



# Confronting Capitalism in the 21st Century

Lessons from Marx's *Capital*

Edited by  
**Marc Silver**

palgrave  
macmillan

# Confronting Capitalism in the 21st Century

Marc Silver  
Editor

# Confronting Capitalism in the 21st Century

Lessons from Marx's *Capital*

palgrave  
macmillan

*Editor*

Marc Silver  
Hofstra University  
Hempstead, NY, USA

ISBN 978-3-030-13638-3      ISBN 978-3-030-13639-0 (eBook)  
<https://doi.org/10.1007/978-3-030-13639-0>

Library of Congress Control Number: 2019932935

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG, part of Springer Nature 2020

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use. The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG

The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

## ACKNOWLEDGEMENTS

Without the invaluable support and efforts of Melissa Connelly, Athelene Collins, Carol Mallison, and the staff of the Hofstra Cultural Center the conference at Hofstra University that provided the basis for this volume would not have been possible. I also thank Stanislao Pugliese for his encouragement and efforts that were instrumental in bringing this project to fruition.

# CONTENTS

<b>1</b>	<b>Introduction: Confronting Capitalism—Lessons from Marx’s <i>Capital</i></b>	<b>1</b>
	Marc Silver	
 <b>Part I Beginning with <i>Capital</i></b>		
<b>2</b>	<b>Marx’s ‘Ultimate Aim’ in Writing <i>Capital</i> Was...</b>	<b>15</b>
	Bertell Ollman	
<b>3</b>	<b>Marx and Commodity Fetishism: Some Remarks on Method</b>	<b>25</b>
	Vesa Oittinen	
<b>4</b>	<b>Late Marx and the Conception of “Accumulation of Capital”</b>	<b>47</b>
	Paul Zarembka	
 <b>Part II Contending with <i>Value</i>: Money, Price, Temporality, and Space</b>		
<b>5</b>	<b>Form Analysis, Space, and Spatial Struggle</b>	<b>69</b>
	Bernd Belina	

<b>6</b>	<b>The Transformation Problem and Value-Form: Methodological Comments</b>	<b>91</b>
	Pertti Honkanen	
<b>7</b>	<b>Value Forms and the Structure of the Capitalist System</b>	<b>125</b>
	David Fishman	
<b>Part III Financialization, Credit, and Crisis</b>		
<b>8</b>	<b>Marx’s Musings on Financial Crises: Credit and Crises in the Mid-Nineteenth-Century Gold Standard</b>	<b>153</b>
	Laurence A. Krause	
<b>9</b>	<b>Marx on Financial Intermediation: The Promise of Money as Command Over Future Labor</b>	<b>179</b>
	Joseph M. Ricciardi	
<b>Part IV Crisis in the 21st Century: Cross-National Evidence</b>		
<b>10</b>	<b>The Ambiguous Role of China’s Collective Land Ownership Under Global Capitalism</b>	<b>193</b>
	Xiangjing Chen	
<b>11</b>	<b>Beyond the “Pink Tide”: Dependent Capitalism in Crisis in Argentina and Lessons to Be Learned for Radical Social Change</b>	<b>215</b>
	Mariano Féliz	
<b>12</b>	<b>The Final Fiction: Madoff Clawback Suits and Their Implications for Capitalism in the Twenty-First Century</b>	<b>231</b>
	Colleen P. Eren	

<b>13</b>	<b>Navigating the Scylla and Charybdis of Precarious Work: Through the Storm of Contingency</b>	<b>247</b>
	Christian Garland	
 <b>Part V The Past and Present with an Eye on the Future</b>		
<b>14</b>	<b>What If Our Schools Are Working? Base, Superstructure, and Hegemony in Education</b>	<b>269</b>
	Alan Singer	
<b>15</b>	<b>Demographic Changes, Pension Reforms, and Absolute Surplus Value: Intertemporal Exploitation in Contemporary Capitalism?</b>	<b>281</b>
	Marcelo Milan	
<b>16</b>	<b>Readings of <i>Capital</i>: A Starting Point for Reinventing Socialist Politics?</b>	<b>311</b>
	Ingo Schmidt	
	<b>Postscript</b>	<b>337</b>
	<b>Index</b>	<b>341</b>



## NOTES ON CONTRIBUTORS

**Bernd Belina** is a Professor of Human Geography at Goethe University Frankfurt, Germany. His main research areas include historical-geographical materialism, urban studies, political geography, and critical criminology. Recent book publications include *Raum [Space]*, 2nd edition 2018 and *Handbuch kritische Stadtgeographie [Handbook of Critical Urban Geography]*, co-edited with Matthias Naumann and Anke Strüver.

**Xiangjing Chen** is a postdoctoral research fellow at the Department of Foreign Languages and Literatures, Tsinghua University, China. She obtained her Ph.D. in Asian Literature, Religion and Culture from Cornell University in 2017. Her research interests include Chinese socialist literature and culture, modernity of East Asia, and the agrarian question in Marxism.

**Colleen P. Eren** is an Associate Professor at William Paterson University, USA. She holds a Ph.D. in Sociology from the CUNY Graduate Center. Her book, *Bernie Madoff and the Crisis: The Public Trial of Capitalism*, was published by Stanford University Press in 2017.

**Mariano Féliz** is a Professor in the Department of Sociology at the National University of La Plata (UNLP), Argentina. He is also an Independent Researcher at the Centro de Investigaciones Geográficas of the Instituto de Investigaciones en Humanidades y Ciencias Sociales (CIG-IdIHCS) of the UNLP, and at the National Council for Scientific and Technical Research (CONICET) of Argentina.

**David Fishman** retired in 2015 after a career of 35 years in the upstream oil and gas industry. His last position was as Chief Economist with the Petroleum Reservoir and Economics Group of Robertson CGG.

**Christian Garland** teaches *precariously* at Queen Mary University of London, UK and has degrees in Philosophy and Politics from the University of East Anglia (UEA) and Social and Political Thought from the University of Sussex. His research interests include Marx and the Frankfurt School of Critical Theory.

**Pertti Honkanen, Ph.D.** studied Social Sciences at the University of Helsinki and at the University of Turku, Finland. She has worked as an economic journalist, parliamentary assistant, and in the last 15 years as a researcher in the Labour Institute for Economic Research, Research Unit of the Social Insurance Institution of Finland and in the Ministry of Finance of Finland. She has published about social and economic policy, social security, and employment as well as Marxist political economy.

**Laurence A. Krause** holds a Ph.D. in Economics from the University of Massachusetts, Amherst, USA. Since 1990, he has been an Associate Professor of Economics in the Politics, Economics & Society Department at SUNY, College at Old Westbury. His main teaching and research interests are in the history of economic thought, macroeconomics, and depression economics.

**Marcelo Milan** is an Assistant (tenured) Professor of Economics and International Relations in the Graduate Program in Strategic International Studies at the Federal University of Rio Grande do Sul, Brazil. He holds a B.A. and a M.A. in Economics from University of Sao Paulo, Brazil, and a Ph.D. in Economics from University of Massachusetts, Amherst. His research interests include the political economy of money, banking, and finance, distribution, power, cultural economics, international political economy, and radical political economics.

**Vesa Oittinen** is currently a Professor of Russian philosophy and intellectual history at the Aleksanteri Institute, University of Helsinki, Finland. His research interests focus on the history of philosophy, especially Spinoza, Kant, Hegel, and Russian philosophy, and Marxism and has recently published *Practical Essence of Man—The “Activity Approach” in Soviet Philosophy* (together with A. Maidansky, 2016). His latest book is *Marx ja moderni* (Marx and the Modern, in Finnish, 2018).

**Bertell Ollman** is a Professor in the Department of Politics at NYU, and author (editor, or co-editor) of sixteen books—including *Alienation: Marx's Conception of Man in Capitalist Society*—over 70 articles, and one game on different aspects of Marxism.

**Joseph M. Ricciardi** is an Associate Professor of Economics at Babson College, USA. He has published in the areas of Monetary Economics and the History of Economic Thought with special focus on Marxian theories of money and finance in economic development.

**Ingo Schmidt** earned his Ph.D. from the University of Göttingen and works as the Coordinator of the Labour Studies Program at Athabasca University, Canada. He co-authored and edited a number of books, most recently *The Three Worlds of Social Democracy—A Global View*, *Reading Capital Today* and *Capital@150, Russian Revolution@100* (in German). He is also the economics columnist of the monthly paper *Sozialistische Zeitung*.

**Marc Silver** is a Professor of Sociology at Hofstra University, USA. He is the author of *Under Construction: Work and Alienation in the Building Trades*, *Exploring Social Issues* and editor (with Martin Melkonian) of *Contested Terrain: Power, Politics and Participation in Suburbia*. His recent published research focused on housing, race, and mortgage inequities in the context of the Great Recession.

**Alan Singer** holds a Ph.D. in American history from Rutgers University. He is a social studies educator and historian in the Department of Teaching, Learning and Technology at Hofstra University, USA. His recent publications include *Education Flashpoints* (Routledge, 2014), and *New York's Grand Emancipation Jubilee* (SUNY, 2018).

**Paul Zarembka** is a Professor of Economics at SUNY at Buffalo, USA and general editor since 1977 of the annual hardback book series *Research in Political Economy* (Emerald Group). He has been an officer of his union for many years. He has edited a book on the *Hidden History of 9-11* (Seven Stories, 2008) and is currently working on a book tentatively entitled *Limits of Marx's Revolution in Political Economy: His Concerns and Others Created*.

# LIST OF TABLES

Table 7.1	Model of world upstream oil and gas industry	134
Table 15.1	Effects of increased life expectancy and pension reforms: intertemporal exploitation under different scenarios	302
Table 15.2	Demographic changes, pension reforms, and cumulative surplus time	304



## CHAPTER 1

---

# Introduction: Confronting Capitalism—Lessons from Marx’s *Capital*

*Marc Silver*

It is fair to ask what, if anything, Marxist theory has to tell us about the economic, political, and social circumstances we find ourselves confronting today in the beginning decades of the twenty-first century. After all, Marx wrote in the mid to late nineteenth century when industrial capitalism was emergent and the vestiges of aristocracy and feudalism were still apparent throughout Europe. The United States was yet a largely agricultural society and many decades away from assuming the mantle of the dominant global power it would eventually don. Over the course of the past 150–175 years, scientific and technological revolutions in the areas of transportation, communication, and manufacturing transformed the social and physical world far beyond the point of recognizability for the typical mid-nineteenth-century denizen. Certainly, post-industrialism, globalization, the digital information age, the gig economy and the “end of history” situate us in a twenty-first-century reality that can only be understood *sui generis*. As common wisdom would have it, such changes have far outstripped the reaches of nineteenth-century thinking; even that stemming from a brilliant theorist

---

M. Silver (✉)  
Hofstra University, Hempstead, NY, USA  
e-mail: [marc.l.silver@hofstra.edu](mailto:marc.l.silver@hofstra.edu)

© The Author(s) 2020  
M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_1](https://doi.org/10.1007/978-3-030-13639-0_1)

such as Karl Marx. His efforts might be appreciated as an intellectual achievement for its time, but hardly relevant today. As a correspondent put it to me recently in reference to an exchange about the implications of oligopolistic and monopolistic practices in today's globalized economy, "Marx? I thought he ended up in the dust bin of history." What could Marxist theory possibly have to offer to help to understand a twenty-first-century reality seemingly so different from the one Marx engaged?

The answer, actually, is quite a lot. As I replied to my skeptical correspondent, "[Marxist theory is] only irrelevant for those who don't want to look reality in the face. Sometimes denial is the highest form of flattery. Since bourgeois political economists couldn't answer his analysis, the response has been to dismiss him and ignore the social scientists who continued to work in that tradition." To understand why Marxist theory not only has much to offer but needs to be central to any attempt to grapple with our present circumstances, one only needs to be willing to look beneath the surface of the social order. Delving deeper, seeking understanding rather than accepting things at face value, in fact, is the hallmark of all science. As Marx himself put it early on in his writings, we do not find answers by accepting a self-defining and self-legitimizing explanation of what exists or of a society's vision of itself. One must look elsewhere for a clear understanding of the realities that underlie social circumstances. In other words, we need to adopt a methodology for discerning the foundational relations that structure reality. That is the approach that Marx utilized in investigating the capitalist system in *Capital*.

Three key aspects of that method need to be brought to the fore: its use of abstraction, its dialectical method of analysis, and, concomitantly, its historicist perspective. Marx's use of abstraction to home in on the essential, core components of the systemic relations of capitalism is most evident in his analysis as reflected in Volume I of *Capital*. The purpose, of course, was to apply various assumptive constraints on the analysis to clarify the essence of the systemic relations. At that level, the analysis "models" the dynamics of the system under the limiting assumptions imposed on that model. In that sense, Marx applied at the theoretical level what modern scientific methods accomplish empirically with "control variables". By holding constant various potentially complicating factors, it is possible to focus on what is deemed to be the most significant elements. While the approach highlights the most telling tendencies and

imperatives of the system, it is not in itself a direct reflection of all the complexities of how the system operates in the actual world. Its virtue is in its ability to expose the basic underlying relations. As the analytic model is expanded by relaxing earlier assumptions (as occurs in volumes II and III), greater complexities are brought into the equation.

As Marx put it in his preface to the first edition of *Capital* in 1867, his intent was to analyze the inner economic dynamics of capitalist relations: "...it is the ultimate aim of this work to reveal the economic law of motion of modern society..." (1976: 92). Accordingly, he employed a dialectic method to look beneath the surface appearances of the emerging capitalist system to reveal its inner workings (see Ollman in Chapter 2 of this volume for a further discussion of these points). In contradistinction to prevailing economic theories at the time (and thus the subtitle: *A Critique of Political Economy*), Marx emphasized the social relations that were at the heart of competitive capitalism; social relations that established a defining structure which shaped, constrained, and largely determined economic dynamics within the system. Rather than accept the reified understandings of political economy with respect to such concepts as *commodity*, *profit*, *price*, *value*, *labor*, "*the market*," and *capital* itself, Marx laid bare the underlying social relations that defined them. Marx stated it thus, "...capital is not a thing, but is a social relation between persons that is mediated through things" (1976: 932). In the process of articulating the essential social relations of capitalism, he was able to explain how the interconnections among the basic relationships formed a determining structure that tended to follow its own logic, constrained the actions of those who participated in it, yet simultaneously generated conditions that systematically undermined its own stability. In other words, Marx's dialectical analytic method pointed to the internal tensions within the capitalist system. Such tensions (contradictions, if you will) both provided an imperative toward change at the structural level as well as pointing to the inherent interconnection between human agency in the entire process and the economic, political, and social context in which such agency is enacted. The latter is a point to which we will return shortly. Thus, if abstraction allowed Marx to bring to the fore the structurally underlying and central elements of capitalist relations, it was only by coupling it with the analytic lens provided by the dialectical method that he was able to highlight the movement of capitalism.

In so doing Marx was able to analyze the historically dynamic component of capitalist relations. He analyzed the movement of capitalist relations as historically distinct yet connected to both prior and future socioeconomic formations. Capitalism arose out of the internal contradictions of feudal society. But at the same time, by generating its own set of contradictory tensions and conflicts moves toward restructuring that resolves them, eventually culminating in a potential transcendence of the social order itself. In the broadest sense, of course, this is manifest in the conflict between classes. The emergent bourgeoisie contended with and eventually overthrew the feudal aristocratic manorial and mercantilist status quo in part by appealing to the other classes to align in support of a new social order. But that new social order would set the new dominant class in material opposition to those who also sought the freedom and liberty not possible under feudal rule. Rather than resolving class conflict, the historical shift to capitalism only served to move it to a new level of clarity. The claims of post-feudal bourgeois society of individual freedom and equality of opportunity rapidly reduced to freedom for capitalists to pursue profit from a production process that extracted surplus value from the labor of workers and the freedom of the working classes to sell their productive labor for wages. Intermediary classes (artisans, craftspeople, peasants, sole proprietary operators, and small agricultural landholders) were left to try to rise to the higher strata, scramble to maintain their standing in an increasingly untenable competitive environment or sink to working class status.

To the extent that the ideological claims of prior social formations rested on a basis of inherent “inequality” among social actors, the underlying economic relations tended to be masked. A presupposed ideological naturalism justified the inherent inequities in the system. Slaves were inferior to free citizens, serfs, peasants, and all others were inferior to aristocrats. Thus, their social status dictated their material condition and location in the social order. Material inequities of life, it was ideologically held, followed from the supposed “natural” inequalities that distinguished the members of one class from the others. While the presumptions of bourgeois society negated that claim the material divide still existed. If all members were “equal” and “free” whence the great inequalities that capitalism produced? Leisure, luxury, and fulfillment for the bourgeoisie and constant labor, a minimal standard of living, and alienation for the proletariat. For Marx, that divide in the material circumstances across class lines meant that capitalist society had the



potential for revealing its true nature to all its participants. And that, of course, was the overriding focus of *Capital*: explaining the underlying reality to capitalist relations. And what was that underlying principle that tied capitalism to its predecessors and its heirs?

In his discussion of the commodity early on in the first volume of *Capital*, Marx explained that it is human labor. Interestingly, he did so in the context of his reference to Aristotle's inability to incorporate the concept of value in his attempt to analyze the value form. According to Marx, Aristotle could not equate two different objects of production because he failed to see "what is really equal, both in the bed and the house. And that is – human labour" (1976: 151). He goes on:

However, Aristotle himself was unable to extract this fact, that, in the form of commodity-values, all labour is expressed as equal human labour and therefore as labour of equal quality...because Greek society was founded on the labour of slaves, hence had as its natural basis the inequality of men and their labour-powers. The secret of the expression of value, namely the equality and equivalence of all kinds of labour because and in so far as they are human labour in general, could not be deciphered until the concept of human equality had already acquired the permanence of a fixed popular opinion... Only the historical limitation inherent in the society in which he lived prevented him from finding out what 'in reality' this relation of equality consisted of. (1976: 151–152)

Thus, it is human labor that is intrinsically tied to "commodity-value," whether or not recognized and understood as such at the time. It thus provides the connective thread for understanding the contradictions, dynamics, and class conflicts that defined the movement from one historical epoch to the next: a historical process of which capitalism is a moment, not an endpoint.

Of course, the value-form takes on a distinct character in capitalist relations (see the contributions by Belina, Honkanen, and Fishman in Section Two of this volume). In that light, it is important to note the implications held by the emphasis in capitalism on the overarching fixation on exchange- as opposed to use-value and *abstract* versus *concrete* labor. Each in its own way suggests the distortion of social priorities and an internal estrangement associated with capitalist economic relations. The emphases in capitalist relations on the value-form as associated with exchange-value and abstract labor reduces the essential

connection between human (concrete) labor and meeting human needs (use-value) to a base-line element that is then overlooked as a taken-for-granted component in the broader economic dynamic. The emphasis on abstract labor's relation to value and exchange value as the basis of commodity transaction to the near exclusion of use-value fits neatly with the overarching emphasis on profit-seeking in the production process and commodity markets which is the hallmark of the capitalist political economy. What this does, however, almost by definition, is to place profit-seeking ahead of meeting true human needs as the key priority. That then leads to the tautological imperative of the system such that the market "value" of a commodity then stands for itself. Commodities become self-validating relative to other self-validated commodities and the ability of any commodity to actually meet a tangible human need gets entirely lost in the shuffle. This was part of Marx's point in the section of the first chapter of *Capital* Volume I entitled "The Fetishism of the Commodity and its Secret" (see Oittinen in this volume for a further discussion of this concept). Even commodities with little in the way of any direct connection to use-value are sought after for their ability to be traded later at a higher level. For example, consider in the contemporary environment shares of corporate stock traded on exchanges at levels of "valuation" with little connection to real productive output or even "profitability." An overheated pursuit of monetary returns on essentially fictitious capital underlies most market "bubbles" that eventually burst (see Ricciardi in Section Three and Eren in Section Four of this volume for historically disparate but not unrelated considerations of fictitious capital). More pernicious, perhaps, is the creation of financial vehicles that, at best, build on the fetishist house of cards (e.g., credit default swaps) that eventuated in the Great Recession of 2007. And as we've seen in the past few years great efforts have been made to roll back constraining regulations intended to inhibit a repeat performance of the greatest financial collapse since the Great Depression of the 1930s, even as new, more complex, and even riskier vehicles are finding their way into "the market." We see the perverse distortion of the focus on exchange-value too as we confront the potentially cataclysmic effects of human-generated climate change. Instead of aggressively pursuing use-value-driven production geared toward environmentally compatible output and policies that minimize the reliance on fossil fuel consumption while advancing environmentally friendly renewable sources of energy, we remain in the grip of the imperatives of short-run exchange-value

transactions. At best, the so-called mainstream discussion appears to be limited to policies that artificially manipulate the exchange value of fossil fuel commodities (read: carbon taxes and cap-and-trade programs). In a similar fashion, we see that same distorted priority shaping the provision of a basic human need: housing. Chronic housing shortages, people's desperation for a stable and affordable place to live, and the inability of capitalist market relations to meet this need has been a long-standing reality, even in the advanced countries of the global north (e.g., see Bratt et al. 1986, 2006). In fact, it was just this combination of factors along with the pernicious behavior of financial institutions that were central to the near total economic collapse of the Great Recession (Niedt and Silver 2011). The aftermath of the recession for homeowners and those seeking stable housing has far from reflected a smooth and consistent pattern of recovery (Niedt and Silver 2014). Solutions to even the most extreme manifestation of the ongoing housing crisis, homelessness, seems to be mired in market-oriented imperatives. Investment tax credits and marginal "affordable housing" set-asides associated with larger development projects fall far short of meeting the real need. As long as "return on investment" provides the bottom line the homeless are left to huddle over heating grates, camp out in subway and train stations, or be warehoused in under-equipped and inadequate publicly administered shelters.

But possibly more to the point, the distortions of the value-form in capitalism lead to use-value coming to be subservient to and in service of exchange value (rather than the other way around, which would be much more logical from the standpoint of meeting human needs). In other words, the capitalist logic turns to how to manufacture social needs that the products it seeks to produce have the capacity to meet, rather than how to produce things that meet actual and existing human and social needs. We see this in contemporary society in the prevalence of single use-and-dispose products, products with short periods of utility (planned obsolescence), and the omnipresent pressures to purchase the latest and greatest smartphone, computer app, or whatever product consumers can be convinced is a "must have" item. This element plays a particularly significant role for those adopting the theoretical perspective emphasizing the necessity of avoiding stagnation under the conditions of monopoly capitalism via the sales effort among other strategies (e.g., Baran and Sweezy 1966; Foster 1986; Amin 2018).

In addition, that underlying reality of the labor-value bond implicitly points to the necessity of attending to the central role of human agency

in the unfolding of historical events. In some respects, many readings of *Capital* have tended to under-appreciate this aspect of Marx's analysis. On its surface *Capital* is an analysis of the inner workings of the system of capitalist social relations. As such, it focuses on the structural tendencies and dynamics of the "system" (and as previously noted, in highly abstracted form, especially in the first volume). In that context, class relations are presented as they exist within the abstracted model of the system itself. The conflict of class interests is presented as it appears within the system. While the analysis is critical of the relations of capitalism it lays out (in several meanings of the term), it does not go beyond its own in-depth and insightful perspective. *Capital* is not in itself a call to arms; an impassioned plea for revolution. It is not the *Manifesto of the Communist Party*.

At the same time, the concepts that Marx brought to bear in *Capital*, and his insightful use of them carry strong implications for how to understand the historical social imperative associative with his analysis. By basing his critique on the labor/value association (i.e., the labor theory of value), Marx's entire analysis in *Capital* implicitly called out to the question of who will control and determine the use and direction of human labor? If human labor is the source of value in its broadest sense, then the question of what makes labor "human" cannot be ignored.

It is clearly beyond the scope of this brief introduction to explore this line of analysis. Suffice it for the moment to state briefly that, for Marx, the essence of human labor is captured by the elements of consciousness (or purposive awareness, if you will), potentiality, sociability, and creativity. When Marx and Engels wrote in the *Manifesto*, "The history of all hitherto existing society is the history of class struggles," in referring to the conflict between "the oppressor and the oppressed" (1978 [1848]), they were referring to the battle over who would control the human labor that produced the means of survival for society. As long as the producers did not control their own labor (individually or collectively) they would be subject to the will of those in the oppressing class. As long as they did not control their own labor, the fruits of that labor would belong to those who controlled them. As such and almost by definition, they would also be denied the elements in their labor that would make those efforts truly human (and thus alienated from their own essential being). In other words, the imperatives of any exploitative productive regime demand the restriction on the freedoms of the laboring classes and thus deny them their humanity in their work. Thus, the

“class struggles” have always been about the central matter of human agency. It has always been the agency of human activity that has been responsible for producing humanity’s means of survival. On the one hand, the attempts throughout history to control and direct that agency for exploitative ends established the parameters of the class-based systems as defined by Marx and Engels. In *Capital* Marx laid bare the mechanisms of the most advanced forms of them. Yet, on the other hand, history has been shaped by the struggle of the oppressed to rid themselves of the shackles of exploitation and oppression. Only by enacting their own potential for self/class-conscious creative action can the oppressed classes free themselves from their condition of social and economic oppression. While Marx does not pursue this issue directly in *Capital*, the analysis he does present is of a piece with what preceded and followed from it in his *oeuvre*. The publication of the first volume of *Capital*, along with the releases of subsequent editions and the posthumous publication of Volumes II and III, was but one part of a much larger project, and must be interpreted in that light. In other words, “Marxist theory” writ large cannot be reduced to the analysis presented in *Capital*.

In the 150 years from the time Marx wrote *Capital*, much has indeed transpired in the development of capitalist relations. Colonialism, imperialism, monopolization, and the aftermath of two world wars have established capitalist market relations on a global scale. Rapid technological changes, including automation, robotics, and high-speed communications have had impacts that could not have been foreseen in 1867. Yet, in many respects, the insights that Marx’s work made into the foundational dynamics of the capitalist system remain as trenchant as they were a century and a half ago.

The never-ending search for profits through the surplus value extracted from labor; an ever-expansive economic dynamic that sucks into its grip an ever-greater proportion of humanity; an insatiable demand for and use of natural resources that now has us on the brink of an existential crisis, all have their roots in the political and economic system that Marx so cogently dissected and critiqued. No less so, the struggles of those who have resisted and continue to fight against the capitalist imperatives of exploitation and oppression are inherently tied to the contradictions of the capitalist dynamic that Marx detailed in *Capital*.

That is not to say, of course, that all aspects of Marx’s critique are of equal relevance or accuracy today. As Marx stated in his preface to the first edition, “present society is no solid crystal” (1976: 93). Social

science requires that theory, research, and scientific understanding adapt to a changing empirical reality. Thus, Marxist scholars over the years have pushed the boundaries of theoretical thought and empirical investigation as we grapple with the necessity of moving the world toward a set of humane and egalitarian social relations that allows us to live in harmony with our natural environment. The ideas and perspectives represented in this volume represent the diversity, but more importantly, the vibrancy and importance of the project that Marx initiated. They stem from a two-day international conference held in commemoration of the 150th anniversary of the original publication in 1867 of the first volume of *Capital*. The 15 original contributions offer an interdisciplinary and international perspective on the continued relevance of Marxist analysis. They offer insight into an array of topics, ranging from the utility of Marx's value theory, the process of capital accumulation, the role of credit and financialization in fomenting crisis, the spread of contingent and precarious work, the role of education within capitalism. Each of the contributors, in one form or another, takes Marxist theory as a point of departure. Yet they do not speak in a unitary voice. Rather, they offer a divergent set of insights and critiques, both of Marx's initial analysis and how his theoretical and methodological approach applies to our contemporary situation.

This is as it should be, as Marx's own thought never reflected a static, narrow, or rigidly dogmatic approach. As Marx himself stated early on in his writings, "I am speaking of a *ruthless criticism of everything existing*, ruthless in two senses: The criticism must not be afraid of its own conclusions, nor of conflict with the powers that be" (Marx and Engels 1978: 13). Thus, Marx never hesitated to rethink and modify his ideas as he progressed in his understanding and efforts to bring a better and more humane world into being. It is in the same spirit that the contributions offer a diverse set of perspectives. What they share is a common effort both to better understand the nature of the capitalist system as it has changed since Marx first offered his critique of political economy, and, hopefully, to move us toward a better postcapitalist reality.

## REFERENCES

- Amin, S. (2018). *Modern Imperialism, Monopoly Finance Capital, and Marx's Law of Value*. New York: Monthly Review Press.
- Baran, P. A., & Sweezy, P. M. (1966). *Monopoly Capital: An Essay on the American Economic and Social Order*. New York: Monthly Review Press.

- Bratt, R. G., Hartman, C., & Meyerson, A. (Eds.). (1986). *Critical Perspectives on Housing*. Philadelphia: Temple University Press.
- Bratt, R. G., Stone, M. E., & Martman, C. (Eds.). (2006). *A Right to Housing: Foundation for a New Social Agenda*. Philadelphia: Temple University Press.
- Foster, J. (1986). *The Theory of Monopoly Capitalism: An Elaboration of Marxian Political Economy*. New York: Monthly Review Press.
- Marx, K. (1976). *Capital* (Vol. I). London: Pelican Books.
- Marx, K., & Engels, F. (1978). *The Marx-Engels Reader* (2nd ed., R. C. Tucker, Ed.). New York: W.W. Norton.
- Niedt, C., & Silver, M. (2011). *Forging a New Housing Policy: Opportunity in the Wake of Crisis*. Hempstead, NY: The National Center for Suburban Studies, Hofstra University.
- Niedt, C., & Silver, M. (2014). *An Uneven Road to Recovery: Place, Race, and Mortgage Lending on Long Island*. The National Center for Suburban Studies, Hofstra University: Hempstead, NY.

PART I

---

Beginning with *Capital*





## CHAPTER 2

---

# Marx's 'Ultimate Aim' in Writing *Capital* Was...

*Bertell Ollman*

Before presenting what Marx said, I would like to ask those who have read *Capital* to reflect for a couple of moments on what he called his “ultimate aim” in writing what we can probably all agree is his most important book. ... O.K., now that you know what I will be discussing, let me remind you what Marx actually said: In the Preface to the first German edition of *Capital*, vol. I, which is included in the first English edition, Marx wrote, “the ultimate aim in this work is to lay bare the economic law of motion of modern society” (Marx 1958: 10). I repeat: “the ultimate aim of this work is to lay bare the economic law of motion of modern society.”

My main aim in this chapter is to answer the following questions: (1) what does Marx mean by this phrase? It is not at all obvious. (2) Does he succeed in doing what he says he intends to do? (3) If not, why not? (4) Again, if not, what can and must we do about this today?

While there may be no more important phrase in the whole of Marx's writings than the one with which we began—and not just because this may be the only time he prefaces a work by giving us his main aim in writing it—what exactly he meant remains a great mystery to most of his

---

B. Ollman (✉)  
New York University, New York, NY, USA

readers, Marxist and non-Marxist alike, whose chief reaction has been to ignore it. The larger importance of this small phrase lies in the fact that it seems to be a summary of what Marx views as special in *Capital*, and, as such, what people should be looking for in reading the book. Yet, without further elaboration, it is not at all clear what Marx means by its key expressions, “modern society,” “motion,” “law,” and especially, “laying bare” (or what is involved in “laying bare” all this, as compared to simply “explaining” it). So our first task is to clarify Marx’s use of these terms.

Though this is not the order in which Marx uses these expressions in stating his “ultimate aim” in *Capital*, I have found it easier to clarify them both individually and as a group in the order found just above. Beginning then with “modern society,” Marx seems to include under this rubric all the conditions that set capitalism apart as a distinct social-economic system from the time it became the dominant mode of production in a few countries to whenever it will cease being so everywhere, with the period of transition on both ends being a matter of decades rather than centuries. Evolving as rapidly as most of these conditions do, “modern society” can also be understood as referring to the most recent “stage,” or version, of capitalism that emerges every few decades or so as a result of major developments in the mode of production. In our time, that would include some combination of the qualitative changes brought about by globalization, the growing dominance of financial capital over industrial and commercial capital, computerization, robotization, containerization, the spread of nuclear weapons, and climate change, which in their interaction with one another have also produced their own “law of motion.” Rather than replacing the more general features of capitalism that arose with its becoming the dominant mode of production—such as commodity production, profit maximization, capital accumulation, capitalist exploitation, workers’ alienation, and an ideology that makes all this appear natural and therefore inevitable—the most recent stage of capitalism sits within this larger and longer context of what we shall call “capitalism in general,” with each of these systems affecting the other in a variety of ways.

Furthermore, in using the expression “modern society” rather than “modern economy,” Marx is suggesting that not only the economy but the rest of capitalist society—its state, politics, culture, science, schools, and religions, through their interaction with the prevailing mode of production—can’t help but affect and be affected by all these changes. And that holds for capitalism in general as well as all of the stages that capitalism has passed through.

Well, what kind of “motion” is Marx talking about in addressing his “ultimate aim” in *Capital*? I take it that everyone is at least partly aware that he or she is moving, and, therefore, changing in some ways and to some degree, even when lying perfectly still. The human body is the site of a large number of contrasting movements and changes. Ideas of all kinds, beginning with the first awakening of the child to the complex calculations of our most advanced scientists are always evolving in some ways and to some degree. And the wide assortment of personal problems that each of us has are all getting better or worse over time. Darwin’s theory of evolution alerted us to still another kind of change that occurs in all living species. Our earth, of course, is also moving as are all the stars. In short, movement and change of one kind or another is happening literally everywhere and to everything. Humanity has made considerable progress in understanding most kinds of change, but we still have a long way to go. It should come as no surprise, then, that Marx should try to understand the distinctive motions going on in capitalist society. The chief problem he encountered in this task is that capitalism is so big and so complex, with movements appearing to originate from so many different places, that it is very hard to settle on the main “cause” of anything. And yet, as we saw in the quote with which we began, Marx speaks of capitalism following a “law.”

