectivism”, whose opposite is the subjectivist approach of the Austrian School, whose starting point is the individual agent driven by his needs and desires. The crucial issue with respect to the future development of economics, in Sombart’s view, is whether “the objectivist approach can claim exclusive legitimacy in economics” or whether the contrasting approaches can be considered complementary (591ff).

2 II

Sombart sent his review article to Engels, who thanked Sombart in a personal letter dated of March 11, 1895, expressing his satisfaction to encounter “such great understanding of *Das Kapital* at a German university” (Marx/Engels 1968, 427–428). “Obviously, I cannot identify myself with all the words into which you have translated Marx’s presentation”, but “essentially you have got it right”. With respect to the transformation of values into prices, Engels writes to Sombart that he does not intend to “ensure him of the opposite”. The equalization of profit rates is a “process which takes place objectively in things, unconsciously”, similar to the process of history as such. “In their chase for profits, neither the capitalists nor bourgeois economists are aware that the aim is the equal percentage distribution of the total surplus value”. For Engels, the question remains important “how this equalization process evolved in reality”. If Marx said only little on this issue, Engels insists “that the concept of value has, or had, more reality” than Sombart is prepared to admit. It would be a “worthwhile task” to reconstruct the historical process with its numerous

intermediate stages through which market exchange which was originally based of values came to accept its present capitalistic form.

Engels' letter to Sombart anticipates the arguments which he set forth in greater detail in an article for the *Neue Zeit*, which was published after his death in August 1895.² The article opens with a harsh critique of a review of Achille Loria's review of Volume III,³ which contrasts sharply with the praise which Engels bestows on Sombart, "whose outline presentation of Marx's system [...] is quite excellent on the whole" (Marx 1894/1981, 1031). Summarizing Sombart's outline, Engels notes that the reviewer considers value

not an empirical fact but an ideal or logical one [...] the specific historical form in which the productivity of labour which ultimately governs all economic processes has its determining effect. [...] Now it cannot be said that this conception of the significance of the law of value for the capitalist form of production is incorrect. Yet to me it seems too generalized, and capable of a closer and more precise formulation; in my view, it by no way exhausts the whole significance that the law of value has for those stages of society's economic development that are governed by this law (Marx 1894/1981, 1032).

The passage expresses an unease with this interpretation of the law of value which Engels expressed more explicitly in his critique of a review of Volume III by Conrad Schmidt,⁴ who "calls it a scientific hypothesis put forward to explain the actual exchange process", thereby declaring

that the law of value in the capitalist form of production is a fiction, though a necessary theoretical one. In my opinion, this conception is completely inapposite. The law of value has a far greater and more definite importance for capitalist production than that of a mere hypothesis, let alone a necessary fiction. With both Sombart and Schmidt [...] insufficient regard is paid to the fact that what is involved is not just a logical process but a historical one, and its explanatory expression in thought, the logical following-up of its internal connections (Marx 1894/1981, 1032–1033).

In a personal letter to Schmidt, Engels had rebuked Schmidt's interpretation, as well as the tendency in Sombart's "otherwise excellent article to water down the theory of value" (Marx/Engels 1968, 433). To support his position, Engels quotes Marx's statement, which views "values of commodities not only as theoretically prior to the prices of production but also as historically prior to them" (Marx 1894/1981, 277). In the remaining part of his article, Engels sketches out in detail how, in this historical process, prices evolved from labour values which governed the exchange of goods in pre-capitalist stages of production, when producers usually were also the owners of their material means of production.

²The article is unfinished. It is included as supplement to Volume III of *Das Kapital* (Marx 1894/1981).

³Engels had already sharply criticized Loria in his preface to Volume III (Marx 1894/1981).

⁴Conrad Schmidt, 1863–1932, economist and philosopher. His review appeared soon after Sombart's review in the *Sozialpolitisches Centralblatt*, like the *Archiv für soziale Gesetzgebung und Statistik* edited by Heinrich Braun.

