The two-fold conditions for Marx’s critique of political economy: 1) those material and theoretical changes which brought about Germany’s modern bourgeois society that Marx critiques, and 2) the German philosophy from which Marx derives this critique.

First, historical conditions for modern Germany: Feudalism existed as the dominant economic system in Western Europe until the agricultural revolution in the Netherlands and England. Innovations in the countryside increased productivity of labour, thereby challenging prevailing notions of scarcity, allowing labour reallocation from agriculture to manufacturing. This revolution upended feudalism by challenging societal norms and creating master-less men. New-found audacity had arisen which developed into new economic discourses. Enlightenment thinkers believed in civil society governed by a social contract and not feudal lords. These thinkers, from Hobbes to Locke, engaged with new ideas from which birthed modern kapitalism.

Smith re-envisioned a society ruled by naturally self-interested actors who conduct efficient market transactions to maximize personal gain. Specialization – division of labour impossible under strict feudal society – arises to increase productivity of labour, thus increasing profits. Ricardo extended this theory to the international stage, suggesting countries involved in bilateral trade should specialize in that good in which they hold a comparative advantage to maximize trade gains. Trade, once reinforcing feudalism, now became the site of expanding kapitalist markets. Once these markets exist, suggests Say, supply creates demand and equilibrium exists without the prospect of crises in over-production/under-production. Thus, kapitalism’s theoretical beginnings.

Consequently, new markets arose in England and Western Europe, but with one problem: labour, both labour necessary for this expanding production and labour necessary to consume production’s final product. Hence, the slave trade. Slavery allowed England to develop unevenly toward manufacturing and fostered England’s kapital accumulation. These two factors, combined with enlightenment ideas, produced radical technological changes which fostered the industrial revolution. Thence, England accumulated further kapital, firmly establishing its hegemony.

England’s model proved worthy of imitation, yet power to be challenged. U.S. and Germany were the primary challengers. Germany, imitating England, switched from serfdom to free labour to improve agricultural gains. To compete internationally, the Germans too began discussing “economic backwardness,” deeming unprofitable traditional economic methods so. The Junker aristocrats, desiring wealth for army and state, eventually caved, allowing tariff increases to protect infant industries of “economic forwardness.” Railroads became Germany’s primary commercial industry since they linked industrial centers, thereby spurring desired economic growth. Commercial investment banks mobilized German kapital by funding these railroads. While railroads united Germany economically, Bismark united Germany politically. Bismark’s German unification provided strong national identity on which German industrialization could be established. With new ideas and kapital accumulation now occurring, Germany too innovated, borrowing English technology and developing their own, in chemistry, electricity, and engines. Additionally, incorporation provided limited-liability to growing enterprise owners, whereby a new industrial giants class, ie. kapitalists, blossomed into heroes of an emboldening German empire. Thus, the birth of Germany’s modern bourgeois economy, ie. German kapitalism, the subject of Marx’s critique.

Second, conditions for Marx’s critique: Marx draws from German Philosophy, primarily engaging Hegel, the post-enlightenment German thinker. Marx utilizes Hegel’s approach, or phenomenology of mind, in which the mind concentrates itself, eventually producing the concrete by coming to know itself to the point of its full development. So Hegel engages Kant, the German enlightenment thinker, in contrast believing one cannot merely know phenomena, but rather eventually noumena through the mind’s development. Marx adopts Hegel’s scientific method to critique political economy, attempting to probe the abstract to move toward the more concrete until arriving at the simplest determinations, the real essence of things: noumena.

But Marx, a Young Hegelian, critiques Hegel through Feuerbach. Feuerbach suggests humans are alienated from God, and thus only impose human characteristics on God, now a false noumenon. Marx applies Feuerbach’s criticism of Christianity to Hegel’s method. Hence, he replaces Hegel’s idealism with a materialist dialectical method in which thought only reproduces the concrete which it presupposes, better understanding real life through ruthless criticism of everything existing. Thus, material relations, ie. socially determined material production of real life, determine consciousness, not the reverse as Hegel suggests.

Having established conditions for Marx’s critique, the analysis: Marx believes classical political economists unscientifically derive their theories. Smith, Ricardo, Say, all begin with a chaotic conception of the whole rather than a unity between the simplest determinations. Thus, they theorize about the abstract and not the real, mistakenly treating such as concrete.

In *Das Kapital*, Marx theorizes about political economy via his previously described method, beginning with the simplest determinations: commodity and value. Currently, he finds three major contradictions in the kapitalism of modern bourgeois society. One, regards to the commodity, in the internal antagonism between its use-value and exchange-value. Political economists view commodities as having singular value: market transactions’ assigned price. Individuals, thus, get what they pay for. However, upon reasoning from the simplest determinations, Marx realizes a commodity has two values: use-value, ie. social usefulness, and exchange-value, ie. socially necessary abstract labour time embodied in exchange – here assumed equal to value, the aforementioned embodied in the commodity through the course of production. These values maintain a complicated relationship. Since a commodity’s use-value can rise while its exchange-value falls under certain social material conditions, and vice versa, the value at which a commodity exchanges may differ from its social usefulness, therefore not having a single value denoted by a single price.

Two, regards to commodity exchange, since social persons must relate materially and material things socially. In commodity exchange, the external opposition between the exchange-value of one’s commodity and the use-value of the other’s commodity trumps the internal opposition of a commodity’s use-value and exchange-value. Thus, persons only confront each other as commodity owners of either exchange-value or use-value, as owners of material things. But a commodity only exchanges under social validation of its exchange value by the other commodity. Hence the contradiction: the social must act materially and the material must act socially. Therefore, in commodity exchange humans do not have natural bartering propensities, like Smith suggests, but must act unhumanly to do so.

Three, regards to monetary exchange, in the alienation between the sale and the purchase. For classicalists, money serves as neutral means of payment between sellers and buyers. But Marx reveals money both expands and destabilizes monetary exchange by alleviating the double coincidence of wants and by externalizing the opposition between sale and purchase, respectively. With money the goal and future uncertainty, the individual rational decision may not be purchasing but hoarding. Without the necessity that the sale becomes the purchase, Say’s Law is violated. The illusion of the independence of sellers and buyers, therefore, creates the conditions for crises as rational hoarding cripples monetary exchange.

Moreover – enter Feuerbach – Marx further critiques political economists saying they, like Hegel, ignore material considerations. The mode of material production conditions the process of social, political, and intellectual life, not the reciprocal. These relations have changed throughout history and can change again. Thus, there’s nothing inevitable or new in political economy. Smith’s theory necessitates abstract labour, which finds validity only within specific historic material relations: disappearance of the classes of labour under feudalism, and the relative mobility of labour.

Thus, in *Das Kapital* Marx shows that for the system of commodity exchange to occur, a fetishism of commodities must have been established to provide the social conditions necessary for exchange: namely, freedom, to take commodities anywhere; equality, of commodity owners to get what they pay for; property, for persons to sell commodities and realize their use-values; and bentham, that owners receive pleasure from commodities.