So what is this law? Where does it come from? And what degree of certainty does Marx ascribe to it? A good place to begin our answer is with the qualification Marx offers on several occasions that all laws are “tendencies,” albeit strong ones (Marx 1959: 172). Who says “tendency,” of course, says “probability,” not “certainty,” and also allows for the presence of “countertendencies” along with the possibility of “exceptions.” Still, from the evidence he assembled on the workings of the capitalism of his day (both from capitalism in general and the more “recent” stage of it in which he lived), together with the evolution of its preconditions from the past, Marx believed he could project this movement and its likely results—at least in broad outline—into the near and middle future. Nothing here is based on wishful thinking. “Law” is simply the concept Marx uses to bring this distinctive movement, with its modest degree of determinism, into better focus to help him (and us) to study it.

Probably the most striking feature of the “law of motion of modern society” is that Marx treats it as operating throughout capitalism. It includes all the interactions that make capitalism what it is and is accorded most of the responsibility for the general direction in which

they evolve. Given the variety of such movements within capitalism, its law of motion also contains a large number of contradictions, understood as the incompatible development of two or more tendencies that eventually erupt into a new configuration in which one side or the other has won out, setting the stage for a new or significantly altered version of the old contradiction. Combining the major movements in the present with their preconditions in the past, contradictions also become Marx's preferred way of studying the more significant changes that occur in all stages of society. Finally, overlapping as much as it does with the capitalist "totality," what Marx calls "the law of motion of modern society" can also be viewed as a version of that totality, and—with its emphasis on movement and contradictions—the version best suited for studying the evolution of capitalism as a whole.

If Marx's occasional reference to other laws, like the "law of the falling rate of profit" that bring only a few of capitalism's relations to the fore, his use of the "law of motion of modern society" should make it clear that such limited clusters are also internally related to the rest of capitalism's movements. It is only the "capitalist totality," however, or what I believe is its identical twin, the "law of motion of modern society," that provides enough space to contain all the major developments that occur within it. Hence, while some Marxist economists argue over which of the many disruptions that occur in capitalism is responsible for its periodic crises, it should be clear that through their complex interaction, all the laws of capitalism are involved in it, which is not the same, of course, as saying they all play an equally important role.

With so much on the table at one time, we can begin to understand why Marx's main "aim" in *Capital* takes the form of "laying bare," or revealing, or making visible the "law of motion of modern society," rather than—as one might expect—"explaining" it. This may be the most troubling of our four expressions, for it seems to suggest that what is ordinarily meant by "explanation" takes in too little and, even when "correct," is too limited, too static and too one-sided to provide an adequate understanding of such a complex system. The alternative is presenting capitalism in such a way that all its main functions—or what makes it what it is and work and evolve as it does—appear as internally related aspects of an all-encompassing whole, such that leaving anything of significance out is to distort, if only a little (though it is usually much more), the rest. But if limiting one's analysis to only a few aspects of capitalism, no matter how important they are, omits a good deal that we still

need to know, extending our analysis to the far corners of the entire system is surely—practically speaking—impossible. No?

And so it would be if Marx didn't have the help of his much discussed but still little understood dialectical method, beginning with its underpinnings in the philosophy of internal relations—which treats as internally related aspects all the movements that Marx tries to “lay bare”—followed by the process of abstraction that allows him to focus on (or single out, or highlight) any part of it for special attention whenever the problem under consideration warrants it. Without the insight that everything in the world is related directly or indirectly to everything else—while evolving in large part with the help of such relations over time—neither the scope nor the distinctive character of Marx's project can be understood. But this, in turn, requires the use of the process of abstraction that allows Marx to break this whole up in ways that clarify its different movements and put him in a position to affect them (Ollman 2003: 36–112).

For our purposes here, it is enough to simply mention the third main step found in Marx's dialectical method. With the philosophy of internal relations and the process of abstraction providing the necessary foundation—the order in which these steps are taken is very important—we can now introduce Marx's better known “dialectical laws,” such as “Contradiction,” “Quantity/Quality Change,” “Identity/Difference,” “Negation of the Negation,” and there are others. These are all patterns found in space (such as Identity/Difference), or in time (such as Quantity/Quality Change), or in both (such as Contradiction), which help Marx to focus on the more important relations and changes that come into his research. To introduce them, as usually happens, at the start of an account of dialectics, removes them from their necessary preconditions in the philosophy of internal relations and the process of abstraction, with the result that a set of valuable tools for fixing on an entire range of real-world patterns that are central to Marx's analysis of capitalism has metamorphosed into one of the most popular means for disparaging the whole of Marxism.

The question that imposes itself now is—Did Marx attain his “ultimate aim” in *Capital* of “laying bare the law of motion of modern society”? If that includes—as it must—having a substantial number of readers who understood what he was trying to do, then Marx's comments in the Afterword to the 2nd German edition of *Capital* (1873) suggest he was very disappointed (Marx 1958: 17). But there is at least

one major reviewer, in this case of the Russian edition of *Capital* that appeared a year earlier, who grasps Marx's intentions so well that Marx cannot help quoting his comments for an uninterrupted page and a half, an honor that I don't recall Marx ever bestowing on any other writer. After thanking him for his "generous" remarks, Marx adds, "what else is he depicting but the dialectic method?" (ibid: 17–19).

Marx then takes over and adds a page of his own on the role of dialectics in his work and the differences between his dialectic and Hegel's (Marx 1958: 19–20). After all this, it would be reasonable to expect that the text that follows these remarks contains many references to dialectics. It doesn't. There is never anything like Marx's and his Russian reviewer's discussion of dialectics in any of the editions of *Capital I* that appeared during this period, each of which Marx revised to some degree. Nor do we find more on dialectics in volumes II and III of *Capital*, which were edited by Engels based on the extensive materials left behind by Marx after his death. This is, of course, not the same as saying that dialectics does not play a crucial role in all these works. Marx uses dialectics—as the Russian reviewer rightly noted—extensively, but the vocabulary of dialectics as well as many of the dialectical relations that occupy such an important place in Marx's main unpublished writings—such as the *Economic and Philosophic Manuscripts* of 1844 and the *Grundrisse* of 1858—are largely absent from all the volumes of *Capital*. Unfortunately, without making greater use of Marx's dialectical method, including the main categories in which it is framed, it is not possible to "lay bare"—as Marx himself seemed to admit in his reaction to the widespread confusion occasioned by *Capital*—"the economic law of motion of modern society." And without an understanding of this "law of motion," it is impossible to have an adequate understanding of "capitalism," because—as I argued earlier—the two are really the "same."

It would appear that Marx's declared aim in writing *Capital* of "laying bare the economic law of motion of modern society" was never fully realized, and that generations of Marxists who relied on *Capital* for most of what they understood of Marxism—a group that includes most Marxist economists—have suffered in their interpretations from the limited attention accorded dialectics in Marx's major work. One of the most damaging effects of this neglect is that many Marxist scholars tend to treat the differences found in works from different periods in Marx's life as examples of his having changed his mind on this topic. There are certainly instances of his doing so, but when that happens—as when

Marx substituted the concept “labor power” for “labor”—we usually learn of it from Marx or Engels (Engels 1951: 67). The many differences that do exist in Marx’s treatment of any subject, whether in a new work or later in the same one, is more likely to come from the need he feels to examine the same relation from more than one of its sides, which his dialectical method not only allows but requires. This may look like he has rejected his earlier view, but rather than changing his mind, he is simply deepening and broadening an analysis that calls for such flexibility.

Aside from Marx’s reaction to his Russian reviewer in the Afterword to the 2nd German edition of *Capital*, another strong indication of Marx’s commitment to dialectics can be found in the strange fate of his 1859 book, *A Contribution to the Critique of Political Economy*, which Marx intended to make the first of the multivolume work that later became *Capital*. Coming so soon after the *Grundrisse* (1858), a fully dialectical work directed to his own “self-clarification” (Marx’s term), Marx believed that the new project he was about to begin needed a substantial Introduction based largely on what he had developed in the GRUNDRISSE. If the dialectic proved to be so important in how Marx acquired his understanding of capitalism, it must have seemed obvious to him that those who wanted to grasp his conclusions should pass through some of the same steps he had taken in arriving at them. The result was almost 50 pages of an unfinished text every bit as dialectical as the *Grundrisse*.

But if Marx finally accepted that he introduced too much dialectics too soon in this “Introduction” for what he hoped to include in the ensuing volume, what he chose to replace it with created even worse problems for him... and for us. For if the first effort had been much too long and had too much dialectics for readers who were just being introduced to the subject, the second “Introduction” (now called the “Author’s Preface”) was too short (only 7 pages) and had no space for anything as subtle as dialectics. But without that, the brief summary Marx gave of his overall approach to capitalism became the stark food for the legions of Marx’s critics from then until now. The problem we are facing becomes even more complex, for not only is Marx’s unpublished “Introduction” to the *Contribution to a Critique of Political Economy* incompatible with the “Author’s Preface” with which he replaced it, but the latter is also incompatible with Marx’s “Afterword” to the 2nd German edition of *Capital* that he wrote several years later, which is full of praise for dialectics. With no apparent means of reconciling the different ways in which Marx treats

dialectics in these three cases, there may still be a way of explaining, if not fully justifying, Marx's puzzling practice.

It is impossible, for example, to believe that Marx was unaware that at least some of the problems people had in understanding his analysis of capitalism came from their lack of dialectics, but this did not keep him from paring his discussion of it in *Capital* down to a bare minimum. This raises the question—Why did Marx do it? What didn't he see... or what did he see that we don't? If most writers on Marxism are aware of Marx's strong interest in being read by workers, they do not seem to have given enough thought to what this required, or—more to the point—what he thought this required. Many people, of course, will say that the version of *Capital* Marx settled on was still too difficult for most of his readers to follow. But imagine how much more difficult it would have been if he had retained most of the discussion of dialectics—and also of alienation, the other main casualty of Marx's decision to simplify *Capital*—that are found throughout the 1844 *Manuscripts*, the *Grundrisse*, and the first "Introduction" to *A Contribution to the Critique of Political Economy*.

We must never forget that Marx was first and foremost a revolutionary. I don't think the class struggle and what was needed to win it ever left his mind. But how were poorly educated workers going to understand *Capital*? Engels, Dr. Kugelmann and other friends were often reminding him to keep it as simple as possible... and Marx finally agreed. I view these pressures from within his inner circle, coupled with the strong doubts Marx also displayed on this subject, as the main reason for the modest place that dialectics occupies in *Capital*, as compared to Marx's extensive and explicit use of it in all his preparation for this work. This would also help explain the apparent absence of any dialectics in his "Author's Preface" to *A Contribution to the Critique of Political Economy*. I say "apparent" here, because I am not completely convinced that a more dialectical interpretation of Marx's use of the concept "determine" (one that treats it more like a tendency and allows for exceptions and extensive interaction) would not bridge many of the differences between this work and the others from this period. Beyond this, while Marx made an important distinction between the special demands of inquiry and those of presentation, the differences that I have stressed in his use of dialectics go well beyond anything required by this distinction.

Well, Marx got the larger audience he wanted, but at what cost? Was the compromise Marx made with his dialectical analysis of capitalism in



order to reach more workers justified? Despite my earlier criticism, I have no difficulty answering that it was, for, like Marx, I too give top priority to the class struggle. But that is not a reason to ignore the problems that resulted from Marx's self-imposed restraint, or to refrain from doing anything about it today, especially as modern capitalism has evolved into a far more complex and dangerous system than it was in Marx's time. The list of its negative effects is long, but I would single out the break-up of all knowledge into separate and competing academic disciplines, the many new forms of mind-bending ideology associated with that, and the spread and deepening of alienation throughout the capitalist world that cry out for the kind of demystification that only Marx's dialectical method can provide.

It is in this context that I would have more Marxist scholars help to reestablish the central role of dialectics in Marx's analysis of capitalism, which is no more and no other than fulfilling Marx's own declared aim in *Capital* of "laying bare the economic law of motion of modern society." Whether they would phrase it in this way or not, a number of Marxist scholars have already taken on this task in at least some of their writings. Besides my own work (especially in *Alienation: Marx's Conception of Man in Capitalist Society*), my short list includes Michael Lebowitz (especially in *Following Marx*), David Harvey (especially in *Marx, Capital and the Madness of Economic Reason*), Howard Sherman (especially in *Reinventing Marxism*), Richard Levins and Richard Lewontin (especially in *The Dialectical Biologist*), Fredrick Jameson (especially in *Valences of the Dialectic*), John Bellamy Foster and Paul Burkett (especially in *Marx and the Earth: An Anti-critique*), Roslyn Bologh (especially in *Dialectical Phenomenology: Marx's Method*), Derek Sayer (especially in *The Violence of Abstraction: The Analytic Foundation of Historical Materialism*), Paul Paolucci (especially in *Marx and the Politics of Abstraction*), Sean Sayers (especially in *Marx and Alienation*), and from a crucial vantage point that is too often neglected, Raju Das (especially in *Marxist Class Theory for a Skeptical World*) and Harry Cleaver (especially in *Reading Marx Politically*).

This is not and could not be a blanket endorsement of works that disagree on so much else, but simply a recognition that we all treat Marx's dialectics as an essential means for analyzing capitalism and arriving at the steps needed to replace it. There is still a lot, of course, that remains to be done. And, yes, we could use more help. A lot more help.

## REFERENCES

- Engels, F. (1951). *Karl Marx and Frederick Engels: Selected Works in Two Volumes* (Vol. 1). Moscow: Foreign Language Publishing House.
- Marx, K. (1958). *Capital* (Vol. I). Moscow: Foreign Language Publishing House.
- Marx, K. (1959). *Capital* (Vol. III). Moscow: Foreign Language Publishing House.
- Ollman, B. (2003). *Dance of the Dialectic: Steps in Marx's Method*. Urbana: University of Illinois Press.



## Marx and Commodity Fetishism: Some Remarks on Method

*Vesa Oittinen*

In this chapter, I will focus on Marx's theory of commodity fetishism and attempt to argue that its significance for the question of the methodology of the critique of political economy is in need of a reassessment. In earlier phases of the reception of Marxism, during the Second and Third International, fetishism theory had quite a marginal position in the way in which Marx's economic theory was conceived. Neither Kautsky, Lenin nor Gramsci ever paid much, if any, attention to the concept of fetishism. A new thematization of the concept began after the demise of Soviet Marxism. In 2006, Antoine Artous published his book *Le fétichisme chez Marx*, which was followed by a paper by Alain Bihr at the 5th International Marx Congress (Paris-Nanterre). Bihr stressed that "le développement de [...] concept de fétichisme constitue bien l'un des axes structurantes du *Capital*, l'un des ses fils rouges." In a like manner, Michael Heinrich, in his introduction *Wie das Marxsche "Kapital" lesen?*

---

V. Oittinen (✉)

Aleksanteri Institute, University of Helsinki, Helsinki, Finland  
e-mail: [vesa.oittinen@helsinki.fi](mailto:vesa.oittinen@helsinki.fi)

© The Author(s) 2020

M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_3](https://doi.org/10.1007/978-3-030-13639-0_3)

(2008),<sup>1</sup> gave the chapter on fetishism a much more detailed exposition than had been customary in previous introductions of this kind.

However, although Artous, Bihr, and Heinrich have all justly stressed the hitherto neglected significance of Marx's fetishism analyses, it seems to me that they have not grasped all the consequences which fetishism as the "red thread" of Marxian critique of political economy would have for the method. Above all: how does the new focus on fetishism affect our received understanding of the so-called dialectical method applied in *Capital*? I would insist, that the status of the concept of fetishism in Marx is a clear indication that his methodological intentions were not confined only to a dialectical exposition of the movement of capital. Marx was not interested in dialectics for dialectics's own sake, but followed a motif which one can call *critical*. It is not a mere coincidence that the subtitle of Marx's *chef d'oeuvre*, "Critique of Political Economy," echoes reminiscences not only of Left Hegelian critical attitude, but even of Kant's "three Critiques." The long tradition of Hegelian readings of Marx has downplayed these other, equally important aspects of his work, which cannot adequately be understood in the context of Hegelianism.

### ON MARX'S ROAD TO FETISHIST THEORY

Before we try to answer the question of the methodological significance of the commodity fetishism concept, it is, I think, necessary to emphasize one important aspect. Contrary to the received opinion, it seems that Marx had settled on a mature form of his fetishism theory at a rather late stage. Before the first volume of *Capital*, 1867, there are only scattered remarks on fetishism in Marx's oeuvre, made more or less *en passant*. Actually, the final and coherent exposition of a theory of fetishism appears not to have been jotted down by Marx until he began to prepare for the second German edition of *Capital*, between 1872 and 1873. In the first German edition of *Capital*, which was published in 1867, there was not yet a separate chapter on fetishism. The chapter on commodity fetishism was a new addition to the German and French versions of *Capital* from the early 1870s. The addition of the fetishism chapter from these editions appeared later in the first English translation

<sup>1</sup>This work is, together with further introductory texts by Heinrich, now available even in English: *An Introduction to the Three Volumes of Karl Marx's Capital*, trans. by Alexander Locascio, *Monthly Review Press*, 2012.

of 1886, which was edited by Engels. The new chapter forms, as such, a digression—in the form of an excursus—from the otherwise continuously proceeding exposition from commodity via value-forms to money form.

If one begins to trace Marx's development in fetishism theory using the new *Marx-Engels Gesamtausgabe*, the MEGA, in itself an indispensable instrument and source, one soon makes a strange observation: the MEGA redaction seems to have ascribed to Marx a fully developed fetishism theory already at an early stage of his economic studies. According to the introduction written by the MEGA editors,

the entire process of making the economic theory of Marx was accompanied by development of the theory of commodity fetishism already from the beginning; it was thus an inseparable component of his critique of bourgeois economy.<sup>2</sup>

According to them, Marx reached “a qualitatively higher level” in his statements on commodity fetishism thanks to the fact that he had discovered the double character of labor already in the *Grundrisse* of 1857–1858. Following this interpretation, which sees a theory of fetishism as already more or less fully developed at a relatively early stage of Marx's research on economic theory (although they at the same time admit that Marx was able to “deepen” his insights in *Capital* of 1867; see MEGA II/5 Text, \*26), the MEGA editors have in the index compiled *sub verbo* “Fetischismus” a large number of references, which seem to indicate that Marx had spoken of fetishism in connection with his analysis of commodities as early as at the end of the 1850s and especially in the early 1860s, in the preparatory manuscripts of *Capital* written between the years 1861 and 1865. Indeed, there are tens of referrals to the entries “Warenfetischismus” or “Fetischismus” in the indexes of MEGA's commentary volumes created by the editors.

However, when one checks the references, it is clear that Marx generally did *not* use the expressions “fetishism” or “commodity fetishism” in the places referred to. In almost all the cases in which the MEGA

<sup>2</sup>MEGA II/5 Text, \*26: "... [d]i.e. Entwicklung der Theorie des Warenfetischismus begleitete den gesamten Herausbildungsprozess der ökonomischen Theorie von Marx von Anbeginn und war daher auch untrennbarer Bestandteil seiner Kritik der bürgerlichen Ökonomie”.

index refers to “fetishism,” Marx is speaking only in more general terms about the fact that in capitalism, the social relations between men appear in a reified [*vergegenständliche*] form. The first time he seems to have actually used the term “Fetischismus” in connection with a critique of political economy is in *Grundrisse*, from 1857 to 1858, where the word is used once (MEGA II/1:2 Text, 567). In the text of the first edition of *Capital* (1867) the term occurs two times, in the latter instance as “Geldfetisch” (see MEGA II/5 Text, 50, 59), and in the appendix (“Anhang”) to the first chapter, which Marx wrote hastily and sent to the publisher after he had already finished the manuscript; it is, in addition, mentioned twice (MEGA II/5 Text, 637, 638, in the first case in the rubric).

An important early occurrence of the concept of fetishism is in the manuscript of 1863–1865, later published by Engels in the third volume of *Capital*. Here Marx speaks about the “most externalized and most fetish-like form” which the relations of capital assume when they develop into interest-bearing capital. The formulaic expression of the whole process is  $M-M'$ , where  $M$  stands for “money” and  $M'$  for “ $M + \Delta M$ , money creating more money,” that is, simply said, a formula of money creating yet more money. “It is,” Marx writes, “the primary and general formula of capital reduced to a meaningless condensation.” In the form of interest-bearing capital the invested money seems to become self-generating, yielding more money quite unassisted by the processes of production and circulation. “Capital appears as a mysterious and self-creating source of interest – the source of its own increase”:

In interest-bearing capital, therefore, this automatic fetish, self-expanding value, money generating money, are brought out in their pure state and in this form it no longer bears the birth-marks of its origin. The social relation is consummated in the relation of a thing, of money, to itself. Instead of the actual transformation of money into capital, we see here only form without content. As in the case of labour-power, the use-value of money here is its capacity of creating value – a value greater than it contains. Money as money is potentially self-expanding value and is loaned out as such – which is the form of sale for this singular commodity. It becomes a property of money to generate value and yield interest, much as it is an attribute of pear-trees to bear pears.

And further:

While interest is only a portion of the profit, *i.e.*, of the surplus value, which the functioning capitalist squeezes out of the labourer, it appears now, on the contrary, as though interest were the typical product of capital, the primary matter, and profit, in the shape of profit of enterprise, were a mere accessory and by-product of the process of reproduction. Thus we get the fetish form of capital and the conception of fetish capital. In M –M' we have the meaningless form of capital, the perversion and objectification of production relations in their highest degree, the interest-bearing form.<sup>3</sup>

Impressive as this description of capital as an “automatic fetish” is, it does not yet contain the explanation of the phenomenon of fetishism itself. It is only a description. In fact, here Marx yet uses the word “fetish” in a sense which is but a replicate of Feuerbach’s critique of religion. This is hinted at by Marx’s terminological choices: from the original German expressions of his description how the process of value creation “becomes distorted” [*verdreht sich*], leading to a “perversion and objectification [*Verkehrung und Versachlichung*] of production relations,” it becomes quite clear that he explains the phenomenon of fetishism with similar expressions and in similar sense as Feuerbach explained the genesis of the idea of God: it is nothing but the human essence, but projected and objectified outside it, in a form turned upside down, like in a *camera obscura*. In this text passage of 1863–1865, Marx speaks of fetishism only at the level of the movement of capital. He does not yet deduce the fetishism from the process of the exchange of commodities, although he already mentions a further essential trait of fetishism, namely that the social form is (here in the case of profit-bearing capital) “realised as a form of the relation of a thing [...] to itself.”<sup>4</sup> Fetishism is thus a form of *reification*.

Towards the end of the manuscript of 1863–1865, in a section which Engels later published as Chapter 48 of the third volume of *Capital*,

<sup>3</sup>Karl Marx, *Capital*, vol. III, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart 1993, vol. 37, 389 sqq. Engel’s edition gives here faithfully the text of Marx’s original manuscript (cf. MEGA II/15, 381 sqq.). Marx’s expression “begriffslose Form” is, however, rendered into English in the *Collected Works* edition as “meaningless form.”

<sup>4</sup>Loc. cit.; in original: “*Das gesellschaftliche Verhältnis ist vollendet als Verhältnis eines Dings, des Geldes, zu sich selbst*”.

with the rubric “The Trinity Formula,” Marx makes further important observations on the phenomenon of fetishism. He again criticizes the “mystification,” which meets us in the capitalist mode of production, where a “conversion of social relations into things” takes place,<sup>5</sup> creating “an enchanted, perverted, topsy-turvy world, in which Monsieur le Capital and Madame la Terre do their ghost-walking as social characters and at the same time directly as mere things.”<sup>6</sup> Then follows yet a crucial specification. Earlier in history, in precapitalist societies, this kind of mystification was confined mainly to money and “interest-bearing capital.”<sup>7</sup> It did not occur in societies, where a production of use-values dominated, neither in societies, “where slavery or serfdom form the broad foundation of social production, as in antiquity and during the Middle Ages.”<sup>8</sup> But here, too, Marx’s comments on the phenomenon of fetishism are made *en passant* only. He does not give us a coherent exposition of his ideas on fetishism.

It is obvious that the MEGA editors have ascribed to Marx a too straightforward theoretical development, a kind of teleologism where the road to the concept of commodity fetishism has been signposted from the very beginning. Contrary to the received interpretation, I would stress that Marx gave the final touch<sup>9</sup> to his theory of fetishism only in 1870–1872, when he was preparing the second German edition of *Capital* (which formed the basis for the French edition, the translation of which Marx simultaneously supervised, making several changes and additions). Moreover, an analysis of Marx’s work reveals, to my mind,

<sup>5</sup>MEW vol. 25, 838; *Collected Works*, vol. 37, 817; cf. MEGA II/4 Text, 852 sqq.

<sup>6</sup>Ibid.—Marx’s original German expressions—“*die verzauberte, verkehrte und auf den Kopf gestellte Welt*”—again remind us of the Feuerbachian critique of religion as a *camera obscura* picture of reality.

<sup>7</sup>The expression “interest-bearing capital” (*das zinsttragende Kapital*) is an anachronism when we are speaking of pre-capitalist conditions. Marx of course did not mean here capital in its modern sense, but the money which the moneylender borrowed for interest.

<sup>8</sup>MEW vol. 25, 839, *Collected Works*, vol. 37, 818.

<sup>9</sup>Speaking of a “final touch” is of course always very relative when applied to Marx and his way of working. But it might be noted, however, that in the three lists of emendations to be done for a planned (and not realised in Marx’s lifetime) third German edition of *Capital* and to an American edition (likewise not realised), all from 1877, Marx does not propose any changes to the fetishism passages of the second German edition (see MEGA II/8 Text, 7 sqq., 21 sqq., 25 sqq.).



that we cannot here speak of a last polish only of an already existing theoretical construction. The shaping of the chapter on commodity fetishism for the second edition brought some important new elements to the theory—to the extent, that one could say that in 1870–1872 a break in Marx’s economic thought took place. The mention of a “break” here should not be taken overdramatically, but it is indubitable that Marx now ascends into a new level in showing how the dialectical method of exposition (*Darstellung*) is able to crack the Gordian knot created by the fetishistic illusions of the bourgeois political economy.

### THE APPENDIX TO CAPITAL IN 1867

As mentioned, the first edition of *Capital* did not yet contain any specific passage on fetishism. The first chapter, which dealt with commodity, had no inner division but formed a continuous whole. In the second edition, the first chapter (now named by Marx “Abschnitt”) was divided into four subchapters, treating (1) the two factors of commodity, (2) the double character of the labor expressed in commodities, (3) the value-form or exchange value, (4) “The Fetish Character of the Commodity and Its Secret.” This considerably more detailed division of the first chapter is the main change Marx made for the second edition of *Capital*. All other changes to the text of the first edition were much less substantial. Marx had felt the necessity for a reworking of the first chapter immediately after he finished the first edition of *Capital* in 1867. The manuscript had already been sent to the publisher, Otto Meissner in Hamburg, when Marx began to write an appendix (“Anhang”) to Chapter I, and it was added to the end of the 1867 edition as a separate text.<sup>10</sup>

In the appendix, Marx discusses value, whose expression is characterized by an inversion. He now specifies of which the inversion process consists, and does not revert to Feuerbach-style analogies only, as earlier. The inversion is observable in the fact that the sensual and the concrete go for “only a form of appearance of the abstract and general,” and not

<sup>10</sup>See MEGA II/5 Text, 626–649. The impetus for writing the appendix came obviously from Ludwig Kugelmann, who, having seen the manuscript, had hoped a more popular exposition of the difficult dialectics of value-form. Marx mentions this in his letter to Kugelmann of 13 July 1867. But already 16 June, Engels, too, had insisted that a more lucid survey of the development of value-form was needed, so that even a “Philister” could grasp it.

vice versa (which would be the “normal” case).<sup>11</sup> In other words, it is now the sensual, which expresses the abstract, not the other way around, as usually. Which is the cause of this inversion? As Marx’s previous discussion shows, it is created by the equivalent form which the commodities acquire when they are produced for the market. The equivalent form is not their natural form, in fact it is quite independent of it. In the example that Marx repeatedly uses, twenty ells of linen is equivalent to one coat, despite the fact that they are different as material things. The equivalent relation is created by human labor which makes the different commodities interchangeable as “expressions of the self-same unity.”<sup>12</sup> With the equivalent form, a duplicity has thus arisen: we have on the one side the “natural form” of the product (commodity), on the other side its “equivalent form.” It is precisely this duplicity which creates a series of inversions. Marx lists in all four cases which he calls “peculiarities of the equivalent form” (*Eigentümlichkeiten der Äquivalentform*).

The first inversion is that use-value becomes the form of appearance of its opposite, value. In other words, the “natural form” undergoes a *quid pro quo* and becomes a “value-form.” Although Marx does not expressly underline this, it is obvious that the possibility of commodity fetishism is given already in this first instance of the “peculiarities” the equivalent form produces. That a product, say a coat, obtains in addition to its natural characteristics of being a garment (and as such useful against the vicissitudes of weather), yet another characteristic, viz. that of having an exchange value, is already a *quid pro quo*, comparable with the transubstantiation of the host and wine into Christ’s flesh and blood. But there are, as mentioned, yet further inversions. The second peculiar inversion is that concrete labor becomes a form of appearance of its opposite, abstract human labor. For example, the coat is made by a tailor, and one can thus say that in the coat there is materialized a concrete form of human labor, precisely the tailor’s work. But the equivalent form does not pay attention to the concrete labor of the tailor; it is interested only

<sup>11</sup>MEGA II/5 Text, 634 (Marx, *Das Kapital*, Hamburg 1867, 771): “Diese Verkehrung, wodurch das Sinnlich-Konkrete nur als Erscheinungsform des Abstrakt-Allgemeinen, nicht das Abstrakt-Allgemeine umgekehrt als Eigenschaft des Konkreten gilt, charakterisiert den Werthausdruck”.

<sup>12</sup>Marx, *Das Kapital*, Hamburg 1867, 768: “Als Werthe sind alle Waaren gleichgeltende, durch einander ersetzbare oder vertauschbare Ausdrücke derselben Einheit. Eine Waare ist daher überhaupt mit anderer Waare austauschbar, sofern sie eine Form besitzt, worin sie als eine Wert erscheint”.

in human labor in general, which forms the foundation of the equivalent relation. So the tailor's work becomes only an instance, a form of appearance (*Erscheinungsform*) of the abstract labor in general. "This inversion, by which the sensual and the concrete pass for as forms of appearance only of the abstract and general [...] is characteristic of the expression of value," writes Marx.<sup>13</sup> The third peculiarity created by the equivalent form is similar to the previous ones: here the privately conducted work becomes the form of its opposite, labor in immediately social form.

Finally, the fourth inversion consists of the peculiarity that "[t]he fetishism of the commodity form is more palpable in the equivalent form than in the relative value form."<sup>14</sup> This is the final step towards a full-fledged commodity fetishism. In a relative value-form, the value of a commodity, say a coat, can be expressed only in its relation to some other commodity. The coat remains a coat and the dualism between its natural form as a coat and its value-form remains clear. The relative value-form is thus always mediated by another commodity. "In the equivalent form, the matter stands conversely. It consists expressly in that the bodily or natural form of a commodity is immediately taken as the social form."<sup>15</sup> In other words, in the equivalent form, the mediation which was present yet in the relative value-form, disappears, and the social characteristics of the commodity seem to be its "natural" characteristics. Marx gives here as an example the "enigmatic" trait of gold, which has such natural characteristics as a certain specific gravity, resistance against oxidation, and so on, but seems also to have naturally the character of being equivalent and therefore exchangeable with all other commodities.

Here, in the appendix to *Capital* of 1867, commodity fetishism thus appears as the result of the "peculiarities of the equivalent form." On the whole, the appendix, which was hastily written during the process of printing the book, was still a rather clumsy form in which to present the development of value-form and commodity fetishism, and Marx must have been dissatisfied with the solution. So when the next opportunity came some years later, as a second edition of *Capital* became actual, Marx set about working toward a more coherent presentation of the matters in the first chapter of the book. Now the presentation

<sup>13</sup>Ibid., 771.

<sup>14</sup>MEGA II/5, 632–634, 637 (Marx, *Das Kapital*, Hamburg 1867, 769, 770, 771, 773 (rubric)): "*Der Fetischismus der Waarenform ist frappanter in der Aequivalentform als in der relativen Werthform...*"

<sup>15</sup>Marx, *Das Kapital*, Hamburg 1867, 775.

has clarifying under-rubrics which are divided into triads, reminiscent of Hegelian dialectics: the chapter consists of three sections, and the third section, “The Form of Value” in turn consists of three subsections (Elementary, Total and General Form of Value). The fourth section, “The Fetishism of Commodities,” however, clearly stays outside this triadic division. Although the development of the value-form culminates in the fetishism section, the latter is not itself part of the dialectical development, but a digression. In the second edition of *Capital*, in 1872–1873, the doctrine of fetishism is now severed from the context of a dialectical exposition of value-forms (to which it was incorporated yet in the appendix of *Capital* of 1867) and given a more independent status.

### THE CRITICAL FUNCTION OF THE CONCEPT OF FETISHISM

When one makes acquaintance with Marx’s efforts to present the dialectics of the value-form, a question irresistibly arises: why was it so important for Marx to describe the development of value-form in dialectical pirouettes? Would not a simple statement of the double character of the commodity value and hence even labor in capitalism have been enough? Why this “coquetterie” with Hegelian expressions, as Marx himself admitted—albeit ironically—in the foreword to the second edition of *Capital*?<sup>16</sup> And why is there suddenly inserted into the text an excursus on commodity fetishism, which seems to break the continuity of a dialectical exposition of the value theory?