3 III

In his 30s, Sombart was a very prolific writer. A few months after Engels' death, Sombart published a 35-page brochure, an enlarged obituary, offering an evaluation of Engels' personality, his work, and his importance for the socialist movement. The subtitle "a sheet on the history of the development of socialism" suggests that the pamphlet is a by-product of Sombart's work on his book *Sozialismus und soziale Bewegung im 19. Jahrhundert* whose first edition appeared in the following year. With respect to Engels' personality, his attitude is quite sympathetic, although he did not know Engels in person, nor was he a supporter of his party. Sombart describes Engels as "more charming, softer, more flexible" than Marx, a person with "humour, where Marx was (only) witty" (Sombart 1895, 4). If Engels, by his own confession, always "played second violin" in his lifelong collaboration with Marx, the importance of his contribution to the joint work justifies to speak of "Marx's-Engels' work". Especially, Engels' contribution to its philosophical foundations was far greater than he was willing to admit in his modesty. Engels' universal knowledge has often been recognized, but this has sometimes seduced him to a certain nonchalance in generalized statements which do not withstand the scrutiny of scholarly critique (20–21).

Of Engels' separate publications, his youthful essay *Umriss zu einer Kritik der Nationalökonomie* of 1844 is a "rather confusing opusculum", but nonetheless it contains "the seeds of a historical-theoretical approach", towards the "theoretical historicism [...] which enables a strictly theoretical-abstract treatment of economic phenomena, and also full consideration of historical reality". If the essay played a key role for the further development of Marxian socialism, in Sombart's view, it also demonstrates that Engels had no specific gifts for economics and that he lacked "the talent for abstract mathematically oriented thinking, which was characteristic for Marx".⁵ It was the book *Die Lage der arbeitenden Klasse in England* (1845) which showed the great gifts of Engels to comprehend social phenomena in a historical context and to interpret them in the course of development (6–7).

In Sombart's view, Marx and Engels' theory of economic and social development suffers from an untenable epistemology, a mixture of Hegelian dialectics and French materialism, according to which thought and reality are identical; in Engels' words, ideas are "more or less abstract images of real things and processes" (13). Therefore, important elements of the Marxian system are lacking sufficient epistemological foundation, especially its concept of laws of development which is nowhere subjected to critical discussion. This, however, does not mean that all Marxian doctrine is wrong, only because its conceptual form is inadequate and outdated (13–14).

Sombart's little monograph is characterized by a considerable ambivalence of his attitude towards socialism and its founders. Sombart recognizes the high

⁵See the scrupulous dissection of Engels' essay by Heinz D. Kurz (2020) in the light of English economic literature available in the 1840s. On Engels' economics, see also Frambach 2020.

significance of Marx and Engels' theoretical work for socialism as political movement, while at the same time, he is very critical of the overall materialist approach of "scientific socialism", as well as of many of its core economic theorems. Sombart criticizes the monocausal approach of "dialectical materialism" of the Marxian system, with its consequence of absolute necessity of outcomes of evolutionary trends as a result of a dialectical process which Engels has described in his widely read book *Herrn Eugen Dührings Umwälzung der Wissenschaft* ("Anti-Dühring"). And yet, Sombart rejects all in toto-refutations of the Marxist system. He emphasizes that the Marxian system is indispensable as central frame of reference for the future development of economic theory.

If not much will survive from the Marxist system "in its peculiar form", any serious confrontation must be prepared to acknowledge which part of it has been recognized as correct. In particular, "the materialist approach to history, the idea that social laws shape the development of society are only awaiting a more correct formulation [...] today historical and social research increasingly follow Marxian patterns of thinking". Even if many specific Marxian propositions are or will be proved untenable, "an unprejudiced evaluation, free of bias from hatred and favour, will give a high weight to the system" (19).

Sombart's sympathy for Engels has two motives: the change of his political thinking which evolved gradually during his long life, "through which Engels uniquely represents the course which the labour movement has taken in the last generation", and "the kind and humane character" which Engels has retained against all bitterness and adversity he encountered in his life (34–35). As regards the former, Sombart thought that Engels' greatest merit for socialism and the labour movement was the overcoming of the revolutionary attitude which originally had been so deeply engrained in his and Marx's thinking.