The editors of MEGA try to explain the importance of fetishism theory in Marx noting that “in the second edition, the treatment of commodity fetishism got a heightened impetus,” and continuing:

He [Marx – V. O.] characterised the commodity fetishism as an objective form of thought, in which the essence of the capitalist production relations present themselves veiled [...] By showing that the commodity fetishism does not originate from the content of the value determinations, but from

<sup>16</sup>That Marx himself accepted the alternative of presenting his economic theory without the dialectical form is clear from the fact that he edited the Johann Most’s popular exposition *Kapital und Arbeit* (2nd ed. 1876; republished in MEGA II/8), where the results of Marx’s critique of political economy were simply stated as facts and no attempt at their dialectical deduction was made.

the form of the labour product as a commodity, Marx placed the commodity fetishism in its concrete historical milieu, and this presentation was further advanced in the 2<sup>nd</sup> edition [of *Capital*].<sup>17</sup>

The MEGA editors sum up several important points of fetishism theory, of which the core idea is that the commodity form presents (“*zurückspiegelt*,” to use Marx’s own expression<sup>18</sup>) the social relations between producers as a relation between things. They point further to the decisive fact that commodity fetishism does not originate from the *content* of the value determinations (*Wertbestimmungen*), but from their *form* (their social form as commodities). Here is thus a dialectics of form and content in operation, a dialectics well elaborated already by Hegel, but in Marx with different applicability. But for some reason, the MEGA editors do not ask what relationship the theory of fetishism in the second edition of *Capital* has to Marx’s dialectical method of exposition. So, the question I previously posed remains current: why bother with dialectical subtleties when it might have been much simpler only to state the double character of value and labor? And why does the discussion of fetishism take the form of a digression from the continuous exposition (*Darstellung*) of value-forms? As such, the basic idea of fetishism theory is rather simple: in an economy based on commodity production, fetishism consists of illusions based on the inversion (*Verkehrung*) of real relations. The inversion thesis is not originally Marx’s idea, but had already occurred in Feuerbach’s theory of religion. True, Marx does not mention Feuerbach here by name, but the link between them is quite obvious. The comparison—in the form of an analogy—between the worlds of commodities and religion occurs already in the appendix of the 1867 edition of *Capital*:

In order to find an analogy, we have to flee to the nebulous regions of the *religious world*. Here, the *products of the human brain appear* as if possessing a life of their own, as *independent characters* staying in relationships to each other and to men. So [appear] the *products of human hand* in the *world of commodities*. This I call *Fetishism*, which adheres itself to the products or labor, as soon as they are produced *as commodities*, and which thus is inseparable from the *commodity production*...<sup>19</sup>

<sup>17</sup>MEGA II/6, Text, \*28.

<sup>18</sup>MEGA II/6, Text, 103.

<sup>19</sup>MEGA II/5, 638 (Marx, *Das Kapital*, Hamburg 1867, 774). My translation.

In short, the illusion created by the fetishistic inversion consists in the fact that people conceive of their social relations as relations between things (commodities). Actually, the commodities are products of social labor, but fetishism leads people to see them as independent agents bestowed with human features. “It is only a certain *social relation between men* themselves, which here assumes for them the phantasmagoric form of a *relation between things*.”<sup>20</sup> In the context of his fetishism theory, Marx speaks of capital and value as an “automatic subject,”<sup>21</sup> which has led some authors in the tradition of the Frankfurt School to interpret this as if men in capitalism had actually lost their character of subjects and capital had become instead the active agent of society, fulfilling similar functions to those of the Spirit in Hegel’s philosophy. However, a little later, Marx shows that this “automatism” is only seeming, not real, since there arises an aporia or, if you like, an antinomy. If the owner of commodities wants to become a capitalist, he “must sell them at their value and yet at the end of the process must withdraw more value from circulation than he threw into it at starting.”<sup>22</sup> This is a contradiction which creates such a friction in the supposedly “automatic” mill of capital that it must stop—provided the process of capital does not get some oiling from outside which keeps its wheels rotating. How is capital helped over this contradiction? The answer Marx gives is simple: “In order to be able to extract value from the consumption of a commodity, our friend, Moneybags [i.e., the capitalist] must be so lucky as to find, within the sphere of circulation, in the market, a commodity whose use-value possesses the peculiar property of being a source of

<sup>20</sup>MEGA II/5, 637–638 (Marx, *Das Kapital*, Hamburg 1867, 774): “Es ist nur das bestimmte *gesellschaftliche Verhältniss der Menschen* selbst, welches hier für sie die phantasmagorische Form eines *Verhältnisses von Dingen* annimmt”.

<sup>21</sup>For example, in MEW Bd. 23, 168–169: “In der Zirkulation G–W–G funktionieren dagegen beide, Ware und Geld, nur als verschiedene Existenzweisen des Werts selbst, das Geld seine allgemeine, die Ware seine besondere, sozusagen nur verkleidete Existenzweise. Er geht beständig aus der einen Form in die andere über, ohne sich in dieser Bewegung zu verlieren, und verwandelt sich so in ein automatisches Subjekt”. Interestingly, the standard English translation of this passage substitutes “subject” for “active character”: “...It is constantly changing from one form to the other without thereby becoming lost, and thus assumes an automatically active character” (*Capital*, vol. I, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence and Wishart, vol. 35, 164).

<sup>22</sup>Karl Marx, *Capital*, vol. I, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart, vol. 35, 177.

value, whose actual consumption, therefore, is itself an embodiment of labour, and, consequently, a creation of value.”<sup>23</sup> In other words, it is the surplus value from unpaid labor which makes the emergence of capital and, in the last instance, the whole of the capitalist economy, possible. Capitalism is actually not supported by the apparently automatic movement of value and capital, but, on the contrary, by the availability of labor as a commodity and source of surplus value. These passages from Marx quoted above, show clearly the critical function of the fetishism concept. It shows that the apparent “surface” phenomena of the capitalist economy do not reflect its real essence in a direct way; but distort it. This distortion Marx calls a *quid pro quo*, which implies that it has the character of inversion, the upside-down turn. It is for this structural identity that Marx likens fetishism to religion which, according to Feuerbach, was created by just such an inversion.

After the existence of a fetishistic view on society and production has been demonstrated, it becomes possible to discuss the alternatives. In the first, 1867 edition of *Capital*, Marx is yet laconic, mentioning only shortly the perspective of a non-alienated society, where fetishism does not exist. In such a society, the relations of men in their daily working life are “transparently rational” (*durchsichtig vernünftige Beziehungen*; see MEGA II/5 Text, 48). In the second German edition of *Capital*, the passage on the alternative, non-fetishistic society is already more detailed:

Let us now picture to ourselves, by way of change, a community of free individuals, carrying on their work with the means of production in common, in which the labour power of all the different individuals is consciously applied as the combined labour power of the community [...]

Such a society of free individuals produces in a manner quite differently from commodity production. This becomes obvious in the parallel Marx draws:

We will assume, but merely for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour time. Labour time would, in that case, play a double part. Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of

<sup>23</sup>Op. cit., loc. cit.

work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual, and of his share in the part of the total product destined for individual consumption. The social relations of the individual producers, with regard both to their labour and to its products, are in this case perfectly simple and intelligible, and that with regard not only to production but also to distribution.<sup>24</sup>

In the future non-fetishistic society, all the characteristics of the labor made in capitalism (i.e., labor executed by singular, “Robinsonian” individuals) would be repeated, “but with this difference, that they are social, instead of individual.”<sup>25</sup> Such a society would thus not revert back to pre-capitalist times, where personal dependency formed the groundwork of society and where the serf could very well see, without any fetishistic illusions, that his services and payments to the lord were products of his personal labor. The future society will not acknowledge any personal dependency of this kind, but retains the dualism of “general” and concrete labor which characterizes capitalism; the difference, however, is that the generality of labor is no more mediated by commodity exchange, and no fetishism will thus emerge. This is Marx’s idea of the “realm of liberty”; to draw its contours is possible only when we are able to take off the fetishistic spectacles through which we hitherto have looked on human societies.

#### FETISHISM THEORY AS A PRESUPPOSITION FOR DIALECTICS

At the same time as Marx becomes increasingly conscious of the role of fetishism theory, he eliminates the indications of Hegel and Hegelian dialectics from his oeuvre. This process is noted even by Hans-Georg Backhaus, a noted German scholar of the so-called “Capital-logician” school, which attempts to demonstrate the close affinities between Marx’s and Hegel’s methods. However, Backhaus sees in Marx’s deepening insights only a “vulgarization” and betrayal of Marx’s original Hegelianism. According to Backhaus, the “vulgarization” began already with the appendix on value-form in the 1867 edition of *Capital*,

<sup>24</sup>Marx, *Capital*, I, Marx–Engels, *Collected Works*, vol. 35, 89 (MEGA II/6 Text 109 sqq.)

<sup>25</sup>Op. cit., loc. cit.



inaugurating a development, which “in its final consequences led, via the vulgarised and historicised text of the second edition of *Capital*, into a theory of simple commodity production and thus to an abandonment of the idea of a dialectic theory of value and money.”<sup>26</sup> Backhaus even goes so far as to speak of Marx’s attempts to “conceal” his dialectical method in his later works on political economy.

Obviously, Backhaus’s interpretation is grounded in the assumption that Marx is applying a dialectical method in a Hegelian manner, that is, as a way of presenting the whole reality of capitalism in a dialectical movement of categories. He even reproaches Marx for not having succeeded in doing this everywhere in his main work in a convincing manner.<sup>27</sup> In this reading, fetishism theory is nothing but a continuation of the dialectics of the value-form; it is deduced from the equivalent form as its fourth “peculiarity.” This applies, however, only to the 1867 version of *Capital* and does not take into account the fact to which I already have referred above, namely that in the 1872 version of *Capital*, the passage on fetishism forms a clear digression from the dialectical exposition of the value-form given in the first chapter. Marx has thus between 1867 and 1872 revised his view on the status of fetishism theory in his critique of political economy.

It seems to me that Michael Heinrich’s interpretation on this question is more correct when he remarks that the analysis of fetishism forms a precondition for the critique of political economy.<sup>28</sup> In other words, fetishism theory is not the *result* of Marx’s dialectical exposition of the initial categories of political economy, but its *presupposition*. (This interpretation means turning Backhaus’s reading upside down, but as Backhaus’s reading is a Hegelian one, this only consequently follows Marx’s own program of turning Hegel upside-down!)

The dialectical exposition of categories of capitalist mode of production thus proceeds as if first taking as real the fetishized form of these categories. Marx analyses the circuits M–C–M and C–M–C and avers

<sup>26</sup>Hans-Georg Backhaus, *Dialektik der Wertform*, Freiburg: Ça ira 1997, 258.

<sup>27</sup>For example, Marx has, according to Backhaus, not been able, “die Notwendigkeit eines Übergangs vom zweiten zum dritten Abschnitt oder von Substanz zur Form des Werts in keiner Fassung überzeugend darzulegen” (op. cit., 143).

<sup>28</sup>Michael Heinrich, *Wie das Marxsche Kapital lesen?* Stuttgart: Schmetterling Verlag 2008, 202 sqq.

how consumption leads to contradictions, and finally, he points to the way out of the contradictions by hinting how matters actually stand. For example, in the second part, which deals with the transformation of money into capital:

In simple circulation,  $C - M - C$ , the value of commodities attained at the most a form independent of their use-values, *i.e.*, the form of money; but that same value now in the circulation  $M - C - M$ , or the circulation of capital, suddenly presents itself as an independent substance, endowed with a motion of its own, passing through a life-process of its own, in which money and commodities are mere forms which it assumes and casts off in turn.<sup>29</sup>

That *value* should figure as a “subject” is of course, a fetishistic expression, and Marx makes this clear by repeating the comparison with religious alienation he had already made at the end of the first chapter of the 1873 edition of *Capital*. The dialectical exposition of the (apparent) movement of value leads finally, through demonstrating how the fetishistic understanding of economic categories give rise to contradictions, to a solution: “ $M-C-M'$  is therefore in reality the general formula of capital as it appears *prima facie* within the sphere of circulation.”<sup>30</sup>

All the “dialectics” of commodity and money is in fact (*in der Tat*, as Marx here writes) apparent only, and has as little to do with actual reality as the theological subtleties about the relationship between different hypostases of the Christian God. The reality is expressed poignantly in the last member of the general formula of capital:  $M'$ . That is, the growth of value is caused by the addition of surplus value to it. The secret of the “dialectics” of value is thus simply the exploitation of living labor, an exploitation which is not visible on the surface of the formally equal social relations between men.

One should not forget either the subtitle of *Capital*—“Critique of Political Economy”—nor Marx’s *in nuce* explanation of the aim and goals of his main work in a letter to Lassalle as early as in February 1858: “The work I am presently concerned with is a *Critique of Economic*

<sup>29</sup>Karl Marx, *Capital*, vol. I, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart, vol. 35, 165–166.

<sup>30</sup>Op. cit., 166

*Categories* or, if you like, a critical exposé of the system of the bourgeois economy.”<sup>31</sup> The “dialectics” in Marx’s *Capital* (both in the 1867 and later versions) concerns above all the form of exposition. As is well-known, Marx distinguished—most explicitly in the afterword to the second German edition of *Capital*—between research (enquiry, *Forschung*) and exposition (presentation, *Darstellung*). This distinction has been much discussed in the literature and I cannot go into detail here.<sup>32</sup> The inquiry has already laid bare the essential features of the bourgeois economy, revealing thus the illusions of both classical and vulgar political economy. The critique already plays its main role at this stage, which so to say prepares the conditions for a dialectical exposition. When these conditions are created, the exposition of the results shows, by leading the reader through different stages of dialectical turns, how the fetishistic illusions on the surface of the capitalist economy have their real causes in the commodity form and the exploitation of labor.

Here is a crucial difference from Hegel’s understanding of dialectics. Hegel’s *Logic* consists in fact of an exposition only. The preceding phase of critical inquiry is more or less absent in him. This is due to the fact that Hegel is generally hostile to the critical intentions of Kant (who is actually his main adversary), which, according to him, played a negative role in creating dualisms and preventing a final synthesis. In other words, the critical-analytical moment which is discernible in Marx, is weakly developed in Hegel. Instead, he aims at a conciliation (*Versöhnung*) with the existing world. This is a consequence of Hegel’s rejection of the legacy of the Enlightenment. For Hegel, the radical philosophy of the eighteenth century was too one-sidedly materialist and atheist; in its struggle against the prejudices of the *ancien régime*, it unjustifiably broke with the religion altogether. Although Hegel is not a conservative in the style of Edmund Burke, he nevertheless acknowledges the importance of tradition. He wants to have a higher synthesis which conciliates the antinomy of the Enlightenment and the Christian religion, and

<sup>31</sup>Marx to Lassalle, February 22, 1858; Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart, vol. 40, 270.

<sup>32</sup>For a good survey of the discussion, see the article *Forschung/Darstellung* by Veikko Pietilä, in: *Historisch-Kritisches Wörterbuch des Marxismus*, vol. 4, Hamburg: Argument Verlag 1999, coll. 696–701.

for this reason he cannot accept that the idea of the critique should be acknowledged as fundamental. In his early writings, Marx had already denounced the conciliatory aspect in Hegel's *Philosophy of Right*, and it is obvious that this forms even generally the part of Hegel's methodological heritage which is unacceptable to him. Marx's materialist critique of Hegel refuses to accept the reconciliatory mediation of substance and subject which forms the basis of Hegel's whole philosophical program. In this respect, Marx returns to the "dualisms" produced by the critical program of the Enlightenment thought and culminated in the philosophy of Kant. I believe it is worth stressing that Marx's critical stance should be seen in this continuum of Enlightenment and Kant, and not in the sense of the Left Hegelians, who interpreted the idea of the critique in a subjectivistic manner. (Marx had rebuffed the Left Hegelian version of critique as it was put forth especially by Bruno Bauer "*et consortes*," already in *The Holy Family*, written in collaboration with Engels and published 1845.)

### ONCE MORE: WHY DIALECTICS?

But why just dialectics? It is a well-known fact that Marx himself admitted that the first chapter of *Capital*, which deals with value theory, is a challenge for readers of his main work. One would have expected that he would have chosen some easier mode of presentation. I believe that the answer lies in Marx's anti-empiricist concept of science, which he summarized in the well-known dictum: "all science would be superfluous if the outward appearance and the essence of things directly coincided."<sup>33</sup> The anti-empiricist stance, which demands that one must be able to distinguish between what the things seem to be and what they really are, even demands a substantial emendation to the received method of modern science.

In this respect, Marx's afterword to the second German edition of *Capital* is especially interesting. After having first briefly commented on the reception of his book by saying that the method which was applied there was but "little understood" [*wenig verstanden*], he continues, instead of explicating his method with his own words, by citing *in*

<sup>33</sup>"Alle Wissenschaft wäre überflüssig wenn die Erscheinungsform und das Wesen der Dinge unmittelbar zusammenfielen"; Karl Marx, *Capital*, vol. III, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart 1993, vol. 37, 804.

*extenso* from a review by Illarion Kaufman in the Russian journal *Vestnik Evropy*. Only after that does he comment:

Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyse its different forms of development, to trace out their inner connexion. *Only after this work is done* [italics mine – V.O.] can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then it may appear as if we had before us a mere a priori construction.<sup>34</sup>

Marx makes here an explicit distinction between the “analytic” phase of research and the “synthetic” part of presenting the results. What he calls his “dialectical method” refers above all to the second methodological step, the synthesis, which first becomes possible after the analysis has done its work and prepared the necessary building blocks. Actually, the analytic phase, that is, the deconstruction of the object of research, is mostly a process which takes place in the head of the researcher only; it is the second step, the exposition, which is meant to convince other people, the readers. The exposition does not add anything new to the results of the analysis; it only puts them in a new order and sequence. That Marx understood his method just in this way, is evident, for example, in his ironic comment to Engels concerning Ferdinand Lassalle’s plans to “present the political economy in a Hegelian manner”: “He [Lassalle] will discover to his cost that it is one thing for a critique to take a science to the point at which it admits of a dialectical presentation, and quite another, to apply an abstract, ready-made system of logics to vague pre-sentiments of just such a system.”<sup>35</sup>

The distinction which Marx makes between the analytic and synthetic moments of the method<sup>36</sup> in his afterword to the second edition

<sup>34</sup>Foreword to the second German edition of *Capital*, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart, vol. 35, 20

<sup>35</sup>Marx’s letter to Engels, 1st of February, 1858, in: Karl Marx, Friedrich Engels, *Collected Works*, London: Lawrence & Wishart, vol. 40, 260.

<sup>36</sup>I am here thus of a different opinion from Zelený, who insists that the analysis and synthesis form in Marx an unity, albeit an unity “of a specific art” (Zelený, op. cit., 178). Of course it is possible to discuss the ways in which the analysis and synthesis are connected in Marx, but in every case it is certain that they are not identical, and that the analysis must, according to Marx, *precede* the synthesis.

of *Capital* should be understood as a further move away from Hegel. In Hegel's objective-idealist dialectics, the analysis and the synthesis made up an indivisible unity, because "the absolute method [...] behaves not as an extrinsic reflexion, but takes that which is determined, from its object itself, because it is itself the imminent principle and soul of its object."<sup>37</sup> This somewhat cryptic formulation means that for Hegel, the method and its object were in the last instance identical: the movement of the object was nothing but the movement of the method itself. Marx, for his part, rejects the identification of the object of research and the method of the research—he had stressed already in the Introduction to the *Grundrisse* that the exposition, in which one rises from the abstract to the concrete, should not be understood as the coming into being of the concrete itself—and thus in questions of method he remains nearer to Kant than to Hegel.

Marx's anti-empiricism does not thus mean that he would underestimate or downplay the empirical research of facts—quite the contrary. The collection and evaluation of empirical material, the analytic phase of the research, is in Marx the prius. The dialectical exposition forms a secondary phase, although not less important.

Thus for Marx, an empirical statement of the fact that the capitalist squeezes surplus labor from his workers would be nothing but a *quid facti*; to prove it as *quid juris* needs a dialectical deduction. As Kant's paragon was here the juridical process which wanted proofs only "beyond reasonable doubt," so there is no attempt to attain apodictic certainty. Here, too, Marx's use of dialectics differs from Hegel's. For Marx, dialectics is not an absolute method. When needed (for example, if we want to convey our message in a more popular way), the results of the critical investigation may be presented in a plain language.

## REFERENCES

References to Marx and Engels in English according to the Marx–Engels, *Collected Works*, London: Lawrence and Wishart, 1977 sqq.; for original languages, according to the *Marx–Engels Gesamtausgabe* (MEGA), Berlin 1975 sqq., where Roman numbers give the section (*Abteilung*), Arabic numbers the

<sup>37</sup> "die absolute Methode [...] verhält sich nicht als äusserliche Reflexion, sondern nimmt das Bestimmte aus ihrem Gegenstande selbst, da sie selbst dessen immanentes Prinzip und Seele ist"; G. W. F. Hegel, *Wissenschaft der Logik*, Bd. II, in: Hegel, *Hauptwerke in sechs Bänden*, Hamburg: Felix Meiner Verlag 1999, Bd. 4, S. 241.

volume; each volume is in turn divided into a “Text” part and an “Apparat” part. Some references are to the Marx-Engels, *Werke* (MEW), Berlin: Dietz Verlag 1956 sqq.

- Artous, A. (2006). *Le fétichisme chez Marx*. Paris: Syllepse.
- Backhaus, H.-G. (1997). *Dialektik der Wertform*. Freiburg: Ça ira.
- Hegel, G. W. F. (1999). *Wissenschaft der Logik* (Bd. II). In Hegel, *Hauptwerke in sechs Bänden*. Hamburg: Felix Meiner Verlag.
- Heinrich, M. (2012). *An Introduction to the Three Volumes of Karl Marx’s Capital* (A. Locascio, Trans). New York: Monthly Review Press.
- Heinrich, M. (2013). *Wie das Marxsche Kapital lesen?* (Bd. 1–2). Wien: Schmetterling Verlag.
- Pietilä, V. (1999). Forschung/Darstellung. In *Historisch-Kritisches Wörterbuch des Marxismus* (Vol. 4). Hamburg: Argument Verlag.
- Renault, E. (2009). Qu’y a-t-il au juste de dialectique dans Le Capital de Marx? In F. Fischbach (Ed.), *Marx – Relire Le Capital*. Paris: Presses Universitaires de France.
- Zelený, J. (1968). *Die Wissenschaftslogik bei Marx und “Das Kapital”*. Hamburg: Europäische Verlagsantalt.



## CHAPTER 4

---

# Late Marx and the Conception of “Accumulation of Capital”

*Paul Zarembka*

### INTRODUCTION

Marxist political economy very often refers to the “accumulation of capital” as if it were a transparent concept, one easily understood from Marx’s work. Commonly, citing accumulation of capital in a theoretical or empirical analysis seems to suggest a depth of analysis that does not need further explication by the author. It can be read with a self-confidence that “gravity” has in a work of physics. The problem is that, as a concept, it is not clear what accumulation of capital is to mean. In fact, capital is so often referred to as means of production, following the classical economists, that Marxist political economists have not seemed to have broken from Marx’s predecessors when

---

This chapter is a refinement of “Late Marx and Luxemburg: Opening a Development Within Political Economy”, Bellofiore, R. (Ed.). (2009). *Rosa Luxemburg and the Critique of Political Economy* (pp. 64–80). Routledge.

---

P. Zarembka (✉)  
Department of Economics, State University of New York  
at Buffalo, Buffalo, NY, USA  
e-mail: [zarembka@buffalo.edu](mailto:zarembka@buffalo.edu)

© The Author(s) 2020  
M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_4](https://doi.org/10.1007/978-3-030-13639-0_4)



mentioning the accumulation of capital. I include Lenin in this characterization (see Zarembka 2003).

Marx's multiple-volume work was not called "*Capital*" in order to refer to means of production. Constant capital, rather, is used to refer to the means of production, measured in value units. The entire work of *Capital* is fundamentally offered to comprehend the social relations of production in capitalism. Class is the fundamental issue. Therefore, his accumulation of capital must be understood with class in mind, not means of production, not constant capital.

Marx himself was a theorist who was constantly evolving, not a person stuck with his earlier thinking. We can recall how late he arrived at "labor power" as an important concept, namely around 1865. In this spirit, we can interrogate the concept of accumulation of capital as he used it. Marx had assumed in *Capital* that he was offering an understanding of a world that was fully capitalist. This was the context for his discussions of accumulation of capital that took place in *Volume 1* and in *Volume 2*. And these discussions suggest, in major part, that more wage laborers would be involved, in addition to more constant capital. However, when we read carefully his discussions, contradictions emerge. These are discussed in the first two sections of this chapter.

Rosa Luxemburg published her book on the topic in 1913, thirty years after Marx's death. While she did not explicitly interrogate the wording "accumulation of capital", she clearly argued that expansion of wage-labor employment was fundamentally involved. Her main points are elaborated in the following section and then responses by her critics are mentioned subsequently.

Resulting from the preceding discussion, value as a concept may be called into question, first because an argument has been offered by John Weeks that the very concept of value fails without full realization of commodities produced. Yet, even if we do not accept this argument, we still need to consider how value works in a theoretical environment in which non-capitalist environments are being penetrated by capitalism. Both problems are addressed.

After a reflection on Louis Althusser's work, this chapter briefly concludes that Marxist political economy may need some re-examination, including the theory of money, as a result of the totality of the problems opened up by careful consideration of this one concept: the accumulation of capital.

## CONTRADICTIONS WITHIN MARX’S CONCEPTION OF ACCUMULATION OF CAPITAL

Marx centered his theoretical work in *Capital* within a fully capitalist world. He said that:

in order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry. (Marx 1867: 545, Footnote 1)

He wrote this while discussing accumulation of capital, a subject perhaps least expected for such presumption. Several other statements by Marx were made in this regard, notably in Volume 2. As a simplifying assumption, who could fault Marx, particularly when we know full well that he knew that the world was much more complex? Still, the presumption is problematic within the internal logic of his work.

Marx’s concept of accumulation of capital conflicts with the presumption of a fully capitalist world. His accumulation of capital must be understood to mean an increase in the number of wage laborers and the required means of production. Thus, in a draft of *Capital*, we read “The *process of accumulation* is itself an intrinsic feature of the capitalist process of production. It entails the *new creation of wage-laborers ...*” (Marx 1933: 1061, italics in original).<sup>1</sup> Then, in Volume 1 as published, we read:

A part of the annual surplus-labor must have been applied to the production of additional means of production and subsistence ... Now in order to allow of these elements actually functioning as capital, the capitalist class requires additional labor. ... Accumulation of capital is, therefore, increase of the proletariat. (Marx 1867: 544–545, 576)

<sup>1</sup>This passage is from the draft ‘Results of the Immediate Process of Production,’ which Marx deleted from Volume 1 before publication. ‘Results’ can be considered part of the third, next to last, draft of Volume 1. No other material from this third draft has survived, perhaps because the remainder was rolled into the final draft. Why third draft? Consider the *Grundrisse* as a first draft of Marx’s life work. Then the second draft can be considered to have been drafted between 1861 and 1863, and includes his work on the history of theories of surplus value. The third, not yet final, draft was begun in 1863 and completed in 1865, including the only draft ever made of what became Volume 3 under Engels’ editorship.

This requirement, although inadequately appreciated, should be clear enough (for elaboration, see Zarembka 2000).

Where does the increased supply of labor power come from? In Marx's draft, the answer read:

it does this either by extending its rule to sections of the population not previously subject to itself, such as women or children; or else it subjugates a section of the laboring masses that has accrued through the natural growth of population. (Marx 1933: 1061)

In Volume 1, the solution for additional labor power was narrowed as follows: "the mechanism of capitalist production provides *beforehand*, by converting the working class into a class dependent on wages, a class whose ordinary wages suffice, not only for its maintenance, but for its increase" (Marx 1867: 544, italics added). In other words, capital had previously created wage laborers, and now these wage laborers get a bit more than enough for their own subsistence. This may be suggestive of a Malthusian base for population increase. In any case, the incorporation of women and children into the labor force, mentioned in the draft, is neglected in the published work.

Population increase continues to be mentioned by Marx as a major source of additional labor power. In the nineteenth century, the global population growth rate was only around 0.5% per year. If Marx was considering a country, rather than the whole world, the rate of increase in England was higher, 1% in the nineteenth century, but still not enough to rely on for accumulation of capital. Marx's own numerical illustrations of accumulation assume annual population increases of 10%. Another possibility? The increased labor power supply for accumulation of capital could come from *continuing* penetration of non-capitalist modes, not merely a creation of wage laborers "beforehand" through population increase. While presumption of a fully capitalist world in *Capital* contradicts such an understanding, proletarianization of the world was then and is still, in fact, proceeding apace. Thus, *Pagine Marxiste* (November 2004, Year 1, Number 5, p. 5) makes an attempt to record progress, indicating that the global non-agricultural labor force more than quadrupled from 1950 to 2000, representing a 2.9% annual rate of growth, due in part to population growth (about 1.7% annually) and in part to the "process of proletarianization, linked to the disintegration of the peasant social framework and to the shift from the rural to the urban areas".

Perhaps Marx became quite aware of continuing proletarianization (not only the proletarianization resulting from original transition from feudalism to capitalism, i.e., “primitive accumulation”). Thus, consider a bit more deeply the unpublished “Results” section, which was to have been the conclusion of Volume 1. The most important theoretical concept in “Results” was formal and real subsumption of labor to capital, following usage beginning in the *Grundrisse*. By the concept of subsumption, it can be argued that Marx “clearly wished to imply that as economic relations increasingly took on a capitalist character, their scale increased and this brought them ever closer to the world market and their point of culmination” (White 1996: 191). Yet, by leaving “Results” out entirely as Volume 1 went to the publisher, any focus on subsumption was lost. Even references elsewhere within Volume 1 to subsumption were almost completely stricken by Marx, including references to cooperation, division of labor, and use of machinery as stages of subsumption (White 1996: 200; one remaining definitional passage for “subsumption” was eliminated in the French edition). The published Volume 1 shows that “very little remained of the argument that in its cycle of reproduction capital created its own preconditions on an ever-increasing scale” (p. 201).<sup>2</sup>

Marx spent many years after the publication of Volume 1 studying pre-capitalist societies.

Just as Marx was about to publish the first volume of *Das Kapital* he had run into serious problems with the section of his projected work which would deal with the circulation of capital. He had hitherto assumed that capital would spread throughout the world carrying all before it, but he had overlooked the fact that even in his own native Hunsruecken despite the development of capitalism, the older, collective, social and economic system still survived. Capitalism, apparently, did not necessarily erode traditional peasant society, but coexisted with it. Marx removed much of the philosophical underpinnings for his earlier view of capitalist development from the published version of *Das Kapital*, continuing the excisions in the second and French editions, and he embarked on a lengthy empirical investigation of how capital actually began to circulate. He had an excellent example to hand in Russia, which had just embarked on the capitalist road, having abolished serfdom a few years earlier. In 1870 Marx learnt Russian and got down to the serious job of collecting materials on Russian economic development. (White 2001: 12–13, summarizing a major result of his own 1996 book)

<sup>2</sup>After pulling ‘Results’ from Volume 1, there is also no record that Marx later returned to the issue of ‘subsumption’.

It is mostly forgotten that Marx wrote Engels in 1870 that the most important work published since Engels' own *Condition of the Working Class in England* was Flerovsky's *Condition of the Working [Peasant] Class in Russia* (published in 1869). Flerovsky's book, like, for example, van Onselen's (1976) a hundred years later, focussed upon the proletarianization process, including the role of taxation therein: "The main reason which compels the [peasant] to resort to the capitalist is to pay his taxes" (translation by White 1996: 249, who also explains that "worker" for Flerovsky is "peasant" in our usage; see also Forstater 2005). It is fair to say that Marx was trying to understand the forms of, and limitations, to capital's penetration. This became a continuing study of his to the end of his life, including extensive correspondence with Russians, which in turn has extensive implications for the manner in which we understand Marx and those after him (see White 2018).

### MARX'S LATE THEORETICAL WORK: SCHEMES OF REPRODUCTION

We could suspect that the question of penetration of non-capitalist modes of production would become integrated into Marx's late theoretical work. It is not to be so, however, and was left to posterity in Rosa Luxemburg's (2016 [1913]) work. From Engels' "Preface" to Volume 2 we know that Marx was working on the schemes of reproduction as the last of his theoretical work. And from Engels' footnoting within Volume 2 concerning whether he is drawing upon earlier or later manuscripts of Volume 2 for his own editing, we can understand where individual passages are drawn from. For Section II of "Simple Reproduction," for example, we can read Engels' note: "Mainly from Manuscript II [1870], the schemes from Manuscript VIII [1878]" (Marx 1974 [1885]: 399, Footnote 44). For the entire chapter on "Accumulation," we can read that it is from that last Manuscript VIII. We can thus infer that the schemes themselves date from 1878, i.e., long after Marx's studies of Russia began.

Even in 1878, however, Marx was still considering, from a theoretical point of view, the capitalist world to be complete. Immediately before Part III of Volume 2, which includes the schemes, we read, "Apart from [the capitalist] class, according to our assumption—the general and exclusive domination of capitalist production—there is no other class at

all except the working class” (Marx 1974 [1885]: 352, apparently written in 1878, judging from Engels’ “Preface,” p. 5). Also, in the chapter “Simple Reproduction,” we read: “there are here only two classes: the working class disposing only of its labor power, and the capitalist class” (p. 425, from the 1878 Manuscript VIII). In other words, the process of proletarianization remains excluded from Marx’s last theoretical work on *Capital*, even after studying Russia.

In beginning his discussion concerning accumulation of additional constant capital for department I, Marx says that “in order that the transition from simple to extended reproduction may take place, production in department I must be in a position to fabricate fewer elements of constant capital for II and so many the more for I’ (pp. 500–501). That is, in transition to accumulation, production for workers’ consumption (department II) is scaled back as production of means of production (department I) is increased. Total employed labor power is seemingly constant. When he turns to additional variable capital needed for the expanding department I, Marx writes:

We have explained at great length in *Book I* [Volume I] that labor-power is always available under the capitalist system of production, and that more labor can be rendered fluent, if necessary, *without increasing the number of laborers or the quantity of labor-power employed*. We therefore need not go into this any further, but shall rather assume that the portion of the newly created money-capital capable of being converted into variable capitals will always find at hand the labor-power into which it is to transform itself. (Marx 1974 [1885]: 505, italics added)

Marx seems to be referring here to production of relative surplus value, leading to workers being expelled from production as technology develops. Again, total labor power employed seems rather constant. Logically, Marx is almost forced to make such a statement as long as he presumes a fully capitalist world, as simple population increase would be his only other possibility.