As Engels wrote in the preface for a new edition of Marx's pamphlet *Die Klassenkämpfe in Frankreich 1848 bis 1850*, with the increasing spread of universal suffrage among the male population, a promising perspective had opened for the social democratic parties to take over power in the state within a few generations. This was the focus of Engels' political-strategic considerations, on which his recommendations to the social democratic parties were based. Not "in one stroke" can the socialists achieve victory, but only "slowly [...] press forward from position to position in a hard, tenacious struggle". Therefore, any form of "anarchist" terror merited the strictest condemnation from Engels as counterproductive. The proletariat should not allow itself to be provoked by a bourgeoisie fearful of losing power into "tak[ing] without more ado to the streets, where we are certain of defeat in advance" (Marx/Engels 1966, 515–516, my translation).

Sombart's statement, that loss of Engel's mentorship for the socialist parties would not have a significant effect, is contradicted by the expectations Sombart entertains for the future development of social democracy. He thought that the substance of Marxist ideas was exhausted with regard to its further development and that "fresh ideas and new men are called for" (Sombart 1895, 34). In this respect, Sombart envisaged a political course of the labour movement that would be ideologically reformist, abandoning more and more of the original revolutionary

promises. That Sombart's expectations would not materialize became evident a few years after Engel's death, when Eduard Bernstein's book *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* ("The Preconditions for Socialism and the Role of Social Democracy") appeared in 1899.

4 IV

Soon after publication of the pamphlet on Engels, Sombart's most successful book *Sozialismus und soziale Bewegung im 19. Jahrhundert*, which was based on lectures he had given in Zürich in 1896, appeared in its first edition.⁶ Sombart's own understanding of his book, at least for its major part, was that of a scholarly analysis, which should do justice to socialism as political and social movement, avoiding the prejudices of its bourgeois academic enemies, which were biased by lack of knowledge and hatred. In Sombart's view, it should be taken as a fact that "according to its goals the modern social movement is a socialist movement" and a "proletarian movement", deriving its support from the working classes (Sombart 1899, 3). In its original revolutionism, Sombart sees an "expression of immaturity", which, however, was gradually superseded by an evolutionary approach, as socialism became a mass movement, whose social and political power increased gradually and irresistibly with the industrial workers' share in total population (83). The concept of class struggle has nothing terrifying for Sombart; it should be understood as legitimate means to pursue the workers' economic and social interests (97–98). Sombart fully supported social policy legislation to improve working and living conditions of the working class. He also thought that the tendency towards concentration and centralization of capital prepared the ground for socialization of major parts of industry. But he was considerably at unease with the ideal of a fully socialized economy, which still was officially the declared goal of social democracy.

As mentioned above, there are important elements of Engels' late political and economic thinking which encouraged Sombart's expectations for the future development of socialism and the social movement. In addition, Engels had – more tacitly than explicitly – abandoned two elements of the Marxian theory important for its revolutionary outlook: increasing impoverishment of the working class (*Verelendungstheorie*) and exacerbation of periodically recurrent economic crises. But on the whole, Engels' political strategy remained firmly oriented at the Marxian

⁶An additional eight editions followed until 1920, also translations into English and other foreign languages. The content was continuously updated and enlarged, while Sombart's positions towards central elements of Marxian theory underwent significant changes – on this point see, and on the reception of Sombart's book, see vom Brocke (1996, 32–33), and Lenger (1994). On Sombart's personal and professional situation and contemporary political surroundings, see Lenger (1994), pp. 78ff and vom Brocke (1996).

socialist perspective. The steady increase in the share of the vote was not an end in itself but a means to strengthen the class consciousness of the working class and thus increase its fighting strength, always directed towards the approaching ultimate goal of socialist society. In the parliamentary debates on specific issues of economic and social policy, the social democrats should support, or at least not hinder, any measures that might accelerate the liquidation of feudal structures and the diminution of the independent petty-bourgeois or peasant strata of the population, such as the abolition of protective agrarian tariffs. The faster capitalism developed to its pure form, the faster would the share of the proletariat increase, and with it the political power base of social democracy. Energetically Engels therefore opposed all reformist and "state socialist" tendencies in the SPD.