Nevertheless, when Marx next develops his full schemes of production as accumulation of capital proceeds, both departments I and II are increasing substantially, with the composition of capital in each department being held constant. It reads as if Marx, working out his calculations of schemes of reproduction under accumulation of capital,

has come face-to-face with the fact that, unlike his earlier statement regarding Volume 1 (cited above with italics), more wage laborers are required, after all.

Marx, in the schemes of accumulation, offers two illustrations, with his second having higher compositions of capital in both departments. The latter, he claims, “presupposes a considerable development of capitalist production and accordingly of the productivity of social labor, a considerable previous increase in the scale of production, and finally a development of all the circumstances which produce a relative surplus-population among the working class” (Marx 1974 [1885]: 518). This could be a lead into incorporating the production of relative surplus value as the engine for sustaining a renewed supply of labor power. However, Marx never pursued this in drafts being prepared for Volume 2 and does not suggest that as his purpose.

The schemes of reproduction in Marx are a remarkable attempt at posing a new problem for investigation. They sustain the political economy of economists such as Kalecki, whom Kowalik (1990) argues is the main continuity from Marx and Luxemburg. They have even influenced “mainstream” economics. But they do not help much, at least in Marx’s own formulation, in addressing a fundamental problem, the possibility of realizing surplus value within a fully capitalist system. Nor do they suggest that Marx was incorporating within his last theoretical work the issue of penetration of capitalism into non-capitalist modes of production.

White, whom we have already introduced, considers Marx’s problem in drafting Volume 2. He argues that the first draft, begun by Marx in 1865, failed “to establish any necessary connection between expanded reproduction of capital and the extension of capitalist relations”. Accumulation of capital for Marx was to be “a process which would reproduce its presuppositions, the capitalists and workers on an extended scale”. “To be unable to show that capital created its own presuppositions, that it created Civil Society, was a serious difficulty for Marx’s overall scheme of capitalist development” (White 1996: 196).

Marx never came close to resolving this problem. And he could not resolve it as long as he separated theoretical questions regarding accumulation of capital from penetration of non-capitalist forms of production. (“primitive” or “original” accumulation of capital is another matter altogether; see Zarembka 2002a).

## LUXEMBURG ON ACCUMULATION

Marx’s study of the history of capital’s penetration, including its difficulties, had a successor in Luxemburg’s interest in the question of penetration of non-capitalist forms of production. Luxemburg’s interest is evidenced particularly in her *Introduction to Political Economy*, published posthumously (only half of it found after her murder). In fact, her work used many of the same sources Marx had studied. But she also integrated these questions into her own theoretical work.

Marx’s *Capital* and Luxemburg’s *Introduction to Political Economy* have distinct beginning points. Marx begins with “Commodities”. Luxemburg does not get to that until her sixth chapter after “What is Political Economy?” and “Social Labor,” and then three chapters on economic history, including primitive communism, the feudal system, and the medieval city and guilds. In other words, for Luxemburg, the capitalist mode of production arises in a historical context. Luxemburg’s conclusions concerning primitive communism’s longevity are indicative. While the last form of primitive communism—the Russian commune—had survived because of its adaptability, there is “only one contact that it cannot tolerate or overcome—contact with European civilization, i.e., with capitalism. This encounter ... accomplishes what millennia and the most savage Oriental conquerors could not: the dissolution of the whole social structure from this inside” (Luxemburg 2013 [1925–1918]: 226). To determine the comparative power of capital to rip these people from all means of production and to thrust these societies into value-producing ones, we cannot just look at capital. We also have to look at the weaknesses of the primitive societies, including, as she does, developments in their specific practices of warfare.<sup>3</sup>

The capitalist mode arising in an historical context indicates that theoretical categories are not only socially conditioned, but socially conditioned *within the developing historical setting*. Suggestive of a rethinking of fundamental aspects of Marxist theory, we turn to this issue later. Here, we discuss a preliminary, Luxemburg’s fundamentally important *The Accumulation of Capital* and subsequent *Anti-Critique*, and their

<sup>3</sup>Marx, judging by a number of his interventions on this issue, seemed to think that primitive communism resisted capital more than Luxemburg argued. Examining this disparity is unnecessary for our purposes.



dismissal by very many critics, in turn constraining the development of Marxist theory.

Confronting the problem of realization is the deepest contribution which Luxemburg's *The Accumulation of Capital* makes to Marxist political economy: under extended reproduction of capital, what is surplus value used for? It cannot be merely luxury consumption of capitalists as that would be simple reproduction. It cannot be increasing workers' consumption as this is no part of surplus value. The possibility that it could be used for increasing constant capital is more complicated. If the composition of capital stays constant, as in Marx's own reproduction schemes in Volume 2, then any increase of constant capital is exactly associated with an increase in variable capital (more workers selling their labor power to capitalists). Could not the composition of capital be continually rising, and could not the increasing constant capital then completely absorb surplus value not used for capitalist consumption, with no extension of the capital–wage labor relation? Yet, a rising composition does not mean more machinery being used per work hour, but rather more value (labor hours) in the production of the machinery used by workers in their work hours. The latter increase is not obvious as there is technological change in the production of machinery, even as we have a common sense that workers are working with more advanced technology today than earlier. Magaline (1975) offers an excellent starting point for analyzing the difficulties of this question and should help undermine dogma about the composition rising, thereby realizing surplus value. Furthermore, if the composition is characterized as the “materialized” composition of capital  $C/(v+s)$  rather than the frequent  $C/v$ , the result could be even a stability rather than a rise (see Zarembka 2015).

Surplus value production can, however, overcome its problem of insufficient markets when used for extending capitalist domination of the world, i.e., having more wage laborers attached to means of production controlled/owned by capitalists. Then surplus value can be realized, albeit outside the circuit of capital.

## CRITICS

There are several factors underlying the dismissal of Luxemburg's work, the upshot of which has been to limit the development of Marxist theory. First, Lenin had said, point blank, that Luxemburg was wrong on the accumulation of capital. While Lenin's own economics had not been

carefully criticized by anyone, the success of the Bolshevik revolution with Lenin as leader provided an imprimatur for his opinions not only on political matters, but also on economics. In fact, Lenin’s economics is not all that deep and reflects a Ricardianism that went unnoticed. For example, in 1897 Lenin roundly criticized Sismondi before Marx’s own comments on Sismondi appeared in *Theories of Surplus Value*. It turned out that Marx was clearly more appreciative of Sismondi than would be expected by Lenin’s judgment (see Zarembka 2003).

Second, Luxemburg’s work received no sympathy from Kautsky, even though Kautsky himself used similar arguments as Luxemburg’s when in 1902 he criticized extensively a book by Tugan-Baranowsky (Kautsky 2019 [1902]). Lack of honest evaluation from Kautsky, or even any evaluation at all, was more damaging, at the time, than the fact of Lenin’s dismissal. As editor of *Theories of Surplus Value*, Kautsky could know quite well Marx’s thoughts on Sismondi. Furthermore, beyond the problem with Kautsky and turning to the editorial board of her party’s publication *Vorwaerts*, Luxemburg herself commented:

With regard to my purely theoretical work about a complicated issue involving abstract scientific analysis, the entire Editorial Board of a political daily paper came forward – although two members, at the most, might have read the book – and as an official body handed down a collective judgment against it. In the process they denied that men like Franz Mehring and S. Karski [Julian Marchlewski] possessed any expertise on questions of political economy. Only those who had torn my book apart were to be designated as ‘experts’.

Such a fate has befallen no other party publication as far as I know, and over the decades Social Democratic publishers have certainly not produced all gold and pearls. (Luxemburg 2016 [1921]: 348)

Note that, according to Froelich (1939: 159), Mehring and Marchlewski greeted her book with “great enthusiasm”.

Third, the undermining of Luxemburg’s work was accelerated by Bukharin’s (1924) long discussion, offered five years after her murder. Bukharin’s critique played a major role in a process that has led a much later survey of the history of Marxist economics to feel comfortable in concluding of Rosa Luxemburg: “almost no one has been convinced by her attempt to demonstrate that accumulation is impossible in a closed capitalist system”; “her theory was wrong” (Howard and King 1989: 112, 317). Bukharin’s commentary is reviewed in Zarembka (2002b: 11–13).

For example, Bukharin does quote her when she says that money is something between two other things: “Between the accumulation of surplus value in commodities and the use of this surplus value to expand production there always lies a decisive leap, the *salto mortale* of commodity production, as Marx calls it: *selling for money*” (Bukharin 1924: 192, italics in original).<sup>4</sup> Then he ignores what he had quoted. Instead, in a section entitled “Definition of Accumulation,” he refers to her defining “accumulation as *accumulation of money capital*” (p. 194, italics in original). Would it not be more correct to interpret Luxemburg to say that money capital is a result of a simple necessity within the overall accumulation process?

After Bukharin, critiques of Luxemburg’s work continued, in one manner or another, in works by Grossmann, Pannekoek, Mattick, Sr., Sweezy, Rosdolsky, Tarbuck, Kuehne, Howard and King, and Dunayevskaya, among others, each of whom is discussed in Zarembka (2002b). Often the critiques are inconsistent, one with another, yet a cult of objection was created which includes those of many political stripes.

Lastly, the connection between Luxemburg’s work, particularly the third part of *The Accumulation of Capital* and *Introduction to Political Economy*, with Marx’s late research into Russian society has gone unnoticed. This neglect has been largely due to extremely tardy publication of Marx’s late notes.

#### VALUE AND ITS REALIZATION, WITH ACCUMULATION OF CAPITAL UNDERSTOOD TO FOCUS ON INCREASED EMPLOYMENT OF WAGE LABOR

Weeks (1982) has made the startling claim that, without full realization of all production within the context of a fully capitalist economy, Marxist value theory must be discarded. Unlike neo-Ricardian value, he says, Marx’s understanding of value is snuffed out with incomplete realization: “if one postulates that a ‘pure’ capitalist system is endemically

<sup>4</sup>We are at a loss how Bukharin could so distort Luxemburg’s position by skipping over the sentence reproduced here. He even plays with the words *salto mortale* in his own text, getting into the reader’s subconscious that he, Bukharin, has read her: the reader is expected to take his word for the fact that, yes, she really does *define* accumulation as the amassing of money capital.

afflicted by the inability to sell all that is produced, then the Marxian concept of value *must* be rejected” (Weeks 1982: 61, italics in original). Raising the stakes for those who claim chronic realization problems within the capitalist mode of production, Weeks claims that proponents of under-consumptionism (mentioning particularly Baran and Sweezy) are compelled to abandon Marxist value theory.<sup>5</sup> Given that Luxemburg and this author (Zarembka 2000) argue chronic overproduction within “pure” capitalism, should not Weeks’s conclusion, on its own, suggest unsustainability for Marx’s value theory? We do not think so, at least in the incomplete form presented.

Weeks’ argument on the incompatibility of Marx’s value theory and incomplete realization, in the beginning, is carefully laid out, starting with numerical tables of reproduction measured in both use-value magnitudes as well as in values. In the process he lays out his understanding of the precise role for Marx’s value conception. Marx’s conception (not, however, Ricardo’s) is at stake, says Weeks, when realization is not assured. Where Ricardians aggregate labor time in disparate production processes, Weeks argues that labor time referencing laboring activity for one product is, in fact, distinct from labor time referencing another product. “What is required is a measurement in units of *generalized labor time* which abstracts from the particular characteristics of each concrete laboring activity” (1982: 66, italics added), and that Marx’s concept of abstract labor and socially necessary labor does indeed offer the basis for the required intermediating concept, i.e., value. Those necessary abstractions are achieved in practice, socially, through capitalist competition whereby capitalists are forced to interact and adopt norms of efficiency under the discipline of monetary costs. Price is then the observed form of value. Realization involves the conversion of commodity capital into money capital through sale.

Realization is required, continues Weeks, because it determines the socially necessary labor time. That is, failure of realization implies that some part of labor time is *socially unnecessary*; some working time under wage labor conditions is not transformed into value. The conception of value would be therefore undermined.

<sup>5</sup>It should be noted that Weeks, in his introductory paragraph and last footnote, favorably cites Lenin’s economic work of the 1890s on such questions, Lenin being one to criticize Luxemburg’s *The Accumulation of Capital* (Zarembka 2000: 221–222, 225–235).

If under-realization is endemic,... then it becomes, in effect, merely an ideal, a construction of the mind. Realized abstract labor time in such a case is set by the determinants of the [monetary] expenditure by workers and capitalists. Production still plays a role, but a very limited one. (Weeks 1982: 73)

Further driving the point home, should an external market outside capitalism be introduced,

total realizable value is no longer constrained by the labor time expended in production... If external demand is buoyant, the use values produced can exchange for an amount of money representing labor time far in excess of that expended in production, and the production process determines nothing except the number of use values available for circulation. (1982: 72–73)

A significant weakness in the structure of Weeks's argument concerns the issue of money. Discussing the possibility of an external market, Weeks refers to money possibly "representing labor time far in excess of that expended in production". This must mean that the social base of money (or a subset of moneys—whatever that might mean) is not necessarily related to capitalism. Indeed, what determines money representing labor time at all? Furthermore, even before considering any possible external market, Weeks refers to the possibility of a failure of realization as meaning that not all produced commodities can be converted into money capital: "the quantity of value objectified in the produced commodities is determined by labor time expended *if money exchanged against these commodities is equal to [the produced] value*" (p. 71, italics added). This seems reasonable enough... except that there is no statement of what "money," including its relation to "value," is to mean, that is, no theory of money completes his argument; money is referred to as if obvious. Could not a theory be offered that the value represented by the money transacted in sales does, in fact, represent the value in production, even in the presence of overproduction? This might turn out to be a circular argument. Still, in the absence of an explicit concept relating money independently to value, an emptiness in the argumentation surfaces.

While Weeks provokes concern for the relationship of value to realization, and while it is correct that laboring in one production process (or in one part of one production process) is distinct from another, we need not consider these as incommensurable *labor times*, but rather as

simply incommensurable *labors*. We ought not to conflate labor times and labors, the former being measured by the clock as units of “value” (witness Marx’s discussion of the production of absolute surplus value in which he recounts how minutes are stolen from workers simply by playing with the clock). Abstract labor—the foundation for Marx’s value—is in the relation of wage labor to capital in which the worker who has sold her or his labor time is told by the capitalist what actual laboring activity to do. One does not therefore need to introduce an additional concept of “generalized labor time,” supposedly achieved under the discipline of monetary costs, as Weeks maintains. Value is defined in the production relation, and it would not be neo-Ricardian when Marxist political economy avoids introduction of “generalized labor time”. Thus, chronic failure of realization is not necessarily inconsistent with having value as a concept applicable to the capitalist mode of production.

#### VALUE, WHEN THE CONTEXT IS WIDER THAN CAPITALISM

Turning away from Weeks, value is, of course, the foundation for Marx’s theoretical understanding of the capitalist mode of production. Since his 1847 *Poverty of Philosophy* (Marx 1847), Marx’s economic categories are to be understood as socially conditioned. Having re-examined “accumulation of capital” in light of Luxemburg, what then is to be the appropriate object of analysis leading to this concept of value: the capital–wage labor relation alone or that relation *as well as* the penetration of non-capitalist modes of production corresponding to accumulation of capital? The former has been universally presumed, based upon Marx’s simplifying assumption that “capitalist production is everywhere established”. Marx already made this presumption a decade before Volume I when in 1858 Marx wrote Engels an outline of what he was preparing and included a significant comment concerning value, suggesting his focus to be on post-proletarianization:

*Value.* This is reduced entirely to the quantity of labor; time as a measure of value...Value as such has no other ‘material’ than labor itself... It already presupposes 1. the destruction of natural communism (in India etc.); 2. the destruction of all undeveloped, pre-bourgeois modes of production which are not governed in their totality by exchange. Although it is an abstraction, it is an abstraction which can only be assumed on the basis of a particular economic development of society... (Marx and Engels 1983 [1948]: 58)

In the *Grundrisse*, we find: “The economic concept of value does not occur in antiquity... [It] is entirely peculiar to the most modern economy, since it is the most abstract expression of capital itself and of the production resting on it” (Marx 1973: 776).

This topic of the conception of value is addressed in Zarembka (2016), while beyond the scope of this chapter.

## RECONSIDERING MARXIST POLITICAL ECONOMY

The deeper issue being raised in this chapter may be epistemological. Althusser’s (1965 [1970]) work, as no other, opens up this space for discussion, opens up the question of the theoretical object of *Capital*. Marx, says Althusser, did not undertake to “historicize” the categories of classical political economy, categories such as value. Rather, Marx produced new concepts appropriate to his own theoretical object, in circumstances in which he had no philosophical concepts available “to think the determination of the elements of a whole by the structure of the whole” (Althusser 1965 [1970]: 187). Althusser’s long discussion concludes with his citing Marx’s comment in the 1857–1858 *Grundrisse* that

In all forms of society there is one specific kind of production which pre-dominates over the rest, whose relations thus assign rank and influence to the others. It is a general illumination which bathes all the other colors and modifies their particularity. It is a particular ether which determines the specific gravity of every being which has materialized within it. (Marx 1939–1941: 106–107, Althusser 1965 [1970]: 187)

Marx was stating this point in order to explain that economic categories need not follow each other in the same manner as history, but rather should be determined, in capitalism, by the structure of bourgeois society. For Althusser, *Darstellung* (representation, *mise en scene*) should be recognized as “the key epistemological concept of the whole Marxist theory of value, the concept whose object is precisely to designate the mode of *presence* of the structure in its *effects*, and therefore to designate structural causality itself” (Althusser 1965 [1970]: 188, italics in original).

Althusser, however, seems completely unaware of any difficulty with the concept of “accumulation of capital,” completely unaware of the problematic character of presuming full capitalism, completely unaware

that penetration of non-capitalist modes of production may need to be part of the object of theoretical investigation. For Althusser, the capitalist mode of production has structural causality, the feudal mode also, albeit distinct, and the transition from one mode of production to another is a distinct theoretical question. Therefore, theory of the capitalist mode of production does not need to introduce what White would say is space and time, and what others could say is history. While a concept such as “value” is not to be an historicization of classical political economy’s conception, neither is it, according to Althusser, to have the same theoretical object as classical political economy’s theoretical object. Yet, does not a clarified understanding of accumulation of capital undermine an ahistorical understanding of the capitalist mode of production and thus raise questions concerning Althusser’s structural causality? We cannot discuss penetration of non-capitalist society by capital without examining what it is that is being penetrated. We cannot examine what is being penetrated without the context, a context which must be historical.

A re-evaluation of value and accumulation of capital as concepts will have to address the theory of money. That is, “money” is popping up all around these issues and cannot be left out of a re-evaluation. We all use money, but what is it? What is it, not only within the capitalist mode of production, but before? Has it changed?

## REFERENCES

- Althusser, L. (1965). L’object du *Capital*. In L. Althusser, E. Balibar, & R. Establet (Eds.), *Lire le Capital*. Trans. B. Brewster. (1970). The Object of *Capital*. In L. Althusser & E. Balibar (Eds.), *Reading Capital*. New Left Books.
- Bukharin, N. I. (1924). *Der Imperialismus und die Akkumulation der Kapitals*. Trans. R. Wichman. (1972). *Imperialism and the Accumulation of Capital*. Monthly Review Press.
- Forstater, M. (2005). Taxation and Primitive Accumulation: The Case of Colonial Africa. In P. Zarembka (Ed.), *The Capitalist State and Its Economy: Democracy in Socialism, Research in Political Economy* (Vol. 22). JAI/Elsevier Science.
- Froelich, P. (1939). *Rosa Luxemburg—Gedanke und Tat*. Trans. J. Hoornweg. (1967). *Rosa Luxemburg: Her Life and Work*. Monthly Review Press.
- Howard, M. C., & King, J. E. (1989). *A History of Marxian Economics, Volume I: 1883–1929*. Macmillan.



- Kautsky, K. (2019 [1902]). *Krisentheorien*, Trans. D. Gaido & D. Scattolini as Theories of Crises [sections 3, 4, and 5 only]. In P. Zarembka (Ed.), *Class History and Class Practices in the Periphery of Capitalism. Research in Political Economy* (Vol. 34). Emerald Group, forthcoming.
- Kowalik, T. (1990). Rosa Luxemburg. In J. Eatwell, M. Milgate, & P. Newman (Eds.), *Marxian Economics: The New Palgrave*. Macmillan.
- Luxemburg, R. (2013 [1925, written up to 1918]). *Introduction to Political Economy*. Trans. G. Shriver. In P. Hudis (Ed.), *The Collected Works of Rosa Luxemburg, Volume I, Economic Writings 1* (pp. 89–300). Verso.
- Luxemburg, R. (2016 [1913]). *Die Akkumulation des Kapitals*. Trans. N. Gray as *The Accumulation of Capital*. In P. Hudis (Ed.), *The Collected Works of Rosa Luxemburg, Volume II, Economic Writings 2* (pp. 1–342). Verso.
- Luxemburg, R. (2016 [1921, written 1915]). *Die Akkumulation des Kapitals oder Was die Epigonen aus der Marxschen Theorie gemacht haben. Eine Antikritik*. Trans. G. Shriver. *The Accumulation of Capital, or, What the Epigones Have Made Out of Marx's Theory: An Anti-Critique*. In P. Hudis (Ed.), *The Collected Works of Rosa Luxemburg, Volume II, Economic Writings 2* (pp. 343–449). Verso.
- Magaline, A. D. (An Anonymous Collective). (1975). *Lutte de classes et dévalorisation du capital: Contribution à la critique de révisionisme*. Maspero, translated in part by P. Zarembka. (2011). In P. Zarembka & R. Desai (Eds.), *Revitalizing Marxist Theory for Today's Capitalism, Research in Political Economy* (Vol. 27). (pp. 255–268). Emerald Group.
- Marx, K. (1847). *Misère de la philosophie*; trans. by the Institute of Marxism Leninism. (1963). *The Poverty of Philosophy*. International Publishers.
- Marx, K. (1867). *Das Kapital. Band I*; 1st English edition (1887) trans. from the 3rd German ed. (1883) by S. Moore & E. Aveling—F. Engels (Ed.), 4th German ed. (1890) changes included as indicated (1974). *Capital* (Vol. I). Lawrence & Wishart. (For the cited translation of the Appendix to the first edition, see Roth and Suchting 1978: 134–150.)
- Marx, K. (1933 [written in 1864]). *Resultate des unmittelbaren Produktionsprozesses*. Trans. B. Fowkes (1977). Results of the Immediate Process of Production. *Appendix to Capital* (Vol. I). Vintage.
- Marx, K. (1973 [1939–1941, written in 1857–1858]). *Grundrisse* (M. Nicolaus, Trans.). Vintage Books.
- Marx, K. (1974 [1885]). *Das Kapital. Band II*; trans. from the 2nd German ed. (1893) by E. Untermann. *Capital* (Vol. II). Lawrence & Wishart.
- Marx, K., & Engels, F. (1983 [1948]). *Letters on 'Capital'* (A. Drummond, Trans. [1983]). New Park Publications.
- Roth, M., & Suchting, W. (1978). 'Introduction by the Translators' to 'The Value-Form'. *Capital and Class*, 4, 130–133.

- van Onselen, C. (1976). *Chibaro: African Mine Labor in Southern Rhodesia, 1900–1933*. Pluto.
- Weeks, J. (1982). A Note on Underconsumptionist Theory and the Labor Theory of Value. *Science & Society*, 46, 60–76.
- White, J. D. (1996). *Karl Marx and the Intellectual Origins of Dialectical Materialism*. London: Macmillan.
- White, J. D. (2001). Nikolai Sieber and Karl Marx. In P. Zarembka (Ed.), *Marx's Capital and Capitalism: Markets in a Socialist Alternative, Research in Political Economy* (Vol. 19). JAI/Elsevier Science.
- White, J. D. (2018). *Marx and Russia: The Fate of a Doctrine*. Bloomsbury Academic.
- Zarembka, P. (2000). Accumulation of Capital, Its Definition: A Century After Lenin and Luxemburg. In P. Zarembka (Ed.), *Value, Capitalist Dynamics and Money, Research in Political Economy* (Vol. 18). JAI/Elsevier Science.
- Zarembka, P. (2002a, March). Primitive Accumulation in Marxism, Historical or Trans-Historical Separation from Means of Production? *The Commoner, a Web Journal for Other Values*. Debate: On Primitive Accumulation (Online). Available at [www.commoner.org.uk/debzarembka01.pdf](http://www.commoner.org.uk/debzarembka01.pdf). Reprinted as amended in Bonefeld, W. (Ed.). (2008). *Subverting the Present, Imagining the Future* (pp. 67–75). New York.
- Zarembka, P. (2002b). Rosa Luxemburg's *Accumulation of Capital*: Critics Try to Bury the Message. In J. M. Lehmann (Ed.), *Bringing Capitalism Back for Critique by Social Theory, Current Perspectives in Social Theory* (Vol. 21). JAI/Elsevier Science.
- Zarembka, P. (2003). Lenin as Economist of Production: A Ricardian Step Backwards. *Science & Society*, 67, 276–302.
- Zarembka, P. (2015). Materialized Composition of Capital and Its Stability in the United States: Findings Stimulated by Paitaridis and Tsoulfidis (2012). *Review of Radical Political Economy*, 47(1), 106–111.
- Zarembka, P. (2016). Value: Marx's Evolution and Luxemburg's Legacy. In J. Dellheim & F. O. Wolf (Eds.), *Rosa Luxemburg: A Permanent Challenge for Political Economy* (pp. 55–91). Palgrave Macmillan.

PART II

---

Contending with *Value*: Money, Price,  
Temporality, and Space



## Form Analysis, Space, and Spatial Struggle

*Bernd Belina*

In the last part of this chapter, I will argue that one promising way to challenge objective forms of thought as well as the social forms of capitalism is to be found in struggles over and through space. Before getting to this point, however, I will discuss the notions of “objective forms of thought” and “social form” that underlie this argument.

### MARX ON THE “VALUE-FORM” AND “OBJECTIVE FORMS OF THOUGHT”

In the section on the fetishism of commodities in *Capital*, Marx ridicules the “absurdity” of the money form, only to continue that the “categories of bourgeois economics consist precisely of forms of this kind” (Marx 1976a: 169). Thus, it may seem, these categories are not worth our attention. But he continues: “They are forms of thought which are socially valid, and therefore objective, for the relations of production belonging to this historically determined mode of social production, i.e., commodity production” (ibid.). While this translation by Ben Fowkes (based on the fourth German edition from 1890) captures the meaning of the phrase, it unfortunately lacks a formulation that Marx

---

B. Belina (✉)  
Goethe University, Frankfurt, Germany  
e-mail: [belina@em.uni-frankfurt.de](mailto:belina@em.uni-frankfurt.de)

uses in the original (both in the first edition from 1867 and in the fourth German edition from 1890), where he writes:

Es sind gesellschaftliche gültige, also objektive Gedankenformen für Produktionsverhältnisse *dieser historisch bestimmten* gesellschaftlichen Produktionsweise. (Marx 1983 [1867]: 47; original emphasis; the emphasis is missing in the fourth German edition, but that is the only difference to the first edition, cf. Marx 1971 [1890]: 90)

What is missing in the translation is the formulation “objektive Gedankenformen,” which translates as “objective forms of thought”.<sup>1,2</sup> The difference between the German original and the Fowkes translation is not so much one of meaning, but more one of style. Marx’ writing in *Das Kapital* and elsewhere is full of formulations like “objektive Gedankenformen,” catchy and concise at the same time—and in many cases, matters of debate within Marxist circles, German language ones in particular, where theoretical and philological arguments overlap and mix.

In my reading of the Fowkes translation, the thought-provoking catchiness gets lost somehow as it struggles to capture the four related points condensed so nicely in the notion of “objektive Gedankenformen” or “objective forms of thought”: (1) the categories of bourgeois economics are *wrong*; (2) they *emanate from social practices* under the capitalist mode of production; (3) they are *particular to this mode of production*; and (4) they appear as *objective* to subjects living under this mode of production. The “objective forms of thought” are unconscious mental abstractions, but of a special kind: they systemically emanate from social practices.

The four points build on the meaning of the notion “form,” which receives “a completely new meaning in the course of [Marx’] historization of the social”<sup>3</sup> (Haug 1999a: 588), where “form” now stands for

<sup>1</sup>Reichelt (2007: 8), a much better expert on *Das Kapital* than myself, gives “Marx 1976a: 169” as a reference for the quote “objective forms of thought”, i.e., the Fowkes translation. But this formulation cannot be found there, only the one quoted above.

<sup>2</sup>Similar, and also without “objective forms of thought”, in the French translation from 1872 that Marx oversaw himself: «Les catégories de l’économie bourgeoise sont des formes de l’intellect qui ont une vérité objective, en tant qu’elles reflètent des rapports sociaux réels, mais ces rapports n’appartiennent qu’à cette époque historique déterminée, où la production marchande est le mode de production social» (Marx 1872: 30).

<sup>3</sup>All translations by the author.

“the historical specificity as opposed to historically universal functions” (ibid.). The “objective forms of thought” Marx talks about are particular to capitalism; they would not have made sense in, say, a slave society.

In *Capital*, Marx emphasized that it is his particular understanding of form that marks the central difference between the political economy of his predecessors and his critique of it:

Political economy has indeed analysed value and its magnitude, however incompletely, and has uncovered the content concealed within these forms. But it has never once asked the question why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product. (Marx 1976a: 173)

In this context, “form” refers not to a mental abstraction, but to the social (and socially produced) reality of the value-form. Here, “form” means the peculiar social relations that are abstracted from in the concepts of bourgeois economics, but that are necessary to make “[t]he wealth of societies in which the capitalist mode of production prevails appears as an ‘immense collection of commodities’” (Marx 1976a: 125), as the very first sentence of *Capital* reads. These social relations include individualized production for the market, antagonistic classes of capitalists and laborers, with the latter being “free in the double sense” (ibid.: 272), commodity exchange using money as a means of circulation, competition, etc. The commodity form thus “reflects the social relation of the producers to the sum total of labor as a social relation between objects, a relation which exists apart from and outside the producers” (ibid.: 165).

## SOCIAL FORMS AND FORMS OF THOUGHT

So far, the notion of “form” appeared in two versions: “objective form of thought” and “value-form”. These are subcategories of the broader notions of “forms of thought”<sup>4</sup> and “social forms” respectively. The two ideas can be understood as the two sides of the “duplication” Marx talks about in the *Theses on Feuerbach*. In the fourth thesis he writes, “that the

<sup>4</sup>According to Haug (1999b: 589), “objective forms of thought” are “forms of thought” “[i]nsofar as they are structurally, i.e., ‘objectively’ determined”.

secular basis lifts off from itself and establishes itself as an independent realm in the clouds” (Marx 1976b [1845]: 4). Reichelt (2008a: 107) argues that there are two arguments “interlinked” in this “theorem of duplication,” both further elaborated in Marx’ later writings—although not to the satisfaction of Reichelt (cf. *ibid.*: 157). On the one hand, “Marx links [it] – in economic and in state theory – to a form-genetic method of development, not underlaid with the intentionality of the agents, which presumes structural constraints that result in the ‘lifting off from itself of the secular basis’<sup>5</sup> with ‘necessity’” (*ibid.*: 107). On the other hand, and in the same process, “‘more-than-individual’ (emergent) forms” (*ibid.*) are constituted that confront individuals as given and form the basis of “necessarily false consciousness” (*ibid.*). Thus, both the social forms of the economy and the political, as well as the objective forms of thought in which we think about them, emanate in the same process.

While “social forms” (such as the value-form) are the social relations established “behind the backs” of the subjects who, through their everyday practices, establish these very forms, the “forms of thought” that come along with them are their duplication in the realm of thought, discourse, and ideology. These forms of thought are produced in and through social practice as well, and under particular conditions, i.e., the capitalist mode of production. It was Alfred Sohn-Rethel who radicalized this latter argument with his term “real abstraction,” aiming at “a formal deduction of the central notions of metaphysical thinking from the value-abstraction” (1978: 113). One of these notions is “abstract space” (*ibid.*)—something that I will come back to in the section on space below.

In contrast, the social forms, i.e., the economic forms (value, money, capital, credit) as well as the political form of the relatively autonomous state and the legal form of the relatively autonomous law, are ways in which capitalist society needs to be structured in order to function. Similarly, Balibar (1991) writes about the “nation form”. The difference between the notions of “structure” and “social form” is often reduced to one of degree: “The idea of a social form, such as the value-form, indicates a level of determination that is more profound and often less easy to perceive” (Knafo 2012: 367). This is not false. But what is more important for the notion of “social form” is the specific task these forms

<sup>5</sup>In the German original, the reference to the fourth thesis on Feuerbach is also re-formulated in Reichelt’s words.

perform, which Marx mentions in passing in *Capital* where he writes: “The further development of the commodity does not abolish these contradictions [implied by exchange], but rather provides the form within which they have room to move. *This is, in general, the way in which real contradictions are resolved*” (Marx 1976a: 198; my emphasis).

While the economic forms are developed in *Capital* and elsewhere in Marx’ writings, the political and the legal forms were elaborated by others. The Soviet legal scholar Evgeny Pashukanis asked as early as 1924:

[W]hy does the dominance of a class not become that which it is, i.e. the actual subordination of one part of the population to another, but instead assumes the form of official state authority? Or, what is the same, why is the apparatus of state coercion created not as a private apparatus of the ruling class, but distinct from the latter in the form of an impersonal apparatus of public power distinct from society? (Pashukanis 1980 [1924]: 46)

The answers provided by (among others and in different ways) Pashukanis (1980 [1924]), Poulantzas (1978), and Wood (2016 [1981]) and, in particular, the participants in the West German state derivation debate (cf. the English translations of central contributions in Holloway and Picciotto 1978) state that the “relative autonomy” of the political form, as manifested in the state, is a necessity for capitalist social relations and their inherent contradictions. In German, the central term is *Besonderung* of the state, translated as “separatedness or particularization” (Hirsch and Kannankulam 2011: 15). As for the legal form, which is Pashukanis’ actual object of research, Sonja Buckel (2008: 122) emphasizes that it “is relationally autonomous not only from political interests, but also from the political form”. She uses “relational” instead of “relative” to emphasize the necessary way in which the economic, political, and legal forms are dependent on each other.

Twenty years after the heyday of the 1970s debates about the political form, one of their participants, Joachim Hirsch, summarizes what “social form” means as follows:

Social forms are the reified and fetishized guises [*Gestalten*], which can only be deciphered through theoretical critique, that the mutual relationship of individuals in society takes on in a way that became independent vis-à-vis their conscious will and actions and that shapes their immediate perceptions as well as their orientation towards action: value, money, capital, law, state. (Hirsch 1994: 161)



These forms make “‘processable’ fundamental social antagonisms” (ibid.), i.e., they organize social relations in a way that does not resolve antagonisms, but channels them into structured processes so they can exist in practice, with all the tensions and all the possible and actual struggles contained within these processes. Although they appear as fixed and eternal, social forms are nevertheless “fundamentally precarious” (Hirsch and Kannankulam 2011: 16).

In recent years, a new body of work has come out of German Marxism—from political science in particular—that builds on the form-analysis tradition of the state derivation debate. Both participants in the original debate (Hirsch 2005; Reichelt 2008b) and a new generation of scholars (cf. Kannankulam 2008; Buckel 2008), as well as both generations together (Hirsch et al. 2008a, b; Hirsch and Kannankulam 2011), have combined form analysis with insights from Gramsci, Poulantzas, the Regulation Approach, and other theoretical contributions.

This discussion has also been taken up in geography and urban studies, my own fields of interest (Belina 2013a; Petzold 2018; Schipper 2013). This theoretical openness is derived from form analysis itself, from its claim to uncover only the most fundamental social structures, and necessarily leads to theoretical contributions that allow for an understanding of concrete processes of class formation, the relationship of forces, the integral state, hegemony, etc. While this body of work is sometimes subsumed under the rubric “Neue Marx-Lektüre” or “New Reading of Marx” (cf. Kern 2016: Chapter 2), I believe that significant differences exist between the “New Reading of Marx” in a strict sense and the aforementioned body of work of Hirsch and others: while both build centrally on the notion of “form,” the latter is not only more open to other theoretical contributions, it is also much more interested in actual social developments, empirical research, and political engagement. This approach has resulted in accusations of “*one-sidedness* in favor of a *pure centering on actors*” (Schlemermeyer 2010: 456; original emphasis) and of “ontologizing struggles” (ibid.: 458). While the understanding of “form” as referenced in the aforementioned quote from Hirsch (1994) has common roots with the “New Reading of Marx,” a closer look allows for both differentiation as well as a historization of the “New Reading of Marx”.

THE “NEW READING OF MARX,” ITS CRITICS,  
AND ITS CONTEXT OF EMERGENCE

Within German Marxism, there has been and still is a fierce controversy over the question of how exactly Marx saw the theoretical link between social forms and forms of thought, between objective and subjective, between logical and historical, and between value and money. The latter question becomes central in this dispute, as proponents of the “New Reading of Marx” argue that Marx’ theory of value, as laid out in Chapter 1 of the first edition of *Das Kapital* (Marx 1983 [1867]), builds on the fully developed money form. This claim follows from the “re-discovery” of the first chapter from the first edition of *Das Kapital* in the late 1960s, when most German Marxists would read and work with the fourth edition (cf. Backhaus 1997: 29). The “grave changes in [Marx’] presentation and development of the money form” (Reichelt 2008a: 11) that started with the second edition, are central to a reading according to which “value can be understood only with reference to money, and cannot be substantially fixed to a singular commodity” (Heinrich 2004b: 93). The notion coined for this reading by Backhaus (1975) is the “monetary theory of value” (quoted in Haug 2003: 424), which has been further developed, especially by Backhaus himself (1997), Reichelt (1971 [1970], 2007, 2008a), and Heinrich (2003a [1999], b, 2004a, b, 2012). To put things very simply, money and exchange are granted a higher importance vis-à-vis value and production. Following from this, an understanding prevails according to which Marx understood “all of history as a process of development progressing in a nature-like form” (Reichelt 1971 [1970]: 38), to quote an early formulation that can be found in different variations in most texts from this school of thought. Formulations used by Marx himself, such as value as “an automatic subject” (Marx 1976a: 255), seem to support such an understanding.

Thus, what we find in the Hegel- and Adorno-inspired “New Reading of Marx” is a strong focus on structural determination and fetishizations that everyone under capitalism is subjected to, capitalists and workers alike. This understanding of Marx, as critics point out, tends to erase conscious emancipatory action and class struggle (Reitter 2015)—often in the form of dismissing all other readings of *Capital* as “working-class movement Marxism” or “Weltanschauungsmarxismus,” i.e., as theoretically underdeveloped. As another critic puts it, the proponents of the

“New Reading of Marx” “only have eyes for texts by Marx, not the real thing, capitalism that needs to be overcome” (Anders 2011). This, he concludes, constitutes “academic l’art pour l’art” (ibid.). Thus, the very high theoretical sophistication of the “New Reading of Marx” comes at a price.

The publication of Heinrich’s influential introduction to *Das Kapital* (Heinrich 2004a, translated into English as Heinrich 2012) was followed by a fierce exchange of criticisms and accusations, in particular between Haug (2003) and Heinrich (2004b), over the question of a “historical” vs. a “logical” reading of the first chapter of *Das Kapital*, with Haug claiming a “third position” he calls “genetic”. Haug’s critique goes in a similar direction as the ones mentioned earlier, but emphasizes a different understanding of “form” as “forms of praxis” (Haug 2003: 427, cf. Haug 1999a: 601, 2012: 378). Discussing the relation between value and money and between production and exchange, Haug, in his (harsh and not always fair; cf. Heinrich 2004b; Fülberth 2012) critique of Heinrich, emphasizes “the practical need of those who exchange” (Haug 2003: 430) that is central to the development of the money form and is, for him, “the way in which real contradictions are resolved” (Marx 1976a: 198) concerning money: through practice. In his answer, Heinrich (2004b: 100) mocks this position: “Haug’s notions of praxis and society [...] remain conceptually at the level of the *Theses on Feuerbach* and the *German Ideology*”. In *Capital*, in contrast, “[p]ractice is no more the miracle word that opens up everything” (ibid.).

For non-Germans, this controversy might be reminiscent of other disputes between structural and humanist Marxism, like the one between Althusser and his critics, such as E. P. Thompson, or, more prominent in Althusser’s original French context, Henri Lefebvre. And indeed, in many ways it is. There is, for example, an influence of Althusser on the “New Reading of Marx,” especially in the work of Heinrich. On the other side, both Haug and, in a different manner but still compatible, Hirsch put a stronger focus on concrete practice and history, as Thompson or Lefebvre did. But still, what is at stake in the controversy, it seems to me, is best understood as rooted in broader controversies and developments in (West) Germany. The controversy is centrally about the correct understanding of form analysis, which is the common denominator of the “New Reading of Marx,” Hirsch and Haug alike. And form analysis, I think, is central to German (language) Marxism after World

War II for good reasons. Three aspects seem to be able to justify this point.

First, the “New Reading of Marx” and some of its critics—Haug in particular—focus strongly on philological issues, which are almost only accessible to German-speaking Marxists. This point is rigorously made by Haug (2012) in his critique of Harvey’s (2010: 12) claim of “reading Marx in his own terms”. For the controversy around the “New Reading of Marx,” this point is crucial, as the first chapter of the first edition of *Das Kapital* is not contained in any of the prevalent translations into English. Second, the “New Reading of Marx” is rooted in Adorno’s conception of society (cf. Reichelt 2008a: Chapter 1), which was central to West German debates from the 1950s onwards and is captured nicely in the headline of the first chapter in Philipp Felsch’s (2015) narration of the history of “theory” in West Germany: “Federal Republic of Adorno”. This facet of the Frankfurt School was far less important internationally than other aspects, such as Adorno’s and Horkheimer’s understanding of the domination of nature from *Dialectic of Enlightenment* (2002 [1944]). For Adorno, society as totality emanates from capitalist exchange, because for a quantity of abstract labor to turn into value, the realization of the value of the commodity in exchange is necessary. As he puts it in his lecture *Introduction to Sociology*: “The abstraction, therefore, lies not in the abstracting mode of thought of the sociologist, but in society itself. Or [...] something like a ‘concept’ is implicit in society in its objective form” (Adorno 2002: 32). This understanding of the notion of society led to the notion of “real abstraction” (Sohn-Rethel 1978; Reichelt 2007, 2008a: Chapter 2; Heinrich 2004a: 47) that is central to the “New Reading of Marx” (note that both Backhaus and Reichelt were students of Adorno in Frankfurt). Third (and this is a more meta-theoretical argument), West German society was the ideal breeding ground for such a way of thinking. In a way, social reality, as experienced by radicals in West Germany from the 1960s onwards, resulted in a particular understanding of society that lead the way to (sometimes: very!) abstract takes on politics, theory, and the reading of Marx. Let me explain:

West Germany, since its foundation in 1949, was built on anticommunism. Against the other German state in the East, and following the unconditional will to integrate into the economic, political, and military institutions of the West, the first twenty years of West German society were marked by a constant shift of hegemony away from Marxist,

socialist, pacifist Christian, and other leftist positions. Such positions were accepted immediately after the liberation from Nazi rule (as resistance to the Nazis regime was based in precisely these circles) and even manifested in post-war constitutions and party programs (Fisahn and Viotto 2007). However, hegemony changed significantly with the beginning of the Cold War, when “behind the façade of formal ultra-stability” a “rapid shift of West German politics away from its original position toward ever new ‘normalities’ and ‘centers’” (Scheerer 1988: 206) rolled over leftists, who found themselves increasingly portrayed as enemies of the state. Unlike in countries such as France or Italy, where communists and socialists were integrated into the integral state (although not into power), in West Germany they were, step-by-step, expelled almost completely after the *Godesberg Program* of the Social Democratic Party from 1959. Radicals were not accepted as legitimate voices in public discourse. Building on the “fascist past,” “social and political exclusion in the ‘culture of conflict’” (Steinert 1988: 43) was predominant. For example, the communist party was declared illegal in 1956, and communists were prosecuted severely under the political criminal law that existed between 1951 and 1968 (cf. von Brünneck 1978). In this climate, radicals around 1968 turned to the extra-parliamentary opposition, many became active in movements and micro-parties, a few turned to terrorism, and all of them, with different degrees of intensity, embraced radical theory (Felsch 2015: 49).

In the 1970s, the state’s (in the sense of Gramsci’s political society) reaction to the small terrorist cells consisted of an “orgy of security” (Hirsch 1980: 11). Around this topic, a “coalition of all political parties” (Seifert 1987: 102) was in place throughout the 1970s, and the specific German “security state” (Hirsch 1980) evolved, built on the integration of many, using, in addition to material concessions and other ideological offers, the exclusion of “terrorists” and their “sympathizers” (on the latter cf. Treiber 1984) as a constitutive outside. Under the latter rubric, radicals within and outside the state apparatuses were criminalized (cf. Hirsch 1980: 39) and excluded from the possibility of inscribing their position into the integral state. Just when the anti-terrorism craze faded away in the 1980s, the collapse of real existing socialism provided the next reason for keeping radical thought outside of hegemonic public discourse. Thus, throughout the second half of the twentieth century, class struggle in West Germany was restricted to the very narrow confines allowed for by the particular version of the post-war class

compromise, which made sure the working class was not affected by radical thoughts and practices in any meaningful way.

I suggest that the turn to form analysis by many Marxists in both academia (the one state apparatus that opened up briefly and selectively for radicals between 1968 and 1972, cf. Altwater 2007) and outside reflects the exclusion of radical thought and practice from most parts of the integral state and public life in West Germany. To simplify considerably: here was an approach whose abstractness allowed one to be radical, both in the original sense of going to the roots and in the sense of not participating in the pitfalls of economic, political, and social life (“There is no right life in the wrong one,” as Adorno had it). As Fülberth (2012: 137) writes, commenting on the controversy between Heinrich and Haug:

This [absence of struggle and history] can be taken to be adequate for a period in which history and class struggle did not allow for a connection to the text [of *Capital*]. In that case, the “New Reading of Marx” would have been the appropriate interpretation of *Capital* in its time. This raises the question, whether this period is over by now and if the current conjuncture has rolled over the Haug/Heinrich controversy.

I agree. With societal struggle back on the agenda since the outbreak of the global economic crisis in 2007, radicals are ill-advised to make themselves irrelevant by clinging to a reading of Marx that denies the relevance of these very struggles. This is not to deny the extremely valuable insights gained through form analysis, with its thorough re-reading of Marx; quite the opposite: I am convinced that a solid understanding of the social forms we live in and the forms of thought that surround us is utterly necessary for radical thought and politics. But those who continue to cling to a very narrow understanding of what form analysis is or should be about, i.e., most proponents of the “New Reading of Marx,” tend to cross out the “politics” from the equation. Focusing almost exclusively on philological and philosophical issues to be uncovered in *Das Kapital*—or, to exaggerate just slightly, the first chapter of its first edition—will only get us so far.

We need to take very seriously the social forms we live in and the forms of thought that come with them, since the task to overcome capitalism (or at least to criticize it and act politically against it) will need to find ways to unveil the fetishizations of the dominant (objective) forms of thought. Referencing Marx on “objective forms of thought,”

John Holloway (2012: 516) writes: “The categories of thought are expressions of the social relations that underlie them. [...] When we criticise the categories, we criticise the social relations that give rise to those categories”. Social forms may appear fixed and eternal, but they are not. “It is possible that societal struggles and disputes call into question the capitalist forms and thus ultimately the reproduction of societal formation as a whole” (Hirsch and Kannankulam 2011: 16).

The objective forms of thought facing us are false. To attack the social forms they are intertwined with requires the de-veiling of their fetishizations. To quote one of the fiercest critics of Althusserianism: “I allow myself to recall the supreme methodological principle of the dialectic: THE TRUTH IS ALWAYS CONCRETE” (Lefebvre 1956: 36; original emphasis). Which brings me to the question of social space—the very sphere in which Henri Lefebvre finally, after searching in rural sociology, the everyday, and the urban, found the concrete.

## SPACE

Among the notions whose genesis Sohn-Rethel (1978) set out to explain from the exchange abstraction is “abstract space”. Similar to Adorno’s understanding of society, for Sohn-Rethel abstractions are real because they emanate from “human doing, not human thinking” (ibid.: 127). He writes that “the abstraction from use value is an objective, instinctive [*naturwüchsig*] function of commodity exchange” (ibid.: 114), from which follows: “The existence of the abstraction in separate form is thus abstract human form of thought, nothing else” (ibid.: 127). The source of this form of thought is the money form, “an abstract thing, a contradiction in itself” (ibid.: 107). Concerning space, he concludes:

In the exchange abstraction, the act of exchange is abstract movement, i.e. a material action by which the substances [...] experience no material change, only a change of location in time. The space through which such inalterable substances move and also the time that they need to do so, become abstract and homogeneous themselves, dissociated from the real material changes. (ibid.: 121)

Although Sohn-Rethel, in emphasizing the use value side of exchange, is losing sight of the value-adding “additional production process of the transport industry” (Marx 1978: 226), his point is clear: not only

do wealth, the human being and society become abstract due to the exchange process (Sohn-Rethel 1978: 107–108), but so does space. Minor differences aside, his approach toward “space” is in line with that of the proponents of the “New Reading of Marx” with respect to the economic forms: constructing a very abstract narrative about the logical necessity and therefore existence of a “real abstraction,” based on the abstractions made real in the sphere of exchange. As with the “New Reading of Marx,” this can be almost breath taking in its abstract brilliance, but, as with the “New Reading,” it lacks history, politics, and practice. Taking the parallel a little further, I argue that what is needed is a theoretical move similar to the one performed by Hirsch and others who have taken up the sophistication of form analysis but added theories capable of grasping social processes and practices in order to come to grips with concrete struggles within the political form.

For an understanding of space that is both theoretically grounded and adequate for political practice, form analytical arguments concerning space as brought forward by Sohn-Rethel need to be combined with theories capable of grasping history, politics, and practice. To come to such an understanding of space requires replicating the line of argument outlined above concerning the notion of form: abstract space is an “objective form of thought” or a “real abstraction” void of any content. It reduces the multiple ways in which space is experienced, produced, and appropriated in everyday life to nothing but a measurable abstraction. But at the same time, experienced, produced, and appropriated space or lived space does not disappear. Concrete space is just as real as the real abstraction abstract space, with the two forming a contradictory unity.

For theorists such as Henri Lefebvre (1974, 1991), David Harvey (1973, 1996), and Neil Smith (1990, 1996), conceptions of space are the result of spatial practices, with abstract space being the dominant conception of space under capitalism that allows for quantification, measurement, divisibility, demarcation, and exchangeability of concrete physical spaces (Belina 2013b). To arrive at this conclusion required overcoming the idea that space equals stasis, or worse, stands for the ideological reification of social processes. It was in this way, for example, that Horkheimer and Adorno (2002 [1944]: 148) thought about space when they wrote that it was “absolute alienation” in the *Dialectic of Enlightenment*. To overcome this reification of the abstraction of abstract space, Smith, Harvey, and Lefebvre implicitly or explicitly turned



to the Eighth Thesis on Feuerbach: “All social life is essentially *practical*. All mysteries which lead theory to mysticism find their rational solution in human practice and in the comprehension of this practice” (Marx 1976b [1845]: 5; original emphasis). In line with this, Harvey, for example, writes: “The problem of a proper conceptualization of space is resolved through human practice with respect to it. In other words, there are no philosophical answers to philosophical questions that arise over the nature of space – the answers lie in human practice” (Harvey 1973: 13).

In a similar vein, Neil Smith (1990) has argued that both nature and space are practically produced under circumstances determined by social structure. Far from arguing for an abstract theory of space, this too is a call to understand spatial issues as practical ones. In a later paper criticizing Castells’, Foucault’s, and Giddens’ take on space, he argues that:

the traditional privileging of time over space in the conceptual lexicon of capitalist modernity is not so much a philosophical question [...] as a practical one. The reassertion of space in critical social and cultural theory [...] is a question of grappling with the practical experience of a sometimes spectacularly changing social production of space, to use Henri Lefebvre’s language. (Smith 1996: 67)

In his magnum opus *La Production de l’Espace* (Lefebvre 1974), translated as *The Production of Space* (Lefebvre 1991), Lefebvre criticizes abstract space as both false consciousness and objectively false (Lefebvre 1974: 344), and relates this abstract falseness to the commodity form as well as the homogenization and the exchangeability that comes with it (ibid.: 393). For Lefebvre, this abstraction can never be complete, since concrete use value is necessary for any commodity, even though it is reduced to the means to achieve the end of exchange value. Therefore, even under capitalism, space remains “abstract-concrete” (ibid.: 394), in that the abstraction that leads to exchangeability is met with concrete social reality. As “contradictions of society [...] emerge in space, at the level of space, and so engender the contradictions of space” (Lefebvre 1991: 358), struggles over space are social struggles. From this it follows:

On the horizon, then, at the further edge of the possible, it is a matter of producing the space of the human species – the collective (generic) work of the species – on the model of what used to be called “art”. (ibid.: 422)

David Harvey (1996: 211), with a statement reminiscent of Marx' formulation of the "objective forms of thought," argues that "[s]ocial constructions of space and time operate with the full force of objective facts to which all individuals and institutions necessarily respond". In particular, the reality of the money form pushes toward unification under abstraction:

The general point is this: different social practices of valuation [...] occur in different spatio-temporal domains [...] but are built into a singular system under the relational umbrella of the money form. (ibid.: 238)

Like Lefebvre, far from giving either thinking or the world over to this abstraction, he insists that under the money form, different spatio-temporalities are possible and made real in practice:

Though each concrete money use defines a particular spatio-temporality, it does so in some relation to the spatio-temporal processes regulating the abstract qualities of money on the world market. This dialectic between use (often local and particular) and exchange value (simultaneously local and global) must be kept in view. (ibid.: 238)

In this respect, struggles over space can become not only part and parcel of the struggles to overcome capitalism, but they may even be a privileged sphere of struggle to begin with. Hardly anywhere else are the abstractions of capitalism as tangible as in struggles over housing, access to public spaces, land grabbing, migration involving crossing state borders, and numerous other struggles that are substantially spatial in nature. When fetishized abstract social relations—the social forms of capitalism—become concrete in space, then spatial struggle may indeed allow for their de-fetishization, and for a practical critique of the objective forms of thought we are caught in.

Far from delivering extensive empirical proof supporting this argument, two illustrations may help to shed light on what that might mean. First, consider Schipper's (2017) reconstruction of the summer of protest 2011 in Tel Aviv-Jaffa. That struggle began with a tent on Rothschild Boulevard to protest the lack of affordable housing and turned into a series of tent cities across Israel and huge demonstrations that asked for social justice, unifying, for a brief moment at least, large parts of the Israeli population behind this demand. Schipper (2017: 824) highlights

the “surprising alliances” that this struggle over (housing) space and by means of (occupying) space produced. Most notably, he talks about the class-based alliance “between the Arab-Palestinian tent community in Jaffa and the ‘No Choice’ camp in the HaTikva neighborhood, traditionally a base of right-wing Jewish national-religious politics and a stronghold of Likud and Shas” (ibid.). Relating this back to the theoretical notions developed in this chapter, what we see here is how struggle over concrete spaces necessitates going beyond fetishized abstract space, thereby enabling reconfigurations in the relationship of forces that seemed to be trapped in and fixed by the established social forms and objective forms of thought. In this case, the “nation-form” (Balibar 1991), only briefly mentioned earlier, is obviously central. Balibar writes:

That ideological form must become an a priori condition of communication between individuals (the “citizens”) and between social groups – not by suppressing all differences, but by relativizing them and subordinating them to itself in such a way that it is the symbolic difference between “ourselves” and “foreigners” which wins out and which is lived as irreducible. (ibid.: 94)

For a brief moment in Tel Aviv-Jaffa in 2011 at least, this subordination did not work, and social justice trumped ethno-nationalistic ideologies and realities. To put it somewhat sarcastically: if that can happen between Jews and Palestinians, it can happen anywhere—and maybe a uniting struggle over and through space is the ideal catalyst.

Second, in our discussion of the way in which the Blockupy protests in Frankfurt am Main, Germany, against the European austerity regime were able to crack the hegemony in place in Germany in the early 2010s, we highlight “Blockupy’s geography and its place-based, multi-scalar, and networked character” (Mullis et al. 2016: 50). In the early 2010s in Germany “the current crisis has been presented as a process that is happening *somewhere else* and is *someone else’s* problem, while Germany has been showcased as a best-practice example for solving the crisis” (ibid.: 52; original emphasis). Criticism of the European austerity regime and the central role played by the German government and German capital in its implementation in Greece, Spain, and elsewhere were outside of the sayable in German public discourse as a result of various fetishizations (cf. Belina 2013c). What the Blockupy protests in Frankfurt accomplished was to break with this hegemony, rooted in social forms and objective forms of thought and their fetishizations, through mass

mobilization, intelligent public relations and an incident that became central in overturning the established hegemonic criminalization of all street protest in Germany: at the final demonstration of Blockupy's "Days of Action" in 2013, on June 1, 2013, a group of 1000 people was kettled by the police due to "passive armament" (cf. Mullis et al. 2016: 57–58). Coincidentally, several journalists, including some from conservative outlets that always support police action, found themselves inside of that kettle. Experiencing, in this temporary concrete space, what it means to be kettled by the German police—with tear gas and truncheons being used ubiquitously and no drinking water supplied for the ensuing nine hours—these journalists started criticizing what they perceived as obvious overreaction on side of the police. For the first time in a long while in Germany, media outlets were not busy parroting the police-issued criminal reports on the protests; instead, they were actually engaging in what Blockupy had to say, which was:

that crises are endemic to capitalism; that austerity politics in 'crisis states' and elsewhere serve to secure the wealth of some at the expense of many; that German export-oriented and financial capital have profited from the Euro and are profiting from the crisis and its political regulation; that racist (anti-)immigration policies, the further deterioration of working conditions and the new housing question in Germany and Frankfurt are closely linked to the crisis; and, finally, that there are forces in Germany that stand in solidarity with protestors in Greece, Ireland, Portugal, Spain and elsewhere. (Mullis et al. 2016: 50)

Making public discourse look beyond the fetishizations of the social forms and the objective forms of thought, albeit briefly and with limited consequences, was again the result of particular spatial strategies and experiences. As in the case of Tel Aviv-Jaffa, but through different mechanisms, the Blockupy protests in Frankfurt in 2013 were a site at which spatial struggle was able to unveil the politico-economic and social processes at play that more often than not disappear behind the veil of fetishizations. What these two brief examples allude to, and what radical activists and scholars in fields such as housing, migration, public protest, and other immanently spatial issues are usually aware of, is that struggles over and through space may be privileged sites where the fetishizations of social forms and forms of thought can be cracked, and where a glimpse of the underlying social processes with all their injustices and cruelties becomes possible.

## REFERENCES

- Adorno, T. W. (2002). *Introduction to Sociology* (E. Jephcott, Trans.). Stanford, CA: Stanford University Press.
- Altvater, E. (2007). Der kurze Sommer des akademischen Marxismus oder: Wie weiter mit der PROKLA? *Prokla*, 37(1), 9–24.
- Anders, J.-F. (2011). Wie Marx nicht gelesen werden sollte – Zur Kritik der neuen Marx-Lektüre. *grundrisse. zeitschrift für linke theorie & debatte*, 37, 47–56. [http://www.grundrisse.net/grundrisse37/Wie\\_Marx\\_nicht\\_gelesen.htm](http://www.grundrisse.net/grundrisse37/Wie_Marx_nicht_gelesen.htm).
- Backhaus, H.-G. (1975). Materialien zur Rekonstruktion der Marxschen Werttheorie 2. *Gesellschaft*, 3, 122–159.
- Backhaus, H.-G. (1997). *Dialektik der Wertform. Untersuchungen zur marxischen Ökonomiekritik*. Freiburg, Germany: ça ira.
- Balibar, É. (1991). The Nation Form: History and Ideology (C. Turner, Trans.). In É. Balibar & I. Wallerstein, *Race, Nation, Class: Ambiguous Identities* (pp. 86–106). London, UK: Verso.
- Belina, B. (2013a). Staat und Raum im Anschluss an Marx. Positionen in Radical Geography und Materialistischer Staatstheorie. In B. Belina (Ed.), *Staat und Raum* (pp. 161–185). Stuttgart, Germany: Steiner.
- Belina, B. (2013b). *Raum*. Münster, Germany: Westfälisches Dampfboot.
- Belina, B. (2013c). What's the Matter with Germany? On Fetishizations of the Euro Crisis in Germany's Public Discourse, and Their Basis in Social Processes and Relations. *Human Geography*, 6(2), 26–37.
- Buckel, S. (2008). Zwischen Schutz und Maskerade – Kritik(en) des Rechts. In A. Demirović (Ed.), *Kritik und Materialität* (pp. 110–131). Münster, Germany: Westfälisches Dampfboot.
- Felsch, P. (2015). *Der lange Sommer der Theorie: Geschichte einer Revolte 1960 bis 1990*. München, Germany: C.H. Beck.
- Fisahn, A., & Viotto, R. (2007). Verschiebungen im Verfassungskompromiss von den deutschen Landesverfassungen zum europäischen Reformvertrag. *Prokla*, 27(4), 623–637.
- Fülberth, G. (2012). Was kommt nach der Neuen „Kapital“-Lektüre? *Z. Zeitschrift Marxistische Erneuerung*, 23(1), 136–142.
- Harvey, D. (1973). *Social Justice and the City*. London, UK: Arnold.
- Harvey, D. (1996). *Justice, Nature and the Geography of Difference*. Oxford, UK: Wiley-Blackwell.
- Harvey, D. (2010). *A Companion to Marx' Capital*. London, UK: Verso.
- Haug, W. F. (1999a). Form. In W. F. Haug (Ed.), *Historisch-Kritisches Wörterbuch des Marxismus* (Vol. 4, pp. 588–615). Hamburg, Germany: Argument.
- Haug, W. F. (1999b). Denkform. In W. F. Haug (Ed.), *Historisch-Kritisches Wörterbuch des Marxismus* (Vol. 2, 2nd ed., pp. 589–600). Hamburg, Germany: Argument.

- Haug, W. F. (2003). Wachsende Zweifel an der Monetären Werttheorie. Antwort auf Heinrich. *Das Argument*, 45(3), 424–437.
- Haug, W. F. (2012). David Harveys amerikanischer Marx. *Das Argument*, 54(3), 373–387.
- Heinrich, M. (2003a [1999]). *Die Wissenschaft vom Wert* (3rd ed.). Münster, Germany: Westfälisches Dampfboot.
- Heinrich, M. (2003b). Geld und Kredit in der Kritik der politischen Ökonomie. *Das Argument*, 45(3), 97–409.
- Heinrich, M. (2004a). *Kritik der politischen Ökonomie*. Stuttgart, Germany: Schmetterling.
- Heinrich, M. (2004b). Über ‚Praxeologie‘, ‚Ableitungen aus dem Begriff‘ und die Lektüre von Texten. Antwort auf W. F. Haug. *Das Argument*, 46(1), 92–101.
- Heinrich, M. (2012). *An Introduction to the Three Volumes of Karl Marx’s Capital* (A. Locascio, Trans.). New York, NY: Monthly Review Press.
- Hirsch, J. (1980). *Der Sicherheitsstaat*. Frankfurt am Main, Germany: EVA.
- Hirsch, J. (1994). Politische Form, politische Institutionen und Staat. In J. Esser, C. Görg, & J. Hirsch (Eds.), *Politik, Institutionen und Staat. Zur Kritik der Regulationstheorie* (pp. 157–212). Hamburg, Germany: VSA.
- Hirsch, J. (2005). *Materialistische Staatstheorie*. Hamburg, Germany: VSA.
- Hirsch, J., & Kannankulam, J. (2011). The Spaces of Capital: The Political Form of Capitalism and the Internationalization of the State. *Antipode*, 43(1), 12–37.
- Hirsch, J., Kannankulam, J., & Wissel, J. (2008a). Einleitung: Marx, Marxismus und die Frage des Staates. In J. Hirsch, J. Kannankulam, & J. Wissel (Eds.), *Der Staat der Bürgerlichen Gesellschaft. Zum Staatsbegriff von Karl Marx* (pp. 9–22). Baden-Baden, Germany: Nomos.
- Hirsch, J., Kannankulam, J., & Wissel, J. (2008b). Die Staatstheorie des „westlichen Marxismus“. Gramsci, Althusser, Poulantzas und die so genannte „Staatsableitung“. In J. Hirsch, J. Kannankulam, & J. Wissel (Eds.), *Der Staat der Bürgerlichen Gesellschaft. Zum Staatsbegriff von Karl Marx* (pp. 92–115). Baden-Baden, Germany: Nomos.
- Holloway, J. (2012). Crisis and Critique. *Capital & Class*, 36(3), 515–519.
- Holloway, J., & Picciotto, S. (Eds.). (1978). *State and Capital*. London, UK: Arnold.
- Horkheimer, M., & Adorno, T. W. (2002 [1944]). *Dialectic of Enlightenment: Philosophical Fragments* (E. Jephcott, Trans.). Stanford, CA: Stanford University Press.
- Kannankulam, J. (2008). *Autoritärer Etatismus im Neoliberalismus. Zur Staatstheorie von Nicos Poulantzas*. Hamburg, Germany: VSA.
- Kern, A. (2016). *Produktion von (Un-)Sicherheit. Urbane Sicherheitsregime im Neoliberalismus*. Münster, Germany: Westfälisches Dampfboot.

- Knafo, S. (2012). Value-Form Approach. In B. Fine & A. Saad-Filho (Eds.), *The Elgar Companion to Marxist Economics* (pp. 367–372). Cheltenham, UK: Edward Elgar.
- Lefebvre, H. (1956). De l'explication en économie politique et en sociologie. *Cahiers Internationaux de Sociologie*, 21, 19–36.
- Lefebvre, H. (1974). *La production de l'espace*. Paris, France: Edition Anthropos.
- Lefebvre, H. (1991). *The Production of Space* (D. Nicholson-Smith, Trans.). Oxford, UK: Basil Blackwell.
- Marx, K. (1872). *Le Capital* (M. J. Roy, Trans.). Paris, France: Maurice Lachatra.
- Marx, K. (1971 [1890]). *Das Kapital* (Vol. 1). Marx-Engels-Werke 23. Berlin, Germany: Dietz.
- Marx, K. (1976a). *Capital* (Vol. 1, B. Fowkes, Trans.). Harmondsworth, UK: Penguin Books.
- Marx, K. (1976b [1845]). Theses on Feuerbach. In K. Marx & F. Engels (Eds.), *Collected Works* 5 (pp. 3–5). New York, NY: International Publishers.
- Marx, K. (1978). *Capital* (Vol. 2, D. Fernbach, Trans.). London, UK: Penguin Books.
- Marx, K. (1983 [1867]). *Das Kapital* (Vol. 1). Marx-Engels-Gesamtausgabe II.5. Berlin, Germany: Dietz.
- Mullis, D., Belina, B., Petzold, T., Pohl, L., & Schipper, S. (2016). Social Protest and Its Policing in the 'Heart of the European Crisis Regime': The Case of Blockupy in Frankfurt, Germany. *Political Geography*, 55, 50–59.
- Pashukanis, E. (1980 [1924]). The General Theory of Law and Marxism. In P. Beirne & R. Sharlet (Eds.), *Pashukanis: Selected Writings on Marxism and Law* (pp. 32–131). Cambridge, MA: Academic Press.
- Petzold, T. (2018). *Austerity Forever?! Die Normalisierung der Austerität durch Recht und Scale in der BRD*. Münster, Germany: Westfälisches Dampfboot.
- Poulantzas, N. (1978). *State, Power, Socialism*. London, UK: Verso.
- Reichelt, H. (1971 [1970]). *Zur logischen Struktur des Kapitalbegriffs bei Karl Marx* (2nd ed.). Frankfurt am Main, Germany: EVA.
- Reichelt, H. (2007). Marx's Critique of Economic Categories: Reflections on the Problem of Validity in the Dialectical Method of Presentation in Capital. *Historical Materialism*, 15, 3–52.
- Reichelt, H. (2008a). *Neue Marx-Lektüre. Zur Kritik sozialwissenschaftlicher Logik*. Hamburg, Germany: VSA.
- Reichelt, H. (2008b). Zum Verhältnis von Staat und Gesellschaft im Marx'schen Frühwerk. In J. Hirsch, J. Kannankulam, & J. Wissel (Eds.), *Der Staat der Bürgerlichen Gesellschaft. Zum Staatsbegriff von Karl Marx* (pp. 25–40). Baden-Baden, Germany: Nomos.
- Reitter, K. (Ed.). (2015). *Karl Marx. Philosoph der Befreiung oder Theoretiker des Kapitals? Zur Kritik der neuen Marx-Lektüre*. Wien, Austria: Mandelbaum.