Sombart did not absolutely deny Engels' view of the future development of capitalism, but he was convinced that economic and social trends would not lead to a complete elimination of the intermediate classes, the small peasants and the petty-bourgeois urban craftsmen and service providers. In this respect, "the Marxian system fails". In the spirit of democracy, social democracy should therefore "not exclude those elements from the (socialist) movement" (90).⁷ Sombart's own long-term perspective can perhaps best be characterized as some kind of "state socialism", an economic order for which many SPD members of parliament felt sympathies but firmly rejected by Engels.

It has often been said that Sombart anticipated Revisionism which found its theoretical expression in Eduard Bernstein's book *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* which appeared only 2 years after his best-seller, which had already begun to be widely read also among members of the Social Democratic Party. As Sombart expected (and hoped), the SPD became increasingly reformist in its politics before World War I, but at the ideological level, Marxist orthodoxy represented by Karl Kautsky prevailed.

Despite his intensive efforts to influence the political course of the SPD, Sombart essentially felt not as politician, but as scholar of the social sciences. It was in this capacity in which he tried to establish some form of cooperation to give support to the party. For that purpose, he became one of the founders of an "Association international pour la législation du travail" (founded 1900 in Paris), and of its German section "Gesellschaft für soziale Reform", established in 1901. Sombart tried to establish some form of cooperation with the SPD, "with some success at the beginning, but ultimately in vain. Despite the dissenting vote of Bebel, the parliamentary fraction decided to prohibit any, even unofficial cooperation" (vom Brocke 1996, 33–34). The disappointment which this rejection caused in Sombart was the beginning of his gradual distancing and then growing estrangement from political socialism and the labour movement.

⁷Sombart also considers the positions of social democracy towards religion and the nationality question as untenable (91–92).

5 V

Sombart's apology of the labour theory of value in his review of Volume III of *Das Kapital* provoked several responses, most notably from Eugen von Böhm-Bawerk in the last section of his essay *Zum Abschluss des Marxschen Systems* (1896). Böhm-Bawerk accepts Sombart's interpretation of Marx's theory of value as "conceptual fact", as an instrument of thinking (123, 291).⁸ But he criticizes Sombart that,

while expressly admitting the Marxian value does not stand the test of facts, (he) demanded an 'asylum' for the 'outlawed' value in the *thought* of the theorist. From this asylum, however, he unexpectedly makes a clever sally into the concrete world when he again maintains that his concept of value is adequate to the objectively most relevant fact, or in more pretentious words, that 'a technical fact which objectively governs the economic existence of human society has found in it its adequate economic expression. (127/295)

Sombart's leap from the sphere of theoretical abstraction into the reality of goods production cannot be accepted as "harmless variation of a permissible but inappropriately named abstraction", but an "incursion into the domain of the actual, for which all justification by evidence is omitted and even evaded" (128/296).

Finally, Böhm-Bawerk addresses the issue of "objectivist" versus "subjectivist" approach in economics. For him, "the obvious answer to Sombart's question [...] is that the objective method can be justified only as complementary" (129–130/298–299). If, in the perspective of the objective approach, "external objective connections are shown to exist, which, like fate, control action with or without the knowledge [...] of the doer, let them be shown to exist in genuine reality. And Marx has not done this. He has not proved his fundamental proposition that labour alone governs exchange relations", either objectively or subjectively, "but he gives it to the world in the form of an abortive dialectic" (130/299).