- Scheerer, S. (1988). Deutschland: Die ausgebürgerte Linke. In H. Hess, M. Moerings, D. Paas, S. Scheerer, & H. Steinert (Eds.), *Angriff auf das Herz des Staates* (Vol. 1, pp. 193–429). Frankfurt am Main, Germany: Suhrkamp.
- Schipper, S. (2013). *Genealogie und Gegenwart der 'unternehmerischen Stadt'. Neoliberales Regieren in Frankfurt am Main 1960–2010*. Münster, Germany: Westfälisches Dampfboot.
- Schipper, S. (2017). Social Movements in an Era of Post-democracy: How the Israeli J14 Tent Protests of 2011 Challenged Neoliberal Hegemony Through the Production of Place. *Social and Cultural Geography*, 18(6), 808–830.
- Schlemmer, J. (2010). Kritik der Politik als Politikwissenschaft? Zur Aktualität der Staatstheorie von Johannes Agnoli und den Chancen einer kategorialen Marxrezeption. *Prokla*, 40(3), 455–472.
- Seifert, J. (1987). „Sicherheitsgesetze“ – warum jetzt? In M. Kutscha & N. Paech (Eds.), *Totalerfassung. „Sicherheitsgesetze“, Volkszählung, Neuer Personalausweis* (pp. 102–105). Köln, Germany: Pahl-Rugenstein.
- Smith, N. (1990). *Uneven Development: Nature, Capital and the Production of Space* (2nd ed.). Oxford, UK: Basil Blackwell.
- Smith, N. (1996). Space of Vulnerability. *Critique of Anthropology*, 16(1), 63–77.
- Sohn-Rethel, A. (1978). *Warenform und Denkform. Mit zwei Anhängen*. Frankfurt am Main, Germany: Suhrkamp.
- Steinert, H. (1988). Erinnerung an den „linken Terrorismus“. In H. Hess, M. Moerings, D. Paas, S. Scheerer, & H. Steinert (Eds.), *Angriff auf das Herz des Staates* (Vol. 1, pp. 15–54). Frankfurt am Main, Germany: Suhrkamp.
- Treiber, H. (1984). Die gesellschaftliche Auseinandersetzung mit dem Terrorismus: Die Inszenierung „symbolischer Kreuzzüge“ zur Darstellung von Bedrohungen der normativen Ordnung von Gesellschaft und Staat. In F. Sack, H. Steinert, & U. Berlit (Eds.), *Protest und Reaktion* (pp. 319–364). Opladen, Germany: Westdeutscher Verlag.
- von Brünneck, A. (1978). *Politische Justiz gegen Kommunisten in der Bundesrepublik Deutschland 1949–1968*. Frankfurt am Main, Germany: Suhrkamp.
- Wood, E. M. (2016 [1981]). The Separation of the ‘Economic’ from the ‘Political’ in Capitalism. In *Democracy Against Capitalism: Renewing Historical Materialism* (pp. 19–49). London, UK: Verso.





# The Transformation Problem and Value-Form: Methodological Comments

*Pertti Honkanen*

## INTRODUCTION

The discussions about Marx's theory of value, especially in the context of the so-called transformation problem, are very prolonged. Marx wrote his famous pages about the so-called transformation problem, more exactly about the relation of prices of production to values, over 150 years ago, as a part of his manuscripts dated to 1864 and 1865. The debates over this problem are lasting already 110 or 120 years, starting at least from the writings of Bortkiewicz in 1907 or even from the article of Mühlpfordt in 1896 (Bortkiewicz 1907a; Mühlpfordt 1896).<sup>1</sup> There are at least two books devoted to the history of these debates. A 150-page review written by Friedrun Quaas was published in 1992 (Quaas 1992). The French scholar Gérard Jorland wrote about 350 pages about

---

<sup>1</sup>In fact Mühlpfordt formulated simultaneous price equations already in year 1893 in his dissertation, that is before the 3rd Volume of *Capital* was published (Quaas 2001, 143).

---

P. Honkanen (✉)

Social Insurance Institution of Finland, Helsinki, Finland

© The Author(s) 2020

M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_6](https://doi.org/10.1007/978-3-030-13639-0_6)

the history of the transformation problem in his book *Les paradoxes du Capital* which was published in the 1995, some twenty years ago (Jorland 1995).

About 40 years ago, Anwar Shaikh wrote: “It is curious that in the almost eighty years since the publication of Volume III of Marx’s *Capital*, a major theoretical problem, the infamous ‘transformation problem’ has never been satisfactorily resolved” (Shaikh 1977). Now still 40 years have elapsed and it seems that unanimity about the solution of the transformation problems has not been found.

Of course, it is important to understand and know the history of this problem. In a recent article Diaz and Velasco (2016) write that Bródy (1970) was the first to offer an iterative solution to the problem. In fact, already Kharazov (see Charasoff 1909) and Shibata (1933) formulated it in iterative terms, but only with the help of numerical examples. There has also been some polemics about the role of Wolfgang Mühlpfordt in this discussion. He was the first to formulate the problem in the form of simultaneous equations, already in 1896; two years after Engels published the III volume of *Capital* (Howard and King 1987; Quaas 1991).

The transformation problematic is only a part of the whole ensemble of discussions about Marxian theory of value, which have many turns and phases. In the turn of the nineteenth and twentieth centuries, it was challenged by the marginal utility theory, which had also proponents in the labor movement. In the recent decades, there has been the challenge of the so-called neo-Ricardian theory, but there are also some internal Marxist discussions about the value-form and different interpretations of the transformation problem making it difficult to conclude the debate.

This very prolonged discussion, which is continuing in our days, invokes many important questions about the economic theory of Marx and about methodological problems in Marxist studies. In this article, I touch some of them, especially those connected with the reproduction schemes and linear production models and the relation of “simultaneous” and “sequential” reasoning. I also underline the relation of the value-form theories to the transformation problem.

### SUBSTANCE, MEASURE, AND FORM OF VALUE

I think we can look at the different views in a more general framework of competing or rival interpretations of the Marxian theory of value. In a well-known paragraph, Marx defined that the task was to analyze the substance, the magnitude of the measure, and the form of value (First edition

of Volume I of *Capital*, MEGA II.5, 21). It is also well known that Marx criticized Ricardo and other representatives of the classical school in neglecting the analysis of the form of value (*Capital*, Vol. 1, Chapter 1). This helps to characterize some lines or schools in present discussions. Therefore, the neo-Ricardians can be criticized for studying one-sidedly only the quantitative side of price formation. They largely neglect—or maybe are ignorant about—the questions about the form and substance of value, and about the Marxian theory of money. Maybe the quite polemical book of Steedman (1978) declaring that Marx’s value reasoning must be abandoned is a representative example of this kind of literature.

On the other hand, I think, the value-form theorists often go to the other extreme in underestimating the substance of value and the quantitative analysis. By Heinrich in his “monetary theory of value,” this leads to some kind of indifference in regard to the transformation problem. He writes that it is not possible to compare quantitatively the values and prices of production (Heinrich 2003: 281/282). This is a logical conclusion from his view that it is not possible to measure empirically with the help of the clock, abstract labor time (ibid., 219). If abstract labor time cannot be measured, if it is not quantifiable, the relation of (labor) values to prices in general and prices of production in special remains unclear. I return to this question in another paragraph.

The methodological problems we are dealing with can also be formulated as a question about the relation of the formal and material (“stoffliche” in German original) side of economic processes. I can bring a quite long quote from the second volume of *Capital* (actually from a manuscript written in 1868–1870), from an introduction to the reproduction schemes. This quote illustrates, in my opinion, some aspects of the methodology of Marx.

So long as we looked upon the production of value and the value of the product of capital individually, the bodily form [Naturalform] of the commodities produced was wholly immaterial for the analysis, whether it was machines, for instance, corn, or looking glasses. – –. This merely *formal* manner of presentation is no longer adequate in the study of the total social capital and of the value of its products. The reconversion of one portion of the value of the product into capital and the passing of another portion into the individual consumption of the capitalist as well as the working-class form a movement *within the value of the product* itself in which the result of the aggregate capital finds expression and this

movement is not only a *replacement of value*, but also a *replacement in material* and is therefore as much bound up with the relative proportions of the value-components of the total social product as with their use-value, their *material shape* [stoffliche Gestalt]. (MECW 36, 392, 393; MEW 24, 393; MEGA II.13, 366)<sup>2</sup>

I think this an important point also when we come to such themes as prices of production, rate of profit, tendency of the profit to fall, ground rent, etc. We must recognize and study “the material shape” of the production in order to make some conclusions and theoretical deductions about these problems, which are on a more concrete level than the most abstract propositions about value, money, and capital. When we look at the social capital and its movement, we have to take into account the interconnections between different branches of production. It is also important to have some understanding about different forms and roads of technological development before can evaluate the tendencies of profit rate or composition of capital. When we start reflecting questions related to the ground rent, we must know some fundamentals about natural resources and their share in the labor process in different branches of production. In this framework, we can continue commenting on the debates of “simultaneous” and “sequential” reasoning.

### “SUCCESSIVISM” AND “PARALLELISM”

Moseley (2016: 21–23) and the defenders of the temporal single system interpretation (TSSI, see, e.g., Kliman 2007) reject or have a suspicious attitude to the use of simultaneous equations in the transformation procedure. Especially in the TSSI-approach “anti-simultaneism” is something like a central tenet of a faith. Only a “sequential” or “temporal” procedure is allowed or acceptable. It is interesting to note that this discussion is not new. Already Bortkiewicz in his article of 1907 touched this problem—only using different terms. He referred to Alfred Marshall in explaining a method where “the various elements govern one another mutually and not successively in a long chain of causation”.<sup>3</sup> Bortkiewicz

<sup>2</sup>The original text is from “Manuscript II” written in 1868–1870. See MEGA II.11, 370. The emphasis in the quotation is according to this original manuscript.

<sup>3</sup>Bortkiewicz did not cite the source, but apparently he refers to the Preface of Marshall’s *Principles of Economics* (Marshall 1890: x) where Marshall for his part referred to Cournot.

accused Marx of being a “successivist” but he wrote that as a realist Marx understood also that in the economic system various elements or factors “condition each other mutually” (Bortkiewicz 1907a: 37, 38).

In fact, we can find in Marx’s manuscripts notes, which quite explicitly refer to “simultaneity” instead—or in addition to—“successivism”. In the *Capital* manuscripts of 1863–1867, in a section about “Circulation and reproduction,” we find a quite long text about “parallelism” in the reproduction process. Here are some quotes (emphasis in the original):

The *reproduction process* in totality resolves in *adjacency* [Nebeneinander] and *simultaneity* [Gleichzeitigkeit] of the *production processes* which produce different commodities, and that is what I call *parallelism*.

When *different commodities* are considered whose processes of production are mutually dependent, conditioning each other reciprocally, an *ascending gradation* takes place.

The production processes of different stages of the commodity are so *simultaneous* [gleichzeitig], parallel, although some part of the commodity as an intermediate product expresses in the same time always past labor.

Characteristic here is the continuous *simultaneity* [Gleichzeitigkeit], the incessant *adjacency* [Nebeneinanderlaufen] or *parallelism of all processes of production*, whatever relation of domination and submission or mutual dependence their products to each other may have. (MEGA II.4.1. 364–367)

Of course, this is not a formal, mathematical analysis of reproduction, and it has not a direct link to the discussion about production prices. Rather it is a verbal formulation of the theoretical problems we are facing when we study a complex reproduction process. We cannot find these lines in the printed volumes of *Capital*, but in Volume II, there is also a short reference to simultaneity (Gleichzeitigkeit) and adjacency (coexistence, Nebeneinander) of processes of production. Analyzing the circulation of different parts of capital, Marx writes, “The succession [*das Nacheinander*] of these parts is here governed by their co-existence [*das Nebeneinander*], that is to say, by the division of capital” (MECW 36, 108; MEW 24, 107; MEGA II.13, 96).

In *Grundrisse* Marx has a quite explicit reference to “simultaneous” reasoning in the theory of value and prices. “On the other hand, in modern production, where exchange value and developed circulation are presupposed, it is prices which rule the production on one side, and production determines prices on the other” (Marx 1973: 257).

We can note that in the actual capitalist production system there are mutual dependencies between the sectors—these dependencies are rather a rule than an exception. When oil is needed to produce steel and steel is needed to produce oil, it is apparent that both the value (labor value) and the price (production price) of steel are correspondingly dependent on the value and price of oil—and vice versa. Such a system can be described or mathematically formulated with the help of simultaneous equations or matrix algebra. The reproduction schemes of Marx are a step in this direction, but they are quite a simple tool compared with the possibilities of modern mathematics.

As I noted earlier in the chapter, these discussions are not new. I can also refer to the conclusion made by David Laibman in his article in year 2000: “– – to build the Marxist alternative to mainstream theory we need, above all, to retain a dialectical sense of the comprehensiveness and complementarity of concepts. Many processes in capitalism are sequential, and constant disruption and transformation are a fact of life. But sequential models alone do not capture this. There is also simultaneous determination. Simultaneous equation models in fact capture one essential aspect of the capitalist economy: interdependence among atomistically separated units of control. Simultaneity reveals structure: sequentiality reveals transformation. Both must be brought to bear on the task of grasping capitalist reality” (Laibman 2000: 328). From these remarks we can continue to a discussion about the role of mathematics in Marx’s work.

### MARX AND MATHEMATICS

We can make the preliminary observation, that Marx’s theory incorporates also a mathematical system, the fundamentals of which can be formulated in some simple formulas. The essential variables are constant capital  $c$ , variable capital or value of labor power  $v$  and surplus value  $m$ . With the help of these symbols, some central magnitudes can be calculated: rate of surplus value  $m/v$ , rate of profit  $m/(c+v)$ , value composition of capital ( $c/v$ ). These symbols are used in different contexts in different parts of *Capital*, symbolizing both the valorization of an individual capital (or “capital in general”) and the social capital. These magnitudes and symbols are also central in the theory of reproduction, when in most cases the social capital is divided into two departments producing consumer goods and means of production and the total value of

production is expressed in  $c_1 + v_1 + m_1$  and  $c_2 + v_2 + m_2$ . In general, Marx uses these symbols as money quantities expressing at the same time abstract labor time. Everybody familiar with Marxist discussions knows that in many discussions and controversies concerning the theory of value, the transformation problem, the tendency of falling rate of profit, and crisis theory, these symbols and formulas have been used and that they are indispensable for the understanding of the theory of Marx. Of course, everybody using these formulas should know the theoretical substance of these various concepts, but it is typical for mathematical reasoning, that the formulas have so to speak their “own life” where the original meaning of the concepts can be considered as given. The mathematical apparatus used by Marx, is of course, not exhausted with these simple formulas and symbols. Ground rent, turnover of capital, etc. are other themes, where mathematical reasoning has been used or can be used.

The MEGA edition brings some new light to the question of the role of mathematics in Marx’s work. So now we know that along with the familiar two-sector or three-sector models that Marx outlined in his manuscripts there is also a six-sector model, which he used in the analysis of reproduction. We can evaluate this model as a step toward later multi-sectoral analyses and contributions used also in the context of the transformation problem. Engels omitted this section when he edited *Capital Volume II*.<sup>4</sup>

Marx’s interest in mathematics is known, but it is sometimes believed that the *Mathematical Manuscripts* of Marx, which deal mainly with differential calculus, are quite unrelated to the economic studies of Marx (cf. Alcouffe 1985). Nevertheless, in the *Manuscripts of 1861–1863* we find the comment: „Die hier entwickelte Ansicht auch strikt mathematisch richtig. So im Differentialkalkül nimm z. B.  $y = f(x) + C$  wo C konstante Größe ist. The change of x into  $x + Dx$  does not alter the value of C.  $1 dC \text{ wäre} = 0$ , weil die konstante Größe nicht changiert. Hence the Differential of a constant is zero“.<sup>5</sup> This remark is at the beginning of a chapter about absolute surplus value.

There is trace of this idea in the 1st Volume of *Capital*. In the chapter about rate of surplus value Marx wrote about using a “... mathematical

<sup>4</sup>MEGA II.11, 443–552. Cf. Mori (2012).

<sup>5</sup>MEGA II.3.1, 149 (MEW 43, 159). In the original German and English expressions are mixed.

rule, employed whenever we operate with constant and variable magnitudes, related to each other only by the symbols of addition and subtraction” (MECW 35, 223).

With this mathematical formulation, Marx obviously wanted to make clearer his argumentation about the creation and source surplus value. It is necessary to abstract from constant capital, the value of which is only reproduced in the process of valorization. It is necessary to see the surplus value as an increment to the variable capital  $v + m = v + \Delta v$ <sup>6</sup> (cf. Alcouffe 2005).

We can find in this volume other examples, where Marx uses mathematical expressions or metaphors. So in a paragraph about prices of things or objects which have not been produced with labor he writes about imaginary prices, “like certain quantities in mathematics” (MECW 35, 112). Considering accumulation he makes the observation that “in the flood of production the total capital originally advanced becomes a vanishing quantity (*magnitudo evanescens* in the mathematical sense) compared with the directly accumulated capital, i.e., with the surplus value or surplus product that is reconverted into capital” (MECW 35, 583). Analyzing the relation of accumulation to the level of wages he also uses mathematical expressions: “To put it mathematically: the rate of accumulation is the independent, not the dependent variable; the rate of wage is the dependent, not the independent variable” (MECW 35, 615).

Chapter 15 (Chapter 17 in the English edition) of the first Volume of *Capital* is a good example of mathematical or deductive elaboration. Here Marx studies various combinations of changes in the productivity of labor, labor time and labor intensity and the consequences of these changes in the rate of surplus value and in the price of labor power.

Another, more substantial example is the tendency of the falling profit rate. Here we have to deal with quite a complex interaction of many variables: productivity of labor, composition of capital, rate of surplus value, and profit rate. The analysis of Marx is much contested: it is not watertight or complete, but soon the phrasing of the question is an expression of certain ambition in mathematical reasoning. Unfortunately, this exercise was left unfinished in the Manuscripts of 1863–1865 and in the published version of *Capital*, Vol. III. The puzzle is a

<sup>6</sup>Cf. Alcouffe (2005: 161). The author also sees the connection of this sentence in *Capital* to the mathematical studies of Marx.



multidimensional dynamic problem and it is not very fruitful to study it only with the help of simple arithmetic.<sup>7</sup>

In the 1970s, there was a discussion about Marx as a “mathematical economist”. Quite famous is the evaluation of Michio Morishima that “Marx [– –] should in my opinion be ranked as high as Walras in the history of mathematical economics” (Morishima 1974; see also Samuelson 1974). This statement may be an exaggeration, but it is not totally without grounds. Smolinski, who noted that although Marx failed in using advanced mathematical methods in his economic writings, “for an economist of his generation, Marx was exceptionally interested and well-read in mathematical literature” and that “not a single injunction against mathematical economics can be found in Marx’s published and unpublished writings,” wrote another evaluation (Smolinski 1973; see also Alcouffe 1985 for an evaluation of Marx’s mathematics).

We can find a more recent account by Quaas, who writes that Marx was not an inborn mathematician, and this is the basis for him to confine himself to mainly numerical examples and simple algebraic interdependencies. Nevertheless: “The fact is that without the analytically correct presentation of quantitative interdependencies Marx could never have achieved the target of showing exploitation as a systemic attribute of the capitalist societies” (Quaas 2016: 310). Quaas underlines also the very weak elaboration of the quantitative aspect by the forerunners of Marx in political economy. A recent study notes Marx’s interest in statistical and probabilistic reasoning as well (Alcouffe and Wells 2009).

In the literature about the methodology of Marx’s *Capital* and in the literature about “new *Capital* lectures” these quantitative aspects are not often mentioned or emphasized. One exception is the earlier work of Jindřich Zelený, who wrote quite explicitly about “the role of mathematical and formal-logical, axiomatic derivation in Marx’s analysis”. According to him, the analysis done by Marx contains in the cell-form and in subordinate role along with other methods certain methods, which resemble the modern methods of modeling and mathematization and axiomatic deduction (Zelený 1972: 141).

In every case, it is important to see that *quantities* or *magnitudes* and *quantitative* reasoning are an essential part of Marx’s economic theory (critique of political economy). So we cannot bypass the central

<sup>7</sup>For example, Glombowski (1983) used differential equations to study this and other problems.

conclusion that surplus value is a quantity explained and determined by another quantity, surplus labor, difference between total labor time and necessary labor time. It was one of Marx's great discoveries to uncover the source of surplus value and separate it from the different forms in which it is expressed in everyday life: business profit, interest, ground rent, etc.

### FROM REPRODUCTION SCHEMES TO INPUT–OUTPUT MODELS

We can proceed to the question of which kind of mathematics is useful when we study Marxian economics and the economic categories analyzed by Marx. From these manuscripts and from the correspondence of Marx we know that at first Marx tried to implement and develop the method of *Tableau économique* of Quesnay, using graphical presentation. However, later he abandoned this experiment. The reproduction schemes can be found in the later manuscripts, which were written after the first Volume of *Capital* was published. As we already noted, in these manuscripts, we also find Marx's attempt to develop a six-sector model of reproduction, but those parts of the manuscripts were not included in the version published by Engels (MEGA II.11, 443–522; see also Mori 2012).

We can evaluate the six-sector model as an early, simplified antecedent to general  $n$ -sector models, which are now common. Marx was not interested only in two-sector models, which are known from the version of Volume II edited by Engels. Therefore, it may be an underrating of Marx's program, if we say that by developing the reproduction schemes Marx was mainly interested in criticizing Smith's dogma (cf. Moseley 1998, 2016). Obviously, Marx's program was broader and more ambitious, and relevant also in the light of the theory of value. When we look at an economic system with mutually dependent sectors, there are new aspects to be studied and new questions to be solved in the theory of value.

Already before Marx had formulated the reproduction schemes, he made important conclusions about simple reproduction (in *Manuscripts of 1861–1863*, so also before he wrote the manuscripts to the third volume), e.g., “The total product A [consumption goods] is equal to the total revenue of the society. The total revenue of society however represents the total labor time which it has added during the year to the

existing constant capital”<sup>8</sup> (MECW 31, 139; MEGA II.3.2, 563). At least this equation has to be taken into account when we formulate a system of simple reproduction (in value terms, as labor values). This is an important conclusion regarding the relation of net product, gross product, and total labor time: at least in the case of simple reproduction, the value (labor value) of net product is equal to the total value (total labor time) created in the society. This is a relation which is nowadays easy to formulate in mathematical terms: if  $\mathbf{x}$  is the vector of gross production,  $\mathbf{y}$  the vector of net product,  $\mathbf{h}$  the vector of immediate necessary labor times necessary to produce a use value, and  $\mathbf{v}$  the vector of labor values, then  $\mathbf{v}\mathbf{y} = \mathbf{x}\mathbf{h}$ . In the different formulations of the classical economists, it is difficult to find such a clear conclusion as Marx found. It is also difficult to understand this formula if our starting point is the subjective theory of value. Nevertheless, it is fundamental for the understanding of national accounts in Marxist terms.<sup>9</sup>

So it may be an oversimplification to say that reproduction schemes have nothing to do with the determination of value and surplus value or to declare, that only quantities of money capital should be considered given, not the so-called physical quantities, when we study the formation of production prices—a view which Moseley defends also when he makes comments about the production models of Leontief and Sraffa.

Moseley writes in a note:

A widespread misinterpretation of Marx’s reproduction schemes is that they are similar to Leontief’s and Sraffa’s input-output matrix. To the contrary, the key variables in Marx’s reproduction schemes (constant capital, variable capital, and surplus-value) are quantities of money capital, not physical quantities of inputs and outputs. (Moseley 2016: 192)

It is of course true that the reproduction schemes and input–output matrices of Leontief or Sraffa are not similar. However, we must separate the question about mathematical tools from the theories they are

<sup>8</sup>“Das Gesamtprodukt A [Konsumtionsmittel] ist gleich der Gesamtrendite der Gesellschaft. Die Gesamtrendite der Gesellschaft stellt aber die Summe der Arbeitszeit dar, die sie während des Jahrs dem vorhandenen Capital constant zugesetzt hat”.

<sup>9</sup>The so-called new interpretation normalizes the prices with the equation  $\mathbf{p}\mathbf{y} = \mathbf{v}\mathbf{y}$  where  $\mathbf{p}$  is the price vector. I think that this is the most important contribution of the “new interpretation” making it easy to understand the connection between prices and values and the distributive shares in value and price terms.

serving. Nobody is asserting that the theoretical positions of Marx and Sraffa (or neo-Ricardians in general) or Marx and Leontief are similar, let alone identical. Leontief formulated his theory in the terms of neoclassical theory and Sraffa's theoretical position is quite specific. Nevertheless, a common feature of the reproduction schemes and input–output matrices is that with these tools economic systems with mutually dependent sectors can be studied.

When Marx uses the reproduction schemes or similar equations, he normally abstracts from the changes of labor productivity. Therefore, there is no need to specify the amounts of use values each money value is representing. He is contented to tell us that there are different use values, e.g., consumer goods and means of production. He can also identify the money values with labor values, because the productivity of labor is assumed constant and because he assumes that prices and (labor) values coincide. However, implicitly the different values in the reproduction schemes always represent some amounts of use values and some amounts of abstract labor—and on many occasions, Marx specifies or illustrates this. Therefore, he sometimes uses the expression “total social labour day” or “social labour day” in the context of the reproduction schemes. As we saw in the earlier quotation, he also underlines the “material” or “bodily” substance of the reproduction: “this movement is not only a replacement of value, but also a replacement in material and is therefore as much bound up with the relative proportions of the value-components of the total social product as with their use-value, their material shape” (MECW 36, 393; MEW 24, 393). So we cannot say that amounts of different use values (or so-called physical quantities) or “physical” labor times are inessential in the reproduction context (cf. Ravagnani 2005).

In the input–output notation (linear equations or matrix-vector-systems), the amounts of use values and amounts of abstract labor can be made explicit and the large sectors producing consumer goods and means of production can be disaggregated. The system of dependencies can be more complex than in the reproduction schemes, not confined to two or a few sectors. Nevertheless the “key variables” of reproduction schemes (as Moseley sees these), amounts of money capital, can always be reproduced with the help of these linear equations if money values are derived from them.

The mathematical theorems connected with these input–output matrices, notably the Perron–Frobenius theorem, are important in

many respects. For example, the mathematics also gives support to the Marxian thesis of a falling rate of profit. The  $n \times n$  matrix  $A = \{a_{ij}\}$  where  $a_{ij}$  is amount of use value  $j$  needed to produce one unit of use value  $i$ , is associated with a maximum average profit rate if the sectors are interconnected and if we assume prices yielding average profit rate for all sectors. If we have two matrices so that  $A' \geq A$ , meaning that the coefficients  $a_{ij}$  in the left-hand matrix are greater or equal compared with the coefficients in the right-hand matrix, then the maximum profit rate of  $r(A') \leq r(A)$ . Irrespective of how low the value of labor force is or how high the rate of surplus value is, this maximum profit rate cannot be exceeded. The actual profit rate is always lower than the maximum profit rate in such a model. (An interesting feature of these input–output matrices is that these central properties are not dependent on the unit of account. The “physical” coefficients can be rewritten as labor value coefficients or price coefficients, and the maximum eigenvalue and the maximum profit rate remain the same.)

Marx, of course, could not know the theorem, which was formulated much later. However, Marx saw the deepening social division of labor and differentiation of production, not only in the production of consumer goods but also in the production of means of production, as an important development and tendency in capitalism. “In proportion as machinery, with the aid of a relatively small number of workpeople, increases the mass of raw materials, intermediate products, instruments of labor, &c., the working-up of these raw materials and intermediate products becomes split up into numberless branches; social production increases in diversity. The factory system carries the social division of labor immeasurably further than does manufacture, for it increases the productiveness of the industries it seizes upon, in a far higher degree” (MECW 35, 447, 448; MEW 23, 468). It is evident—both intuitively and mathematically—that the deepening division of social labor, the more and more complex interconnectedness of different sectors of production sets limits to the average profit rate. In each sector or in most sectors the dependency from other sectors of production is more and more complex. In mathematical notation it means that cases where the coefficient  $a_{ij} = 0$  are replaced with positive coefficients  $a_{ij} > 0$  or with greater coefficients  $a'_{ij} > a_{ij}$  (the reader can make experiments with random numbers). In modern industry the system of subcontractors and subcontractors of subcontractors can be much diversified and multi-sectoral. This process of deepening social division of labor, of course,

is not straightforward—rather it is contingent, and in many respects accidental. In many cases the coefficients  $a_{ij}$  can also diminish or disappear. Nevertheless, the tendency of deepening social division of labor is evident, and it is one factor, which sets limits to the average profit rate (through limiting and finally lowering the maximum profit rate). I think that this also an example of the importance of the “material shape” of production.

I think some general aversion to matrix algebra, linear production systems, or simultaneous equations is not justified when we try to develop the Marxian political economy in our times and try to get an understanding of the complex processes in capitalist economy. The reproduction schemes of Marx are a great invention and they have at least partly inspired the later development of mathematical economics, especially the linear production models. If we reject or are suspicious about the subsequent development of mathematical tools and downplay the importance of Marxian reproduction schemes, at least in the context of the transformation problem, our attitude is a bit strange.

#### REPRODUCTION SCHEMES AND MARX’S ASSUMPTIONS

The relation of the transformation problem to the reproduction schemes has been frequent object of discussion. In the context of the so-called new interpretation Duménil (1980: 63) noted, that the third volume of *Capital* was written earlier than the manuscripts of the second volume, where the reproduction schemes were formulated. This seems to be an explanation to the factum that Marx did not formulate the transformation problem in the context of the reproduction schemes. Marx used a five-sector model, in which the dependencies between the sectors were not specified. For example, Marx did not tell which sectors produce means of production and which sectors consumer goods in general, or wage goods or luxury products in special. However, Marx made some additional remarks about dependencies between sectors (about commodities consumed in the production a specific commodity) in the well-known paragraphs where he wrote also about “a possible error” (*Capital* III, Chapter 9; see also Marx’s letter to Engels 2nd of August 1862, where he presented an example of four sectors; MEW 30, 263–267; MECW 41, 394–398).

The fact, that Marx did not assume, at least explicitly, dependencies between sectors, is often overlooked in various accounts of the

transformation problem. One exception is Meek (1956: 97) who wrote, that Marx “deliberately” assumed that none of the commodities in the five-sector example enters into the production of any of the others. Maybe the expression “deliberately” is here only speculation: we do not exactly know why Marx did make such implicit assumptions as he did when writing the third Volume.

Bortkiewicz, one of the first critics of Marx’s solution, in his first article of 1907 noted that the numbers in Marx’s example are “completely arbitrary”. Nevertheless, he formulated a model fulfilling the conditions of simple reproduction making some minor changes to the original figures of Marx and combining five sectors to three sectors (Bortkiewicz 1907a).

After this article in many studies of the so-called transformation problem, the solution is formulated on the assumption of simple reproduction. If simple reproduction is not assumed, at least dependencies between sectors are assumed. So Bortkiewicz in his second article wrote explicitly that simple reproduction is assumed in his three-sector model (Bortkiewicz 1907b). In the early models of Kharazov and Shibata interconnected sectors were also assumed. Kharazov had a three-sector model of sectors producing means on production, consumption goods, and luxury goods (Charasoff 1909; see also Mori 2006). Shibata used in his iteration a two-sector model (Shibata 1933). It is also interesting to note that even before the article of Bortkiewicz, Tugan-Baranovsky assumed simple reproduction in his example of “backward” transformation (Tugan-Baranowski 1905: 170–174). In addition, in many mathematical discussions after World War II simple reproduction has been a starting point or assumption in various accounts of the transformation problem. However, it is not a necessary assumption, as Winternitz (1948) has noted. The crucial question is whether intersectoral dependencies are taken into account or not. So in the two-sector model of Foley dependency between sectors is assumed (steel is needed to produce steel and wheat), but it is not constrained to the conditions of simple reproduction (1986: 94–104). If the transformation algorithm is valid in a more general model of reproduction, then it is valid also in the case of simple reproduction.

If the dependencies between the sectors are taken into account, the transformation of values (more exactly: transformation of prices corresponding to labor values) to prices of production is a more complex question than in Marx’s original scheme. Apparently, the transformation changes also the input prices, not only the output prices of different

sectors. Nevertheless, some writers defend the original scheme telling us, that it is not necessary to take into account the conditions of reproduction—or inter-sector dependencies at all.

One example is Moseley, whose attitude is a bit ambivalent. He says that his numeric example of transformation fulfills the conditions of simple reproduction, although he later declares the non-relevance of reproduction schemes (and especially models of simple reproduction) in this context (Moseley 2016: 223, 225, 274, 371). The prices of production he calculates in his example (224) fulfill the conditions of simple reproduction, but not his original table presented as values (labor values). The reader can make some experiments and see that the conditions of simple reproduction are fulfilled only by accident. If some figures are changed in the labor-value scheme, Moseley's procedure does not any more generate prices of production in accordance with the conditions of simple reproduction. So apparently, he has chosen the original figures in the labor-value table so that simple reproduction is achieved in the production-price model. In any case, the numerical example of Moseley does not demonstrate a general solution to the transformation problem, if simple reproduction is assumed. The question about reproduction schemes has a relation to another contested question, namely about “single system” and “dual system” approach.

### SINGLE SYSTEM, DUAL SYSTEM?

One issue in the debates about the transformation problem is the issue about “dual” and “single system”. Some say that there is only one single system, which is relevant, the system of prices as a “single system”. The term “dual system” on the other hand has its roots apparently in the earlier discussions, when a system of values and system of production prices was juxtaposed. So Michio Morishima wrote about “dual dualities”: a price determining subsystem, which is a dual of the output determining system and about a value determining subsystem, which is also a dual of the output determining system (Morishima 1974: 105, 106)

When we return to Marx, it is quite clear that Marx made a distinction between values and prices. So already starting from this distinction it is clear that we can speak of a system of values and a system of prices when we analyze the bourgeois mode of production. Prices are a form of appearance of values, the money form of values.



Another distinction made by Marx is the juxtaposition of the “surface,” *Oberfläche* of the economy and the inner structure or inner laws of that mode of production. We can remember, e.g., what Marx wrote about wages: “On the surface of bourgeois society the wage of the laborer appears as the price of labor, a certain quantity of money that is paid for a certain quantity of labor” instead of the money form of the value of labor force (MECW 35, 535) or when he proceeds from “this noisy sphere, where everything takes place on the surface – – into the hidden abode of production” when he started to explain the secret of surplus value production (MECW 35, 186).

In the framework of the so-called single system interpretation of the transformation problem the existence of distinct price and value systems is contested with special arguments which need some interpretation: e.g., Kliman says, that prices influence value magnitudes, “so there is no distinct value system” and on the other hand the prices of production depend on the general (value) profit rate “so there is no distinct price system” (Kliman 2007: 33). Therefore, prices influence values and values influence prices, and this is at least one reason Kliman speaks of a “single system”.

The single system of Moseley is somewhat different: “Marx’s theory in all three volumes of *Capital* is about a single system, the actual capitalist economy, which is assumed to be in long-run equilibrium, and which is theorized first at the macro level (in order to determine the total amount of surplus value) and then is analyzed at the micro level (in order to determine the division of the total surplus value into individual parts)” (Moseley 2016: 6). He rejects the standard interpretation that “Marx’s theory is about two different economic systems (i.e., a ‘dual system’ interpretation)—first a hypothetical ‘value system’ in Volumes I and II, and then the actual capitalist ‘price system’ in Volume III” (7).

In this interpretation, also “physicalism” is something to be opposed, at least when we build a model of prices of production. Prices of production shall not be deduced from the so-called physical variables, that is labor times and input–output structure of the production, but only from money values, from magnitudes of constant capital, variable capital and surplus value.

I think some comments are in place. It is important to see, that Marx introduces the concept of price already in the first Volume where he also writes about the possibility of the quantitative incongruence of prices and values. Prices and price categories are not introduced only in

the third Volume. On the other hand, we can see that in actual capitalist system there are at least three interconnected systems: (1) the material system of different use values produced and consumed (presuming, of course, many different types of concrete labor), (2) the system of labor values based on socially necessary (abstract) labor times, and (3) the system of production prices. This corresponds to the statement of Morishima about “dual dualities” (see Appendix: Dimensions of value theory). However, we can extend the idea making the remark that according to Marx there are also (actual) market prices which can be different from the prices on production. Going further, we can see also the natural resources and environment as a system, which is interconnected with the capitalist production system. So we come to a “multi-system” approach (cf. Quaaas 2016: 185).

Obviously, the single system argument can be condensed to the thesis, that in the actual capitalist economy only prices matter and affect the decisions of the firms, workers, and consumers. Then we are forgetting the program of Marx, which was to reveal the inner connection of the material he studied, and the important *trinity* he introduces soon in the first chapters of the *Capital*: commodities as use values and *values*, and exchange values as the form of value. The monetary circuit M–C–M' describes of course a very essential, even determining feature of the system, and the monetary profit is the ultimate aim of the process, but it does not happen without the production of “physical” use values. Moreover, obviously we cannot say that the “physical” dependencies between different branches of production do not affect the price formation.

### ABSTRACT LABOR WITHOUT MEASURE?

I am inclined to think that the “anti-physicalist” position in transformation controversies leads to a too formal understanding of the price formation and the valorization process in general. In that respect, it has something common with the value-form theories, which in my opinion, somewhat one-sidedly accentuate the form of value, or money form in relation to the substance of value and quantitative analysis. We can even speak of some kind of reductionism: the Marxian theory of value is largely reduced to the theory of value-form.

Obviously, this leads to some tension between the different *Capital*-interpretations and *Capital* readings regarding the role of quantitative

analysis. Dunne (1991) commented already at the beginning of 1990s “anti-quantitative” views, which he saw damaging to the development of Marxist science. Somewhat later Likitkijomboon noted that to major strands of modern value-form theories the rejection or understatement of the quantitative aspect of value-form theory is characteristic. He saw that some modern attempts to reconstruct Marx’s value-form theory render themselves one-sided and logically impoverished by denouncing or understating the quantitative aspect (Likitkijomboon 1995: 74, 84).

There are also remarks in the new literature which indicate a negative or pessimistic attitude toward quantitative analysis. So Ingo Elbe sees the “demarcation to quantitative aspects” (“Abgrenzung zu quantitativen Ansätzen”) as a feature of the new methodological reinterpretation of Marx’ critique of political economy (Elbe 2006).

In this context, we can ponder some formulations and theses, which have been expressed in the current literature about “new *Capital* lectures” and especially in the so-called monetary theory of value and which in my opinion are problematic. I already referred to Michael Heinrich who says that abstract labor is not empirically, not with a clock measurable, or that it can be measured only with money. In this framework, the question arises, whether the quantitative analysis or mathematical modeling of value relations is possible at all (Heinrich 2003: 219, 2004: 63, 2009: 91–92, 2012: 65).<sup>10</sup>

How Heinrich justifies his claim that abstract labor time cannot be measured by a clock? Is he referring to the practical difficulties of such measuring? Is he referring to the problems of counting skilled and unskilled labor or labor of different intensity as homogenous labor? Is the explanation in the difference between actual, individual labor times, and socially necessary labor time used to produce different commodities? This seems not to be the main argument of Heinrich, although he also explains his view with the fact that abstract labor time is bound to average social conditions (Heinrich 2009b: 166).

Obviously, the “measurability” of abstract labor is not the main point in this argumentation. Actually, Heinrich is declaring that abstract labor

<sup>10</sup>Also Backhaus has the view that value-producing labor is not measurable, as is either utility (Backhaus 1997: 98). Taylor (2004: 114) has similar views: “abstract labor can have no measure other than money”. He also explicitly writes that “Marxian theories prioritizing production must be abandoned” and that a systematic development of Marxian theory from form to content “is moving away from his labor theory of value”.

is not quantifiable in time, nor in theory and neither in practice. If it is not quantifiable as time, it is not measurable with clock.

This thesis of non-measurability of abstract labor seems to be a corollary of the thesis that abstract human labor exists or comes out only in exchange. According to Heinrich, the average, socially necessary labor time *exists* only in exchange, although it is dependent on the conditions of production. Only in exchange can the individual labor time really be reduced to value-creating socially necessary labor time (Heinrich 2009: 79). This is a special interpretation of the Marxian thesis that money is the “immediate form of existence” (MEW 13, 42; MEGA II.2, 134)<sup>11</sup> of abstract labor and a fundamental view of the “monetary theory” of value. One another formulation of this view is that “value and commodity exist” only in exchange, although they are “anticipated” in production (Stütze 2006: 257).

According to Heinrich, only concrete labor can be measured by the clock. Abstract labor time is “a social result, which cannot be measured by a clock” it can be measured only with money (Heinrich 2009: 91). Heinrich underlines the social, non-natural nature of abstract labor, as an abstraction forced by exchange, not to be confused with the subjective equality of labor of individuals. He also quotes Marx stressing that a commodity becomes value only in its unity with another product of labor, not as an isolated product of labor. All this is quite acceptable and understandable, but we can ask if it is a sufficient reason to declare the non-measurability of abstract labor?

If we accept the view that abstract labor is not measurable (or more exactly, is not quantifiable as time) we can ask about the logical conclusions of such a view. One problem is that in typical capitalist industrial society almost every commodity is a product of many producers and many kinds of labor. There can be many, even hundreds of stages of production, before we have the final product bought by consumer. In manufacturing industry, one big firm may have hundreds of subcontractors, or subcontractors of subcontractors. The delicate division of labor typical to capitalist mode of production means that—in general—every commodity is a product of many stages of production and that there are countless acts of exchange related to the commodity before the commodity reaches the final consumer. Along with the so-called horizontal division of labor, we have to observe also the vertical division of labor.

<sup>11</sup>The translation in MECW 29, 297, is misleading.

If we speak about the abstract labor crystallized or congealed in the commodity it is clear that we have to take into account the whole chain of production. The value of a commodity is a sum of the value of the constant capital (“dead labor”) and the objectified living labor necessary to produce the commodity. The constant capital can be further decomposed in many other parts depending on the complexity of the division of labor. If we say that the abstract labor in any stage of production is not measurable—or rather a definite quantity—then it is also clear, that the total sum of these labor quantities cannot be measured or defined. It would be senseless to speak about a sum of magnitudes, which are not measurable or comparable. The same applies to the value of labor power, which in Marx’s theory is defined as a value of an average consumption basket. If the abstract labor “crystallized” in a commodity is not a definite quantity, even more it is impossible to say anything about the amount of abstract labor used to produce a basket of commodities—and so also about the necessary labor time and surplus labor time. Therefore, the whole concept of abstract labor seems to lose its meaning. We have information about concrete labor in different processes of production, and we have money values—but what can be explained by referring to abstract labor, which according to this theory is not a definite measurable quantity?

If we follow the reasoning, which highlights “exchange” as the pivotal step in value creation, we can also ask, which exchange is decisive when we explain the value of such complex products? Is it the final exchange between consumer and manufacturer, or have the previous exchanges between the manufacturer and subcontractors or between subcontractors an equal importance? If the principle of addition is not applicable here, there should be another logical principle when we define the contribution of different stages of production to the final value of the commodity. This is also an important question when we come to the Marxian theory of surplus value. According to Heinrich, it is illegitimate to ask whether value or the amount of value is determined in the sphere of production or in the sphere of circulation (Heinrich 2004: 53, 2012: 54). He also wants to underline the form signification (“*Formgehalt*”) of surplus value in contrast to the quantitative category (Heinrich 2003: 282) of surplus value. This comment is understandable, but when we ask what is the source of surplus value and what is the rate of surplus value, we must look at what is happening “in the hidden abode of production” (MECW 35, 186). Here the distinction of the process of production and

the process of exchange is very essential. The creation of surplus value cannot be explained referring only to the circulation of commodities. The circulation of commodities as such, the exchange, creates no value, and at any rate not surplus value. We can ask how a commodity can obtain its value in exchange, if it has not been produced for exchange and if not a certain magnitude of abstract labor has been expended in the production?

True, Heinrich draws some conclusions from his thesis. He writes that the total labor (“*Gesamtarbeit*”) of society is not a homogenous sum of comparable quantities (Heinrich 2003: 219). This is a quite a logical conclusion, if we start from the statement that abstract labor is not measurable. So obviously such mathematical models of capitalist production in which total abstract labor is a variable, a constant or deduced result are not very meaningful in his view. Accordingly, statements of Marx referring to “total social working day” or “whole annual total working day” from the second volume of *Capital* are obviously senseless in Heinrich’s version of monetary theory of value. Another explicit conclusion made by Heinrich is that a quantitative comparison of values and production prices is not possible (Heinrich 2003: 281, 282, 2004: 147, 2009: 92, 2012: 148).<sup>12</sup> This implicates that it is difficult or even impossible to evaluate different solutions to the transformation problem, e.g., the Neo-Ricardian view. These conclusions evoke also the question about the whole meaning of the concept of abstract labor. If it cannot be measured or defined in quantitative terms, what can we explain by referring to this concept?

If it is impossible to make a quantitative distinction between prices of production and values we are near to declare the identity of prices and values. This is in contradiction to the understanding of Marx, who made such a distinction, both qualitatively and quantitatively: “The possibility, therefore of a quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price form itself” (MECW 35, 112). Heinrich tries to avoid this conclusion referring to the fact that price and value are different categories which cannot be compared (Heinrich 2003: 244). But if abstract labor can be measured only with money, as Heinrich writes, there obviously

<sup>12</sup>In this context Heinrich refers analogously also to the effects of ground rent on prices of agricultural commodities and leading to quantitative incongruence with values (Heinrich 2003: 281).

is some quantitative relation between money prices and abstract labor measured with money: now the unit of calculation is same, namely money.<sup>13</sup>

### ABSTRACT LABOR TIME AS AN OBJECTIVE QUANTITY

The alternative view—in Heinrich’s opinion obviously erroneous view—is that abstract labor can be quantified as time. The dimension of abstract labor is time. No one maintains that the abstract labor crystallized in an individual commodity or commodity species is in general exactly measurable or observable.<sup>14</sup> The question of a quantitative dimension in theory and the question about the empirical measures of this quantity are separate. However, we can ask whether abstract labor times are objective quantities regulating the exchange process and the creation of surplus value—and probably subject to some kind of measurement in real life.

We can discuss the concept of measurability in economic theory in general.<sup>15</sup> One example is the productivity of labor which is a common concept in economic research and economic statistic. It is also central in the Marxist theory of value. Actually the productivity of labor (or productive force of labor as Marx often expressed) is the reciprocal of the “labor value” of a commodity, if we observe an individual species of commodities and take into account the direct and indirect socially necessary abstract labor time crystallized in the commodity. It would be quite senseless to say anything about the productivity of labor, if there is no means of measuring abstract labor that is labor “in general,” stripped from its concrete features. In practice, it is of course very difficult to make exact measurements or comparisons of labor productivity. Exact calculations are possible only in some ideal circumstances when both the labor expended and the product produced are homogenous. Ordinarily the changing structure on production and incessant changes in the

<sup>13</sup>Some writers go so far as to declare that prices of commodities determine their value. Therefore, the relation of value and price is turned upside down (see Kay 1999).

<sup>14</sup>Haug makes a more precise statement: “This drama of averages forbids counting the factually measurable labor-time as directly value producing” („Jenes Drama des Durchschnitts verbietet es, der Arbeitszeit als faktisch-messbarer unmittelbar Wertbildung zuzurechnen” Haug 2005: 97).

<sup>15</sup>In G. Quaas (2001), we find a discussion about the theory of measurement in the context of labor theory of value, or “theory of labor quantities,” as the author defines.

quality of products make the exact measurement of product output cumbersome while it can also be statistically difficult to reduce the various features of labor to a homogenous, or rather “abstract labor”. However, this does not prevent us from evaluating changes in the productivity of labor, producing different estimates and comparisons, constructing various indices of productivity and having some kind of understanding about, e.g., the differences in the general level of productivity of labor in different countries or in different epochs.

Already the simple statement that machines help to raise productivity of labor compared to manual labor implicates some quantitative assessment of abstract labor. Somebody may think that here we compare only concrete labor, but labor made with machines is not any more the same concrete labor the machines are replacing, although the produced use value can be similar or identical. Heinrich argues that when Marx writes that “socially necessary labor time” is the measure of value he is confusing abstract and concrete labor, and measuring value with concrete labor (Heinrich 2003: 218).<sup>16</sup> Nevertheless, if this is true, then the quantitative analysis of valorization process seems very obscure. Can we say anything about the effects of the changes in the productivity of labor on values or prices, if we cannot measure this productivity? This is another example of the consequences that have to be reckoned with if we say that abstract labor is not measurable.

Labor time, as a measure “abstract labor,” regardless of the concrete form or function of labor, has also a great practical meaning and regulating role in the production process. Labor and production times are exactly calculated and controlled especially in the industrial enterprises, but also in other branches of economy. “The tyranny of time in capitalist societies is a central dimension of the Marxian categorical analysis” (Postone 1996: 214). The value-quality of commodities has a central role not only in the exchange but also in the planning and steering of production (cf. Krämer 2006: 240). In general, we can notice the

<sup>16</sup>True, Marx wrote that “productive power is an attribute of the concrete useful forms of labour” (MECW 35, 56). However, a more general formula of the productivity of labor is *amount of use value / abstract labor time*—that is we have an amount of use values in the numerator and abstract labor time as the denominator. Productivity as an absolute figure refers always to a specific use value and in this respect, it is also the reciprocal of the labor value of a specific commodity. This idea is implicit in *Capital*, but not explicitly formulated, although Marx naturally notes the inverse relation of value and labor productivity.



“intimate relationship between clock-time and capitalist value formation” (Martineu 2015: 46).

All this does not mean that we are discarding the value-form analysis and underestimating the crucial role and importance of money or negating the conclusion, that money is a necessary form of expression of value, or underrating the Marxist notion of commodity fetishism, which are all important themes in the “new reading” of *Capital*.

The problem is in the right understanding and formulation of the relations between the process of production and process of exchange.<sup>17</sup> It is possible to use selectively the texts of Marx and find some statements, which seem to support the so-called monetary theory of value. For example, Heinrich refers to a sentence in the manuscript Marx used for editing changes in the 1st volume of *Capital* and which in modified form was also included in the French edition of this work: “The reduction of different concrete private labours in this abstractum of equal human labor is fulfilled only through exchange which actually equalizes the products of different labours” (MEGA II.6, 41).<sup>18</sup> However, there are quite explicit statements in the opposite direction even in the 1st Volume of *Capital*. It is also quite evident that for Marx value is a definite quantity measured by the labor time, in hours, days, etc. In my opinion it is not apparent, and at least not sufficiently validated, why we should now abstain from these lucid definitions and conclusions.

Marx underlines that the quantity of value regulates the exchange and not vice versa: “It becomes plain that it is not the exchange of commodities which regulates the magnitude of their values, but on the contrary, that is the magnitude of their value, which controls their exchange proportion” (MECW 35, 74). He also emphasizes that the exchange process

<sup>17</sup>The target of this paper is not to comment or solve the whole complex of questions relating to the “monetary” theory of value, or the analysis of value-form or definitions of abstract labor. It is a demanding task when we take into account the different theoretical formulations of Marx himself, the discussions starting from Isaak Rubin in early twentieth century and the writings of contemporary scholars (e.g., discussion in *Capital & Class*: Bonefeld 2010; Kicillof and Starosta 2011). See also critique of value-form theories by Carchedi (2012: 60–85).

<sup>18</sup>In *A Contribution to the Critique of Political Economy* we find also sentence which seems to give some support the “monetary” interpretation of theory of value: “Social labour-time exists in these commodities in a latent state, so to speak, and becomes evident only in the course of their exchange” (MECW 29, 286). But of course, it is too straightforward to see this as proof of theses of the value-form theorists.

does not give a value to the commodity but its specific value-form and that the value of a commodity expressed in its price is a precondition of circulation, not its result. “The act of exchange gives to the commodity which it has converted into money not its value, but its specific value-form” (MECW 35, 101). “The value of a commodity is expressed in its price before it goes into the circulation, and is therefore precedent condition of circulation, not its result” (MECW 35, 168).<sup>19</sup>

Marx says similarly about the value of labor power. “Its value, like that of every other commodity, is already fixed before it goes into circulation, since a definite quantity of social labor has been spent upon the production of labor power [– –]” (MECW 35, 184).

Marx also sees the objectification and materialization of abstract human labor as the premise of value, and defines time units as a measure of the value-producing labor. “A use value, or useful article, therefore has value only because human labor in abstract has been embodied or materialized in it. How then is the magnitude of this value to be measured? Plainly, by means of the quantity of the ‘value-creating substance’, the labor, contained in the article. This quantity of labor is measured by its duration, and labor time finds its standard in weeks, days, and hours” (MECW 35, 49).

Nevertheless, we can still ask, if there are some contradictions or unexplained ambiguities in the theoretical statements of Marx, even in his mature work. It seems to me that it is a superficial impression (cf. Carchedi 2009: 258). So already in the *Contribution to the Critique of Political Economy* Marx writes about a difficulty in the analysis of commodity: “on the one hand, commodities must enter the exchange process as materialized universal labor time, on the other hand, the labor time of individuals becomes materialized universal labor time only as a result of the exchange process” (MECW 29, 286). The second part of the sentence essentially corresponds the quotation from the manuscript Marx used for editing changes in the first volume of *Capital* (MEGA II.6, 41), referred by Heinrich and used by him to validate his own position. But according to the first part of this sentence commodities enter the exchange process as materialized universal labor, which contradicts the thesis according to which abstract labor time exists or originates

<sup>19</sup>Some current writers explicitly deny this: “... it makes no sense to talk of commodities having values before they are exchanged, that is of having values before these values are measured” (Kay 1999: 260).

only in exchange, only after the process of production. I think that there is some misunderstanding or one-sided reading of Marx's thesis and his dialectical reasoning. When separate private enterprises produce commodities, the individual labor times are validated only through the exchange process. In each branch of production, some average or domineering level of productivity of labor, and in consequence an average level of socially necessary labor time for producing each commodity, establishes itself through competition, through the exchange process, and not by means of conscious calculations or decisions. Anyway, the conditions of production determine the socially necessary labor time needed to produce a definite commodity.

Marx's theory contains not only a theory of value-form and money but also a theory—or at least the fundamentals of a theory—about quantitative relations in the capitalist mode of production. These quantitative relations have different dimensions: use values, money, and *abstract labor time*. There are different stock and flow variables and important scalar relations: rate of surplus value, rate of surplus labor, rate of profit, composition of capital, etc.

As we already saw, Marx's theory has particularly inspired those trends in mathematical economics, which look at the economy as a circular production and reproduction process. The reproduction schemes of Marx are one the first theoretical constructs in this field, anticipating the later emergence of models built with the help of linear equations and matrix algebra. These models can surpass some limitations of the original reproduction schemes and they can be used and have been used to deepen the Marxist analysis of value and economic reproduction. If our starting point is that abstract labor cannot be measured (or rather quantified in terms of time), much of this loses its substance. Calculations with labor time variables are nonsense, if this point of view is consistently adopted. On the contrary, I see that the value relations expressed in (abstract) labor time are the hidden social structure of capitalist production, which has to be revealed and analyzed.

The idea that labor is quantifiable (as abstract labor, not only as concrete labor) is the cornerstone of all serious mathematical models of value and reproduction. If we say that values can be measured only with money, we remain on the surface of the economic processes. Moreover, the quantitative relations expressed with the help of money values, remain largely unexplained, if they are not *theoretically* anchored to abstract labor and socially necessary labor times (labor values)

determined by conditions of production. There are no universal, abstract money units. Money values as such, outside any historical, political, or geographical context, are empty numbers.

We can also return to the methodological questions about the relation of production and exchange. In *Grundrisse* Marx wrote that production, distribution, exchange, and consumption are not identical, “but that they all form the members of a totality, distinctions within unity”. However, he stressed, “That exchange and consumption cannot be predominant is self-evident” (Marx 1973: 99). In the “monetary theory of value,” there is a tendency to see the exchange as predominant in the totality of production and exchange. Because of this tendency there appear unnecessary barriers to the quantitative assessment of abstract labor.

Another methodological point: The value-form theorists often concentrate their textual analysis to the first chapters of the first Volume of *Capital*. In these chapters, Marx does not elaborate questions relating to the interaction of various branches of production. Obviously, this leads sometimes to a “simple-commodity” view of capitalist production, to a picture, where each commodity is produced only with one type of concrete labor. This may perhaps explain or make understandable the conception that “socially necessary labor time” refers only to concrete labor. In the case of Heinrich we find then a concept of abstract labor, which is not operative when we study a complex, interweaved capitalist production system and which has little use in economic analysis—especially in quantitative analysis.

I am inclined to think that there is some confusion in the discussion. The concept of value-form and the Marxist theory of money do not exclude or forbid the measurement of abstract labor time. The so-called real abstraction does not negate the abstraction in thought (“gedankliche Abstraktion”) which is necessary for any scientific analysis and a feature of everyday life in capitalist business. Marx’s thesis about “reduction of different concrete private labors in this abstractum of equal human labor” through exchange does not mean that abstract labor has an undefined time dimension or that abstract labor time “exists” only in exchange. If we study the quantitative aspects of valorization and use (abstract) labor time as a measure in this analysis, it does not mean, that we are Ricardians or that we have a “naturalistic” and not a social theory of value in mind. It is of course important and even axiomatic to separate theoretical and empirical concepts and to avoid naïve empiricism,

but the gap between theoretical and empirical concepts is not or cannot be insurmountable.<sup>20</sup>

It is true that in the so-called quantitative Marxism (and especially in the neo-Ricardian interpretations) the value-form analysis or Marx's theory of money is often overlooked or not taken into account, and that sometimes even the critical character of Marx's theory is lost. The critical remarks of value-form theorists are justified in many respects. This is even a central criterion in separating neo-Ricardian and Marxist studies.<sup>21</sup> However, it is also important to understand the different levels of abstraction and different tasks in various research projects. When we study some fundamental questions of the economic reproduction or growth in the capitalist mode of production, it is often necessary to abstract from money or give money only the passive role of a measure of value in the mathematical models. Such quantitative models, often using abstract labor time as one variable or dimension, do not necessarily demonstrate "traditional" Marxism, nor neo-Ricardianism.

So I argue for a more open attitude toward the reproduction schemes and modern mathematical methods when we discuss problems of Marxist theory, and especially problems of the theory of value and prices. This quite lengthy argumentation, in my opinion, also points to the "multi-system" approach when we study the transformation problem: we have not only a system of prices (value-form), or system of capital values, but it is essential to analyze also a system, which can be expressed in the form of abstract labor times, and also a system of use values produced and consumed (material, bodily "stoffliches" system).

## CONCLUSION

I hope that the quantitative aspects could be more closely integrated to the "new reading" of *Capital*. The label "traditional Marxism" is here not suitable, because in this field the main development has taken place

<sup>20</sup>It is also important to see, that in the first and second volume of *Capital* Marx generally assumed the quantitative equivalence of prices and values. This is a feature of the theoretical model and not a statement about the empirical reality. It is not applicable on a more concrete level of analysis.

<sup>21</sup>Haug writes of neo-Ricardian conceptions camouflaged as Marxist (Haug 2013: 142). Obviously the critical character of Marxist theory can be lost also in other interpretations, not only in neo-Ricardian studies.

in the last decades and because the quantitative or mathematical handling of Marxist theory was not a priority in the Soviet Union or Eastern European socialist states.<sup>22</sup> I think that this question has also a relation to the discussion about “logical” and “historical” in the critique of political economy. Mathematical models, already in the form that Marx himself developed them, are “logical” expressing some fundamental features of the capitalist mode of production. They are not very good tools in the study of the history of capitalism. When the “new *Capital* lectures” prefer the “logical” reading of *Capital*, why should mathematical methods be underestimated or even ignored or quantitative analysis evicted from the discussion? Moreover, it is hardly in the spirit of Marx’s studies to reject the use of more advanced mathematical methods than Marx himself used.

Of course, one should be careful to not overestimate the possibilities of mathematical models. Social processes are complex and it is not possible with the help, or only with the help of mathematical tools to make predictions or prophecies of long-term development of capitalism, let alone predictions about a breakdown of the system. The fallacy of early historical debates about breakdown and crisis theories was the belief that complex processes can be modeled with relatively simple tools.

On the other hand, the value-form analysis and value-form concepts should be more closely integrated to the quantitative aspects of Marxian analysis of values and reproduction. We need reciprocal enrichment of the Marxist science with “qualitative” and “quantitative” studies, not their artificial juxtaposition.<sup>23</sup>

These thoughts led us quite a far from the initial questions about the transformation problem, but I think they have relevance also in this connection.

<sup>22</sup>Quaas tells about “hostile” attitude toward using mathematics in economic science in the GDR. Sometimes already the mathematic form was labeled bourgeois, vulgar or alien to reality (Quaas 1992: 131). Mathematical tools in economic research were practically banned in Soviet Union in the 1930s (Smolinski 1973).

<sup>23</sup>The works of G. Quaas are an example of the possibility of combining a profound mathematical analysis of value theory with philosophical and methodological studies of *Capital*. Cf. Quaas (1992, 2001, 2016).

## REFERENCES

- Alcouffé, A. (1985). Marx, Hegel et le “Calcul”. In *Les manuscrits mathématiques de Marx*. Étude et présentation par Alain Alcouffé. Paris: Économica.
- Alcouffé, A. (2005). Économie et Mathématiques des travaux de Marx. *MEGA-Studien 2001* (pp. 142–165). Amsterdam: Internationale Marx-Engels Stiftung.
- Alcouffé, A., & Wells, J. (2009). Marx, Maths, and MEGA 2 (Unpublished Draft Written to European Society for the History of Economic Thought Conference in Thessaloniki).
- Backhaus, H.-G. (1997). *Dialektik der Wertform. Untersuchungen zur marx-schen Ökonomiekritik*. Freiburg: Ça ira Verlag.
- Bonefeld, W. (2010). Abstract Labour: Against Its Nature and on Its Time. *Capital & Class*, 34(2), 257–276.
- Bortkiewicz, L. v. (1907a). Wertrechnung und Preisrechnung im Marxschen System. *Archiv für Sozialwissenschaft und Sozialpolitik*, XXV, 10–51, 445–488 (English translation: Bortkiewicz, Ladislaus von: Value and Price in the Marxian System. *International Economic Papers* No. 2. London: Macmillan, 1952).
- Bortkiewicz, L. v. (1907b). Zur Berichtigung der grundlegenden theoretischen Konstruktion von Marx im dritten Band des “Kapital”. *Jahrbücher für Nationalökonomie und Statistik*, 34, 319–335 (English Translation as an Appendix to Böhm-Bawerk, Eugen von: Karl Marx and the Close of His System [P. M. Sweezy, Ed.]. London: Merlin Press, 1975).
- Bródy, A. (1970). *Proportions, Prices and Planning: A Mathematical Restatement of the Labour Theory of Value*. Budapest: Akadémiai Kiadó.
- Carchedi, A. K. G. (2009). The Fallacies of ‘New Dialectics’ and Value-Form Theory. *Historical Materialism*, 17, 145–169.
- Carchedi, G. (2012). *Behind the Crises: Marx’s Dialectics of Value and Knowledge*. Chicago: Haymarket Books.
- Diaz, E. & Velasco, F. (2016). The Transformation of Values into Prices of Production in Marx’s Scheme of Expanded Reproduction. *Review of Radical Political Economics*, 48, 394–416.
- Duménil, G. (1980). *De la valeur aux prix de production. Une réinterprétation de la transformation*. Paris: Economica.
- Dunne, P. (1991). An Introduction to Quantitative Marxism. In P. Dunne (Ed.), *Quantitative Marxism*. Cambridge: Polity Press.
- Elbe, I. (2006). Zwischen Marx, Marxismus und Marxisten: Lesarten der marxschen Theorie. In J. Hoff, A. Petrioli, I. Stützle, & F. O. Wolf (Eds.), *Das Kapital neu lesen - Beiträge zur radikalen Philosophie*. Münster: Verlag Westfälisches Dampfboot.

- Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press.
- Glombowski, J. (1983). A Marxian Model of Long Run Capitalist Development. *Zeitschrift für Nationalökonomie*, 43(4), 363–382.
- Haug, W. F. (2005). *Vorlesungen zur Einführung ins "Kapital"*. Hamburg: Argument.
- Haug, W. F. (2013). *Das „Kapital“ lesen - aber wie? Materialien zur Philosophie und Epistemologie der marxischen Kapitalismuskritik*. Hamburg: Argument.
- Heinrich, M. (2003). *Die Wissenschaft vom Wert. Die Marxsche Kritik der politischen Ökonomie zwischen wissenschaftlicher Revolution und klassischer Tradition*. Münster: Westfälisches Dampfboot.
- Heinrich, M. (2004). *Kritik der politischen Ökonomie. Eine Einführung*. Stuttgart: Schmetterling Verlag.
- Heinrich, M. (2009a). Reconstruction or Deconstruction? Methodological Controversies About Value and Capital, and New Insights from the Critical Edition. In R. Bellofiore & R. Fineschi (Eds.), *Re-reading Marx: New Perspectives After the Critical Edition*. London: Palgrave Macmillan.
- Heinrich, M. (2009b). *Wie das Marxsche "Kapital" lesen? Teil I. Leseanleitung und Kommentar zum Anfang des "Kapital"*. Stuttgart: Schmetterling Verlag.
- Heinrich, M. (2012). *An Introduction to the Three Volumes of Capital*. New York: Monthly Review Press.
- Howard, M. C., & King, J. E. (1987). Dr Mühlpfort, Professor von Bortkiewicz and the 'Transformation Problem'. *Cambridge Journal of Economics*, 11, 265–268.
- Jorland, G. (1995). *Le paradoxe du capital*. Paris: Éditions Odile Jacobs.
- Kay, G. (1999). Abstract Labour and Capital. *Historical Materialism*, 5(1), 255–279.
- Kicillof, A., & Starosta, G. (2011). On Value and Abstract Labour: A Reply to Werner Bonefeld. *Capital & Class*, 35(2), 295–305.
- Kliman, A. (2007). *Reclaiming Marx's "Capital": A Refutation of the Myth of Inconsistency*. Lanham: Lexington Books.
- Krämer, R. (2006). Wert-Bedeutung: Thesen zur Werttheorie. In J. Hoff, A. Petrioli, I. Stützle, & F. O. Wolf (Eds.), *Das Kapital neu lesen – Beiträge zur radikalen Philosophie*. Münster: Verlag Westfälisches Dampfboot.
- Laibman, D. (2000). Rhetoric and Substance in Value Theory: An Appraisal of the New Orthodox Marxism. *Science & Society*, 64(3), 310–332.
- Likitkijomboon, P. (1995). Marxian Theories of Value-Form. *Review of Radical Political Economics*, 27(2), 73–105.
- Marshall, A. (1890). *Principles of Economics* (Vol. I). London: Macmillan.
- Martineu, J. (2015). *Time, Capitalism and Alienation: A Socio-Historical Inquiry into the Making of the Modern Time*. Leiden: Brill.
- Marx, K. (1973). *Grundrisse*. Harmondsworth: Penguin Books.