Shortly after Böhm-Bawerk's essay, Johann von Komorzynski⁹ published an equally extensive review of Volume III of *Das Kapital* in the Austrian *Zeitschrift für Volkswirtschaft, Socialpolitik und Verwaltung* (1897). Komorzynski confirms Sombart's argument that cost prices could not possibly have originated from pure labour values (209). He rejects Sombart's attempt to rescue Marx's labour theory of value through introducing the concept of "labour productivity", by which he makes the supposition that "creation of value" is equivalent to "performing the socially necessary labour" in the process of production of a good (262). However, if one accepts this approach, then

it is a priori certain that all profits from capital can only be the outcome of labour, for which workers have been deprived of their remuneration. Individual products may then exchange for whatever quantitative relationships, be it labour content or any other exchange value [...] Hence, it is unnecessary, in order to show that capital profit is the result of unpaid

⁸Double page references relate to the German original (Böhm-Bawerk 1896/1974) and to the English translation (Böhm-Bawerk 1896/1961).

⁹Johann von Komorzynski (1843–1911), associate (außerordentlicher) professor at the University of Vienna, follower of Carl Menger is one of the less known members of the second generation of the Austrian School of economics. As man of practical economic life, Komorzynski was a lawyer, and member of the board of several Viennese banks and corporate enterprises.

labour, to come up with the long-winded reasoning of Marx and the other advocates of the socialist theory of profit. (262)

In other words, Sombart is criticized for introducing the concept of “productivity of labour” (Y/L), and at the same time tacitly assuming that the value of the quantity of goods that can be produced by a unit of labour, as well as all increases of this quantity, can be attributed to labour, thus interpreting a mere definition as causal relationship.

Rudolf Hilferding, in his reply to Böhm-Bawerk's attack on the Marxian theory of value, refers to Sombart's essay only with respect to the question whether labour values are a theoretical a priori to cost prices, or preceded them historically, so that cost prices gradually evolved from labour values. Criticizing Sombart's interpretation, he sets out to defend Marx's position that “values of commodities not only are theoretically prior to the prices of production but also historically prior to them” (165ff). Unlike Engels, who, in his supplement to Volume III, had argued that exchange ratios of goods had corresponded to labour values since prehistoric times, Hilferding confined his historical excursion to the pre-industrial period, in which prices equalled labour values. With the emergence of the capitalist, enterprise prices/labour values were gradually transformed into capitalist cost prices, as industrial methods extended into the production of goods, thereby displacing simple commodity production by handicraft. In his magnum opus *Der moderne Kapitalismus* (first edition 1902, second edition 1916/1927), Sombart dealt extensively with the rationalization of price formation, without, however, referring back to the transformation problem.

That Marx himself had felt some doubts about the postulated equality of aggregate surplus value and aggregate profits had escaped not only Sombart's attention but also that of Böhm-Bawerk. It was mentioned by Komorzynski, who criticized Marx's solution of the transformation problem for its confusion of values and production prices in his “schemes of reproduction” (258–259). The principal flaw in Marx's theory of value was fully exposed by Ladislaus von Bortkiewicz (1906/1976, 84), who showed that “the theorem of equality between total aggregate value and total aggregate price is generally false”. The debate about the transformation problem took a new turn after publication of Piero Sraffa's book *The Production of Commodities by Means of Commodities* (1960). The main thrust of Sraffa's argument was directed against neoclassical theory. But in the light of Sraffa's alternative approach, it became evident that “the transformation problem was insoluble in Marx's own setting, while the necessity to derive prices from values disappears, as both are deduced from a third factor” (Schefold 2014, 201).

6 VI

Compared to his later writings, Sombart appears to have quite intensively concerned himself with issues of analytical theory in his review of 1895. Although he is not really interested in this aspect, he sees Marx's theory of value both as a theory of relative prices and of income distribution. He embarks on a detailed discussion of

the problem of transformation of values into cost prices. Apparently, he believed that Marx has solved this difficult task.

Only a few years after publication of his review Sombart's engagement for the Marxian theory of value appears considerably diminished. If Engels himself had – with some reservations – confirmed that Sombart's interpretation had “essentially” been correct, “other critics thought that (his interpretation) could no more count for Marx's value theory. Perhaps they are right” (Sombart 1900, 56).

This indicates not only a gradual distancing from the Marxian system but also a diminishing interest in the analytical elements of Marxian economic theory, which also appears in his successive discussions of core elements of Marx's theory of capitalist economic development. In his review article, Sombart had awarded unreserved praise to part three of *Das Kapital* Volume III for its “brilliant presentation of the law of the tendential decline of the rate of profit as self-evident consequence of the theory of value, respectively surplus value”. With “progressive decline of variable capital relative to constant capital, and hence to total capital, an unchanged rate of surplus value must result in a declining rate of profit” (Sombart 1894, 564). Sombart also points to the importance of Marx's discussion of the “inner contradictions of the law”, which goes beyond what was already known from Engels' *Anti-Dühring*.

In Sombart's view, the ultimate goal of Marx's economics was to provide a theory of capitalist development in the long run. In later editions of *Sozialismus und soziale Bewegung im 19. Jahrhundert*, he identifies five main determinants which he subject to critical discussion: the tendency towards concentration and centralization of capital, the tendency towards socialization, the theory of accumulation, the immiserization theory, and the theory of final collapse (Sombart 1908, 79ff). In the latter, no mention is made of a declining rate of profit, instead Sombart even denies that periodic crises are an immanent feature of capitalism but should rather be seen as “random complications” caused by equally random waves of speculation (97).

In a short monograph written at the occasion of the 25th anniversary of Marx's death, Sombart attempts an evaluation of Marx's contribution to the social sciences (Sombart 1909a, b, 31ff). The importance of Marx for the social science does not lie in contributions to the approved body of knowledge, nor in his various “laws”, of which most have been a failure, but as system builder – as “founder of systemic social science”. In this capacity, Marx “combined the achievements of classical political economy and historical school, thereby establishing the concept of economic system [...] as object of economic science” (53–54).

If Marx “hardly contributed to augmenting the technical apparatus of economics” (52), in Sombart's view, this is of little relevance for his historical significance at a time when “perfection of the technical apparatus of the social sciences has become a kind of ‘shoemaker's work’”. This indicates the change in Sombart's attitude towards the analytical side of economics – there is nothing left of the ambitions which appear in his review article of 1894.

In his little monograph of 1895, Sombart had identified epistemology as weak spot in Engels' thinking (Sombart 1895, 13). Now he directs his critique against Engels' attempt to give Marx's economics, in particular to his “law of value”, the

appearance of exactness similar to that of natural science.¹⁰ Not only have Marxian “laws” mostly turned out to be untenable, but Sombart considers Engels’ analogy of Marx and Lavoisier to be “principally mistaken” (Sombart 1909a, b, 36).¹¹ As he elaborated in detail in his methodological work *Die drei Nationalökonomien*, there is a principal difference in how we “understand” nature and cultural/social phenomena. Whereas the natural sciences categorize natural phenomena from an extrinsic (*äußerlich*) point of view, cultural/social phenomena are capable of “meaningful understanding” (*Sinnverstehen*). The aim of the social sciences is to show that social reality is created by the meaningful actions of people themselves (Sombart 1930, 193–194). Thus, Sombart is one of the main founders of “interpretive sociology” (*verstehende Soziologie*), which contrasts with Engels’ Hegelian ontological dialectics.¹²

Rather early during the phase of his deep engagement with Marx’s economic theories, Sombart must have realized that – like Engels – he lacked “the talent for abstract mathematically oriented thinking, which was characteristic for Marx”. With respect to abstract economic theory, Sombart thought that it had not made any progress worth noting since the days of Karl Marx, contenting himself with its rather simple versions.¹³ Instead, Sombart pursued a multidisciplinary approach, which aimed at a wider synthesis with the explicit inclusion of what he considered the durable achievements of Karl Marx’s work.

The second edition of Sombart’s magnum opus *Der moderne Kapitalismus* (1919/1927) indicates a return to Marxian ideas, and to his economics in particular, which echoes several of the main topics of the early review article of 1894. Above all, the theory of surplus value is central for the explanation of the dynamics of the capitalist economy (Sombart 1927, 139ff).¹⁴ Sombart also follows Marx in his emphasis on the role of technology and technological process and, on the other hand, in his tendency to downgrade the significance of competition.

Surplus value (m) is understood in the neutral sense of the difference between wages (v) and total product ($v + m$), ideally measured in terms of labour time. Changes in the rate of surplus value $m/(v+m)$ is – in conjunction with technological

¹⁰In his preface to Volume II of *Das Kapital*, Engels makes a comparison of Marx’s “discovery” of the “law of value” to Lavoisier’s discovery of oxygen (Marx 1884/1978, 98).

¹¹In an essay of 1924, Sombart discussed in detail the use of the concept of social law by Marx and Engels. Certain ambiguities notwithstanding, they view social laws, which underlie the laws of motion of socioeconomic development, as analogous to natural laws.

¹²On this point, see the contribution of Hans Frambach, *Friedrich Engels and Positivism*, in the present volume.

¹³Sombart’s tendency “to neglect all the last sixty years’ achievements in economic theory [...] with the healthy scorn of the creative thinker who disregards everything that is uncongenial to his thought” is one of the main points of Joseph Schumpeter’s (1927/1954) otherwise positive review of Sombart’s third volume of *Der moderne Kapitalismus*.

¹⁴A simpler version of Sombart’s analytical framework is presented already in Volume I (Sombart 1919, vol. I, 324–325).

progress – the main determinant of capitalist dynamics.¹⁵ The use of labour values, however, does not in any way imply that “labour receives less than what it produces [...] In a capitalist economy, total revenue is the product of all factors involved in the process of production” (139). Capitalism is characterized by production on an expanded scale accumulation. Nothing can be said a priori – i.e. by deductive reasoning – about long-run changes in $m/(v + m)$ – in this context, Sombart criticizes Marx and Ricardo for confusing empirical and theoretical arguments, insisting on their strict separation (143–144).

Hence, economics cannot operate with “laws” in the strict sense; there are only “tendencies of development” which can be discerned with certainty only *ex post*, by hindsight, not for the future (142). With respect to tendencies which are of key importance for development, Sombart largely remains within the framework of the Marxian system. As he did in previous works mentioned before, he often disagrees with Marx’s opinions on their direction. Sombart elaborates in great detail on the development of technology, which can be seen as complementary to Marx more general emphasis on this factor. Unlike Marx, Sombart assigns a central role to the entrepreneur as driving force, for which he received high praise from Schumpeter.¹⁶ The change of the structure of the capitalist enterprise and the function of the entrepreneur figure prominently in Sombart’s theory of *Spätkapitalismus*, the next and final stage of capitalism, which he thought would follow “high capitalism” after World War I (951ff, 1008ff). Thus, Sombart’s cautious predictions for future developments were to a considerable degree based on sociological considerations.

According to the preface to the III volume of *Der moderne Kapitalismus*, Sombart – although in a very general and certainly no more in a political sense – felt as a “Marxist”: “what Marx said, was the splendid first word about capitalism”, while in his own book “the modest 1 a s t word” was being said (Sombart 1927, xxi).

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¹⁵ Sombart’s presentation of this formal “theoretical” framework is astonishingly simple. Note that neither *c* nor *C* (the capital stock) figure in it. There is an echo of the transformation problem in the distinction between “surplus value” which is understood as an aggregate “related to total capital”, and “profit”, which is related to individual capitals (139). Yet, this is not the place to elaborate on Schumpeter’s critique of Sombart’s understanding of economic theory.

¹⁶ See Schumpeter (1927/1954, 233ff). In this context, it is worth noting that Sombart’s emphasis on the crucial role of the entrepreneur dates back to an essay published in 1910 (Sombart 1909a), 3 years before Schumpeter’s *Theory of economic development*.

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