- MECW = *Marx, Karl & Engels, Friedrich: Collected Works*. London, Different Years.
- Meek, R. L. (1956). Some Notes on the "Transformation Problem". *The Economic Journal*, 66, 94–107.
- MEGA = *Marx, Karl & Engels, Friedrich: Gesamtausgabe*. Berlin: Dietz Verlag, Different Years.
- MEW = *Marx, Karl & Engels, Friedrich: Werke*. Berlin: Dietz Verlag, Different Years.
- Mori, K. (2006). Eine dogmenhistorische Dualität in der Reproduktions- und Preistheorie: Georg von Charasoff and Kei Shibata. In *Marx-Engels-Jahrbuch 2006*. Berlin: Akademie Verlag.
- Mori, K. (2012). *Six-Sector Model of Production and Monetary Circuit: Making Sense of Marx's Original Reproduction Schemata* (Discussion Paper No. 278). <http://www.econ.tohoku.ac.jp/e-dbase/dp/terg/terg278.pdf>.
- Morishima, M. (1974). *Marx's Economics: A Dual Theory of Value and Growth*. Cambridge: Cambridge University Press.
- Moseley, F. (1998). Marx's Reproduction Schemes and Smith's Dogma. In C. J. Arthur & G. Reuten (Eds.), *The Circulation of Capital: Essays on Volume Two of Marx's Capital*. Houndmills: Macmillan Press.
- Moseley, F. (2016). *Money and Totality: A Macro-Monetary Interpretation of Marx's Logic in Capital and the End of 'Transformation Problem'*. Leiden: Brill.
- Mühlpfor[d]t, [Wolfgang] (1896). Karl Marx und die Durchschnittsprofitrate. *Jahrbücher für Nationalökonomie und Statistik*, 65, 92–99.
- Postone, M. (1996). *Time, Labor and Social Domination: A Reinterpretation of Marx's Critical Theory*. Cambridge: Cambridge University Press.
- Quaas, F. (1991). Wolfgang Mühlpfordt – ein Vorgänger von Bortkiewicz? Zu den theoretischen Quellen des sogenannten Transformationsproblems. *Jahrbücher für Nationalökonomie und Statistik*, 208(5), 493–504.
- Quaas, F. (1992). *Das Transformationsproblem. Ein theoriehistorischer Beitrag zur Analyse der Quellen und Resultate seiner Diskussion*. Marburg: Metropolis Verlag.
- Quaas, G. (2001). *Arbeitsquantentheorie. Mathematische Grundlagen der Werttheorie*. Frankfurt am Main: Peter Lang.
- Quaas, G. (2016). *Die ökonomische Theorie von Karl Marx*. Marburg: Metropolis Verlag.
- Ravagnani, F. (2005). A Critical Note on Moseley's 'Macro-Monetary' Interpretation of Marx's Theory. *Review of Radical Political Economy*, 37(1), 85–96.
- Samuelson, P. A. (1974). Marx as Mathematical Economist: Steady-State and Exponential Growth Equilibrium. In G. Horwich & P. A. Samuelson (Eds.),

- Trade, Stability and Macroeconomics: Essays in Honor of Lloyd A. Metzler*. New York: Academic Press.
- Shaikh, A. (1977). Marx's Theory of Value and the 'Transformation Problem'. In J. Schwartz & S. Monica (Eds.), *The Subtle Anatomy of Capitalism*. Santa Monica, CA: Goodyear Publishing Company.
- Shibata, K. (1933). The Meaning of the Theory of Value in Theoretical Economics. *Kyoto University Economic Review*, 8, 49–68.
- Smolinski, L. (1973). Karl Marx and Mathematical Economics. *Journal of Political Economy*, 81(5), 1189–1204.
- Steedman, I. (1978). *Marx After Sraffa*. London: NLB.
- Stützle, I. (2006). Die Frage nach der konstitutiven Relevanz der Geldware in Marx' Kritik der politischen Ökonomie. In J. Hoff, A. Petrioli, I. Stützle, & F. O. Wolf (Eds.), *Das Kapital neu lesen – Beiträge zur radikalen Philosophie*. Münster: Verlag Westfälisches Dampfboot.
- Taylor, N. (2004). Reconstructing Marx and Money and the Measurement of Value. In R. Bellofiore & N. Taylor (Eds.), *Essays on Volume I of Marx's Capital*. Houndmills: Palgrave Macmillan.
- Tugan-Baranowsky, M. (1905). *Theoretische Grundlagen des Marxismus*. Leipzig: Verlag von Duncker & Humblot.
- von Charasoff, G. (1909). *Karl Marx über die menschliche und kapitalistische Wirtschaft: eine neue Darstellung seiner Lehre*. Berlin: Hans Bond.
- Winternitz, J. (1948). Values and Prices: A Solution of the So-Called Transformation Problem. *The Economic Journal*, 58(230), 276–280.
- Zelený, J. (1972). *Die Wissenschaftslogik bei Marx und "Das Kapital"*. Frankfurt am Main: Europäische Verlagsanstalt (Original O Logické Struktura Marxova Kapitálu, 1962).



## Value Forms and the Structure of the Capitalist System

*David Fishman*

Marx analyzed his contemporary capitalism in detail as well as undertaking a critique of political economy and of course these were dialectically linked. This was a seminal and stunning exercise that he accomplished despite the lack of data and source material at the time—it is illuminating to look at the newspapers and magazines of the 1850s and 1860s as well as the numerous Parliamentary reports, commissions and inquiries of the day to see the information and data that was available to Marx. It should also be borne in mind that this was the only information and data available to everyone at this time—the entrepreneurs, capitalists, investors, and financiers were making their decisions on the same basis. What is needed is a questioning and reassessment of the capitalist system from the standpoint of today. This means the reconsideration and reassessment of Marx's work, not for the sake of idle criticism, but as a necessary critique in the light of the history of the last 150 years.

The missing time dimension of value, that corresponding to the future, will be established here. The two triads of value and time will then be complete: value linked to the past, exchange-value to the present and use-value that ties to the future. This formulation allows for

---

D. Fishman (✉)  
Abingdon, UK

the understanding and characterization of contemporary capitalism and in turn will show the way to the emancipation from the rule of capital. Further, the nature and origin of profit will be established as a basic corollary of monetary exchange under capitalism. This does not invalidate Marx's characterization of surplus value and exploitation, but is the necessary form of expression of these. The key to all this is in the understanding of the two triads. The total wealth of the system needs to be classified and mapped and this will be seen to be composed of two elements, one representing the past and the other the future. Each of these will be shown to be estimable with little difficulty.

Holloway reminded us that Marx didn't begin *Das Kapital* with the commodity, but rather with wealth (2015). Holloway was more interested in a philosophical/political slant, mine is numerical and structural relating to the nature of the accumulation of capital. The problem is that there has been little in the way of the characterization of contemporary capitalism in the sense of mapping and tracing structures. There was a serious intent forty years ago by respected Marxist scholars to contemporize *Capital* in the two-volume work "Marx's Capital and Capitalism Today" (Cutler et al. 1977, 1978) but by denying the necessity of the exchange of equivalents under capitalism they rejected Marx's formulation of value and in doing so lost their bearings. I am also concerned to characterize capitalism today but I cannot dispute the basic tenets of his value analysis, despite all the critical faculties that I have been able to bring to bear.

## INTRODUCTION

What shall be seen is the correspondence of two triads, one of time and the other of value. The past is associated with value (labor-time), the present with exchange-value (price) and the future with use-value. The first couple is conceptual, a secret as Marx says: "The determination of the magnitude of value by labour-time is therefore a secret, hidden under the apparent fluctuations in the relative values of commodities" (1906: 86–87), while the other two couples coexist and interact on the stage of contemporary capitalism always underpinned by the first. The past can also be represented by accounting measures and systems; these systems are not secret, but neither are they definitive or unequivocal. This will be elaborated further. The so-called "labor theory of value" along with other topics such as the "tendency of the falling rate of profit" have

generated mountains of largely sterile discussion, debate and controversy. What has been lost sight of is the world capitalist system—but this is precisely Marx’s starting point. Controversies have raged and still do rage over the interpretation of Marx’s text, but without recourse to the study of the system itself. How can you comment on Marx’s *Capital* unless the capitalist system is referenced? The nineteenth-century system could be studied and analyzed as Marx did, but for us it is the contemporary system that is the object of study.

It is a common assumption that economists, management consultants, and bankers comprehend and thereby in some way control contemporary capitalism, but this is completely and utterly without foundation. There is no practical framework for the determination of prices in economics and finance. This stems directly from the lack of a value foundation in these fields, rightly termed vulgar economics by Marx. Not only is there no foundation, there is no validity in posing the question of value. Marx characterized vulgar economics as being only concerned with appearances and hence there is no impetus to do anything other than describe these appearances, there is no understanding, just crass empiricism, and empty theorizing. Marx did have a value foundation that involved both value and price. Equally, there is no available map of capital and without that the system cannot be analyzed or understood. Marx rightly characterized the system as being unplanned at the system level and that this is a necessary corollary of private ownership. The concentration of much of the system into interlocking chains dominated by large companies does mean that considerable planning does take place, but overall the system is unplanned: this gives rise, as Marx emphasizes, to the competition between capitals that is fundamental to the understanding of the system.

Mainstream economics and finance do not involve looking at the overall economy in its complexity; economic variables are not related and interjoined in mainstream vulgar economic theory. Indeed, this is one of the tenets of equilibrium models: the infamous atomistic assumption of producers and consumers. Theoretical models do exist that determine equilibrium prices, but the assumptions embedded in these models make them of little or no practical use. The basic problem with the consideration of prices is to do with the (uncertain) future. There is a particular problem to do with what are called “asset values” or “capital values”; these are the prices of things that last over time, that are not immediately “consumed”, for example capital goods owned by companies or the ownership of companies themselves, company shares, or equities.

Providing that uncertainty can be assumed away, there is little problem in formulating a model that determines asset values—this value is the sum of the future income stream discounted at the intertemporal substitution rate. This formulation of value is termed fundamental value and is contrasted with speculative value. Speculative value can be characterized as anticipating what value “the market” will put on an asset over a “short” time period. This is the behavior that Keynes described in the oft-cited passages of Chapter 12 of *The General Theory* describing the Stock Market in terms of a game of Snap or Old Maid; a newspaper competition to pick out the prettiest face (1936).

Although it is not uncommon to come across criticisms of speculative trading—particularly that carried out on the foreign exchange and commodity markets—we must consider that speculative trading reflects the uncertainty regarding future values or prices. Underlining this is that trading carried out for speculative reasons is hard to distinguish from that carried out for other reasons. The optimization of a portfolio value is a legitimate economic objective and this does involve trades that from one point of view could be considered to be speculative. Indeed, as Keynes signaled, even Stock Market trading can be seen to be speculative. A practical text on finance puts the point well and in very matter of fact terms by citing a commercial court judgment: “It cannot be assumed that hedging and speculation are different – all hedges are more or less speculative and all speculative positions are more or less hedged” (Paul and Montagu 2014: 415). Seen in this light, the problem lies not with “speculative trading” as such, but more with the lack of estimates of asset values or capital prices.

There is a further point to be made here which is that the trading that takes place on the exchanges setting the prices of energy, minerals, metals, and commodities (in the contemporary finance usage: cereals, foodstuffs, etc., not commodities in Marx’s usage) may also be speculative; thus the range of assets for which fundamental value is the determining price method is broader than at first seems. Additionally, new “asset classes” for investments are being created continuously and in this process these assets are coming within the framework of speculative pricing and the ambit of fundamental value. Speculative activity is thus not just characteristic, but also fundamental to capitalism. The nature of the capital relation is inseparable from the characterization of speculative trading. The capital-money relation of  $M-M'$  that Marx introduces in Part I of Volume 1 is a perfect portrayal of a speculative operation. Critically

Marx proceeds to this determination directly from the basic formula of capital,  $M-C-M'$ , while at the same time affirming that money is capital. In other words, it is not a special case, but part and parcel of capital and capitalism. Furthermore, the opening chapters of *Capital* proceed seamlessly from “the commodity” to “exchange” to “money” and then to “capital”—this is not a historical progression, but a logical one and one of great significance. What needs to be done is to provide a realistic and practical framework for the estimation of the price of capital assets. This chapter will set out such a framework. The analysis can and must be carried out at the local, regional, national, and the world level as fits the particular case that is being analyzed. The reliance on so-called “national” data and the focussing on “national” economies fall into the trap of viewing the nation-state as an entity apart. Capitalism is a world system and has been such since the times of Marx, not just since the advent of so-called globalization in the late 1900s.

Marx started out with the exchange of equivalents and for this to happen there has to be a measure; this is the basis of the “labor theory of value” and of course Marx is right: exchange under capitalism is monetary and is of equivalents. What fundamental value does is to restore the ability to establish the exchange of equivalents and to extend this to include all assets. This will allow the total wealth of the system to be characterized.

### THE PRICE OF CAPITAL: FUNDAMENTAL VALUE

I want to examine the basic building blocks of capitalism. We are familiar with the role that accumulation played in Marx’s analysis, but where is this accumulation registered and measured? This is the accumulation of wealth, which is of course based upon the production of commodities, but then again the accumulation process converts surplus value into capital and this capital takes many forms: land, buildings, equities/stocks, bonds, general riches, and so on. While not all of these are conventional produced commodities they go through the valuation process of commodities under capitalism.<sup>1</sup> These types of capital constitute a large and

<sup>1</sup>I am building upon Marx’s analysis in Part V of *Capital* Volume 3 of interest-bearing capital, credit and fictitious capital. This section is well known to be at best a draft, as Marx acknowledges, but chapters 21, 27 and 29 in particular do provide important insights.

important part of capital accumulation and the nature of these must be examined. Capital is a special form of commodity, as Marx specifies:

Capital itself appears here as a commodity...Its use-value consists in producing profits. The value of money or of commodities employed in the capacity of capital is not determined by their value as money or commodities, but by the quantity of surplus-value, which they produce for their owners. The product of capital is profit. (1909: 418)

As it turns out mainstream finance does have a value definition for assets—all the basic texts refer to fundamental value (for an example, see Brealey and Myers 1984, Part Two), but in practice this is seldom used. The formulation by Marx quoted above from 150 years ago clearly prefigures the basic definition of fundamental value. The definition of fundamental value is straightforward—it is the net present value (NPV) of the future income stream from an asset or good. NPV is a commonly used metric in business and finance to estimate the value of a time series of cash flows. The mathematical operation that is used is discounting which is the inverse of compounding that itself is the basis for the calculation of interest on loans. We now have to determine what that future income stream is and what discount rate or rates to apply to that income stream to derive the NPV. First, however, let us consider what are the types and nature of the assets and goods for which we can estimate fundamental value.

There must be a future income stream associated with an asset or a good for a fundamental value to be estimated. The income stream could consist of only one payment or of multiple payments. Generally all financial assets can be assessed for fundamental value including those assets representing trades on the futures and options markets. Goods and commodities that are fully utilized in the process of production or consumption are not amenable to the analysis of fundamental value as there is no future income stream that is associated with them. However, these goods and commodities are not outside the framework of fundamental value, on the contrary, they are critical to it as they are products of economic calculation and therefore their prices and conditions of production must be characterized in order to calculate the fundamental value of those economic units or companies that produce them. Items such as collections of art, antiques, coins, stamps, and wines can be and must be assessed for fundamental value. Land and buildings are also to



be included in the set of items for which fundamental value can be estimated. So we see that in one way or another all goods and services come within the framework that we will be using for fundamental value—this should not be surprising as it is a basic premise of an interconnected economy.

The fundamental value of a company is simply the NPV of the future net cash flow after tax. The definition appears very simple, but it must be emphasized that all items are on a cash flow basis including capital expenditure and taxes. This corresponds more or less to what is termed “free cash flow” in financial analysis. This formulation of fundamental value is invariant to accounting results as fundamental value is concerned solely with cash flow.

The estimate of fundamental value thus provides a reference point to our consideration of asset value, but of equal significance is that the underlying data input to the cash flow estimate comprises the future values of all costs, prices, and sales. This does not make that future any less uncertain, but it does mean that a company’s fundamental value is laden with implicit data comprising estimates of the future.

Turning now to the distinction between a private company and a publicly quoted one, the salient feature is that the public company has a value that is set by the price of its shares on the Stock Market. It is necessary, however, to be precise about what the share price represents. The share price is the price of one share of the company whereas the fundamental value of a company is the NPV of the future cash flow accruing to the company. Firstly, there is the obvious point that one share does not confer any meaningful control over the company or over its cash flow—it represents the right to receive dividends and to sell the share at a chosen moment. Secondly, in the absence of an estimate of fundamental value the relation between the fundamental value and the Stock Market capitalization is unknowable. In the case of a private company the valuation parameters are set in large measure by reference to companies that are quoted on a Stock Exchange as these do provide a reference point, albeit not necessarily one of fundamental value, but it is a reference point. It may also be that a Stock Market capitalization is the near term destiny of the private company. This then reinforces the use of quoted companies as setting the standard for valuation.

We still have to resolve the matter of the relation between the share price of a company and its fundamental value. While this relation is unknowable in the absence of a firm estimate of fundamental value,

the possibility exists that share prices could reflect fundamental value or bear a calculable relationship to it if there were estimates available. One favorable point is that there is no disagreement within traditional economics and finance that the price of a share should represent fundamental value. However, we must consider that this unanimity is founded on the assumption of no uncertainty along with the other panoply of assumptions necessary for the system equilibrium to prevail. If we were to come up with an estimate, however firmly held, of fundamental value it would not do away with uncertainty, so we seem to be no further forward. I return to the basic point, if the share price represents fundamental value then this already contains an implicit estimate of future cash flow.

### THE ESTIMATION OF FUNDAMENTAL VALUE

The use of discounted cash flow (DCF) analysis in order to produce an NPV is the most basic technique of investment appraisal, at least in theory. Basic texts on Corporate Finance start from this point. It can be used not solely at the initiation of a project or an investment, but throughout the life of the project or investment. Any company can be considered to be a set of projects so that the total corporate fundamental value is the sum of the individual projects taking due regard to interdependencies. The modeling of the full corporate portfolio using cash flow analysis is less common, but is a well-founded analytical tool, especially in the natural resource sectors. This holds particularly in the case of a contested take-over where the value of the offer by the predator company can be compared to the estimated NPV from cash flow analysis of the target company. In these situations the target company may use independent consultants in order to give the resulting valuation further credibility. Oil and gas companies whose shares are quoted on a US Stock Exchange are required by the SEC to report annually the results of a DCF analysis of their upstream reserves.

We have established that the estimation of fundamental value is a feasible method for an individual company. What has not been done is to comprehensively undertake such cash flow analysis in order to estimate the fundamental value of the corporate sector in a systematic way. The opening remarks to this section were to the effect that the most basic Corporate Finance analysis is grounded in cash flow; and in large measure it remains just that, a textbook analysis as the focus quickly shifts to

accounting measurement involving balance sheet and profit and loss. By eschewing cash flow analysis at such an early stage a vital tool has been overlooked. The aggregation to the industry or sector level provides a powerful and important tool for the estimation of fundamental value. This industry or sector aggregate acts as both a control on and a guide to the fundamental value of individual companies. It can also be used in conjunction with other industry aggregates to gain a better picture and understanding of broader sectors or of the whole economy.

An industry model can be arrived at by aggregating all the individual companies in the industry. This aggregate can then be treated as a single unit in order to then estimate the future industry cash flow and results. The resulting fundamental value then demonstrates an industry asset value which can then be compared both with the current aggregate market capitalization of the individual companies in the industry and also with the aggregate of the estimates of fundamental value of the individual companies. This provides a control to the value of the individual companies and also acts as a reference point for looking at that industry in the context of the whole economy. It is as if we are redrawing the extent and size of companies so that a single company encompasses a whole industry segment or even a whole industry.

A complementary method is to construct a generic company that is representative of a particular industry or of a part of that industry. Again, more than one generic company can be derived in order to model the whole industry. The industry model can be derived from the generic companies by addition and/or by scaling up. The use of generic companies and aggregate “companies” can also be combined in order to produce different and more realistic models of the industry or sector. We now have available various ways for estimating the total fundamental value of an industry. This will allow alternative views or structures to be examined and explored. For example, a summary model of the world upstream oil and gas industry can be represented in a spreadsheet of some 9 columns giving cash flow elements; years would be presented in rows so that a 26-year forecast would then make the spreadsheet 9 cells by 26. This model can be used to analyze, *inter alia*, the fundamental value of the oil and gas companies given a path for oil and gas prices. Table 7.1 shows such an estimate that also involves production rates that are in compliance with the Intergovernmental Panel on Climate Change (IPCC) 450 case—for further details see Fishman (2017). The

Table 7.1 Model of world upstream oil and gas industry

	Production		Average Price		Revenue		Costs		Royalty and Tax		Cash flow profit
	Oil MMstb/d	Gas Bcf/d	Oil \$/stb	Gas \$/MMbtu	Total	Project	G&A/O&Ds				
2017	94	350	53	6.8	2687	961	150	1049	527		
2018	94	355	70	7.0	3304	976	150	1425	753		
2019	94	360	60	7.1	2996	991	150	1223	632		
2020	91	364	55	7.3	2800	1000	150	1096	555		
2021	88	369	56	7.5	2804	1008	150	1093	554		
2022	85	374	57	7.7	2807	1017	150	1089	552		
2023	82	379	57	7.9	2785	1015	150	1076	544		
2024	79	383	57	8.1	2765	1014	150	1064	537		
2025	76	388	57	8.3	2745	1012	150	1053	530		
2026	73	393	57	8.3	2697	1011	146	1025	516		
2027	70	398	57	8.3	2650	1009	143	997	501		
2028	67	402	57	8.3	2602	1002	139	972	489		
2029	64	407	57	8.3	2554	993	136	949	477		
2030	61	412	56	8.3	2482	984	132	910	456		
2031	58	417	54	8.3	2412	975	129	872	436		
2032	55	421	53	8.3	2344	966	126	836	416		
2033	52	426	52	8.3	2280	945	122	810	403		
2034	49	431	51	8.3	2219	923	119	786	390		
2035	46	436	50	8.2	2140	901	113	721	405		
2036	45	427	49	8.0	2061	881	108	687	386		
2037	44	419	48	7.9	1982	861	102	652	367		

(continued)

Table 7.1 (continued)

	Production		Average Price		Revenue Total	Costs Project	G&A/O'hrs	Royalty and Tax	Cash flow profit
	Oil MMstb/d	Gas Bcf/d	Oil \$/stb	Gas \$/MMbtu					
2038	43	411	47	7.8	1906	842	97	619	348
2039	42	402	46	7.7	1833	823	92	587	330
2040	41	394	45	7.6	1761	804	88	557	313
2041	40	386	44	7.5	1692	786	83	527	296
2042	39	377	44	7.3	1626	768	79	499	280
Totals	610	3751			62,936	24,467	3306	23,174	11,990
	Billion stb	TCF						NPV @5%	7331
								10%	5069

Table units: MMstb/d—millions of barrels of oil per day; Bcf/d—billions of cubic feet of gas per day; stb—barrel of oil; MMBtu—million British thermal units (1000 cubic feet of gas contains approximately 1 MMBtu energy); TCF—trillion cubic feet; \$—US dollars; G&A/O'hrs: general, administrative and overheads

final column of the table shows the total cash flow from the worldwide production of oil and gas with the NPV of this cash flow shown at discount rates of 5% and 10%.

The industry aggregate models are also very useful as a test bed or proving ground for modeling of the future path of the industry and thus of the individual companies. For example, if the sales of industry X are estimated to grow at 10% per annum the industry model can immediately reflect this thereby avoiding at this stage the allocation of the estimated growth rate to individual companies. Following this example through, this sales growth necessarily implies investment which is difficult to allocate to individual companies a priori, whereas in the context of the industry models, be they aggregate “companies” or generic companies this new investment takes on a firm reality which it does not have if the analysis focuses only on individual companies. More importantly, this new investment will also be evaluated for profitability in the model providing the full range of indicators such as Rate of Return, NPV, Profit/Investment ratio and so on. This will ensure that the model results in terms of fundamental value, prices, and sales are viable. This will lead us to consider the relation between fundamental value and traditional accounting reporting.

We thus have the following different views or components of aggregate analysis:

- a. Aggregate of all company units—simple addition; by industry or sector
- b. Generic companies representing total industry or sector
- c. Subdivision of industry or sector with generic companies
- d. Aggregation of (b) and/or (c) to obtain total industry or sector.

These are neither abstract nor complex models and they do not require an inordinate amount of elaboration or “expert” data; what is essential is an accurate picture and analysis of the industry concerned. The elaboration of such models is well within the capability of the experts analyzing their own industries in the companies concerned, as well as the numerous analysts working in stockbrokers and investment fund managers and the many consultants, trade unions and NGOs. Over time this “expertise” will be part of the political process of the realization of the transformation of the value form. In actuality, many similar models are already being used through business, but they are directed mainly at the level of the

individual company and its individual value. The extra insight and information that is afforded by aggregating is being lost.

The abundance of ways that are available to derive and estimate the fundamental value by industry or sector means that we can say that the measure of fundamental value is overdetermined. The significance of this is precisely that we are witnessing periods of extreme volatility in the financial markets; periods where asset values seem to be totally unanchored and there is no backstop or reference point to asset values. If analysts were to simply aggregate their individual company models to the industry level there would immediately be a pool of anchor points or reference points available. These can then be further pooled across all industries, sectors, and markets to build up a picture of the economy.

Another reflection on the question of aggregation is to go back to classical economics where the total social capital and total labor were very integral in the analysis. This is especially the case for Marx where the analysis of value depends on the aggregation to the society level. Marx clearly did not take the boundaries of the company to be immutable, given, or sacred. On the contrary, he analyzed the production of commodities by looking at the individual company unit embedded in the total. There is no problem here in finding the so-called “micro-foundations” of the (so-called) macro-economy. This can be done directly by analyzing, aggregating, and consolidating the individual units to the total society level. This is the only approach that is valid. This also implies that the macro-economy can be derived from this process of aggregation or consolidation, and further, that without doing this it has limited validity.

### THE RELATION BETWEEN FUNDAMENTAL VALUE, ACCOUNTING, AND FINANCIAL ANALYSIS

The recording of sales and purchases is a basic prerequisite of all accounting reports. Obviously some of these sales and purchases will not be on a cash basis, but they must in the end be resolved into cash flows. The accounting system converts these base cash flow records into the statutory accounts that companies are required to keep and report to shareholders. The principal accounting reports are the profit and loss account and the balance sheet with the former recording the annual profit or loss and the latter giving the end of year balance of assets (the

amounts owned by the company) and liabilities (the amounts owed by the company). The two reports are related in that the profit or loss recorded in the year is reflected in the balance sheet. Indeed, another way of deriving the profit and loss account is by taking the change in net assets over the year. The reports are designed to present a snapshot of the company based on historical figures although provisions for selected future receipts/payments, contingent liabilities and the term structure of borrowing provisions are present either in the reports or in the accompanying notes.

Financial accounting records transactions based on accruals whereby judgments are made in order to—broadly speaking—match costs with revenue. This relates primarily to expenditure on assets where the cost is matched with the receipts from those assets over the relevant time period of the assets' lives. There is also a similar matching that occurs with any forward sales receipts and with any derived or dependent items such as taxation whereby there is a shadow tax calculation for the accounts which reflects the other adjustments that have taken place to expenditures and receipts. The end result of this process is a profit and loss account that can and does differ substantially from the profit or loss that would enter into a DCF calculation. Public companies in many countries do now have to provide an additional statement of annual cash flow, which does allow the cash flow from a DCF point of view to be calculated for the current past year.

Despite the differences between the accounting profit and loss and a cash flow profit, over the life of a project these do get resolved or reconciled so that the total profit or loss recorded is the same in both cases although there are timing differences. This result is also valid for any collection or aggregation of projects and is thus applicable to the whole company. This can be deduced also from the primacy of the sales and purchase records for the accounting system.

The principal systematic method of assessing share prices revolves around what is termed fundamental analysis. It concentrates on the use of traditional accounting indicators such as earnings, capital employed and also some calculated indicators such as Price to Earnings ratio (P/E Ratio) and Return on Capital Employed (ROCE). This work is primarily done by equity analysts and market commentators. A time horizon of two or three years is the normal length of forecast. The usefulness of the forecasts is limited in that the objective is to focus on one or other



particular company in the circumscribed context of the share price, i.e., estimating how the share price might move over the next time horizon of probably only a few months at most. The analysis is carried out with a view to informing or advising equity investors, primarily fund managers.

The role and importance of the share price in traditional economics and finance is a mystery—in the first place there is an uneasy characterization of firms, and, secondly, as we have noted, there is no practical consideration of asset value. This then becomes a well rehearsed “show”...somewhat in the styles of Keynes’ characterization of the beauty contest (Keynes 1936: Chapter 12)...whereby company management try to improve their company’s share rating and hopefully then also the share price. Since all companies in the same sector are being rated in the same way, this means that all companies are seeking to do more or less the same things in the same way in order to garner advantageous ratings to influence the share price. This is an example of the mechanics of competition—producing uniformity across industries and markets.

Share prices are not representations of individual asset values, but of what we can call complex values in that there is not a single value behind them, but a comprehensive valuation of the whole of the company’s activities over time. In practice the share price is paramount as it is the prime valuation mechanism and hence also values portfolios and measures portfolio returns. It often is the basis for remuneration packages for middle and top-ranking executives and in Europe and North America, at least, share options and advantageous share purchase schemes. In the venture capital and private equity sectors it is share price that is the main indicator and determinant of decisions and strategy. The financial analysts and fund managers focus almost exclusively on the near-term share price.

What we see at the end here is that there is a definite lack of consideration of fundamental value in the analysis of the value of companies as seen through their share price. There has been increasing recognition of the problems and deficiencies in the process of Stock Exchange valuation and accounting reporting. This is given fresh impetus each time there is a financial crash, a large company bankruptcy, a high-profile corruption scandal and so on...but these events are endemic to the system as currently constituted due to the lack of a measure of asset value.

## THE DETERMINATION OF PRICE AND FUNDAMENTAL VALUE

I made the claim at the beginning that the framework established here would be applicable to prices. We can now be more precise and specify two groups of commodities (meaning commodities comprised of goods, assets, and services)—those for which their own fundamental value can be calculated in their own right and the others for which there is no fundamental value calculation. The price of commodities for which a fundamental value can be calculated may be subject to big variations and swings; their determination can also be the object of trading on a Stock exchange and/or the futures and options markets. These prices must be assessed in conjunction with the fundamental value of companies so that consistent estimates can be assessed for reasonableness.

Those commodities whose prices are not the subject of fundamental value determination are amenable to a full or normal-cost analysis: the work of Andrews is illuminating in this regard (see Andrews and Brunner 1975) and this has also been developed somewhat in Post-Keynesian analysis (see Lee 1999). The determination of prices in *Capital* through cost price and price of production cannot be disputed: Marx was correct here and his formulation is largely overlooked because of the “labor theory of value” debate. This price framework lends itself readily to the DCF framework as well as being highly intuitive. Indeed, how can any measured profit be positive unless the price is greater than cost, even allowing for the difficulties in measuring costs? Examining the two types of commodities that we have just defined, it should become obvious that there really is no hard and fast distinction between them, that the distinction is made by current practice, i.e., commodities that are treated as “assets” on markets acquire the status of those commodities whose prices are determined directly by fundamental value, whereas the prices of the other commodities are determined in the commercial process by units (mainly companies) operating on a full or normal-cost analysis. We can term the first type of commodity a “capital commodity” and the second type a “current commodity”. There are no doubt many useful studies that can be attempted to look at the development over time of the how and why of capital commodities. This also involves the consideration of company and industry organization focussing on the degree of vertical integration. What we are looking for is a consistent set of estimates of both prices and fundamental values, not as an equilibrium or natural state, but rather to make visible all the assumptions and conditions in the economy.

The key is that I am including prices but also asset value in the system, so that we are seeing the results of the complete price—asset value system. In addition, of course, we shall be benefiting from the extra control that is provided by aggregation allowing the total value of an industry to be readily estimated along with the price/quantity variables necessary for that estimation. I am thus providing a viable framework and tools with which to engage in the analysis of the economy and changes in the economy. I am fully aware of the problem of circularity in models, but we are not considering here idealized or equilibrium models. We are looking at the principal driver—capital accumulation, capital value, profit, how so ever it is termed or measured it comes back to the same thing—asset or capital value.<sup>2</sup> The difference in asset value over time is obviously profit if this is not measured directly.

General Equilibrium, neo-Ricardian/Sraffian and mathematical “Marxist” models treat all commodities as the same. A capital good of one-year-old is treated as just that, the product at the end of one year of a process that produced not only the desired goods but also the aged capital good(s); in this way the price of the aged capital goods have to be determined along with all the other “normal” goods and commodities. This is an elegant “solution” to the problem of circularity and capital goods, but a fudge nonetheless. There are big differences in the price determination of individual commodities and assets in the economy. These differences have to be recognized and analyzed, but it seems obvious that the price determination of a paper clip is different from that of a barrel of oil or of a Microsoft share.

To fully address prices, we need to touch upon the question of exchange rates. The formal position in vulgar economics is based on determining exchange rates based on purchasing power parity, but this misses the point in that it focuses on a “representative consumer basket”. It is not credible that the billions of currency units that are transacted daily are earmarked for purchasing a “representative consumer basket” or are being valued with reference to this basket.

The analysis of exchange rates must be predicated on the basis that it is asset value/capital value that is the key. If we substitute a “basket

<sup>2</sup>My late father put this point very cogently in the early 1990s (Fishman 1992). He argued for the placing of asset value centrally on the agenda for both capitalist and socialist systems. He also correctly identified the key importance of the link between prices and asset value/capital value.

of assets” using fundamental value for the “representative consumer basket” then we are firmly on the right track. Once there are firm estimates of the fundamental value of “key” assets in national economies, then the comparability of these will provide a fundamental value estimate of exchange rates. The prime determinant of this is the asset value of companies and of land, housing, buildings, and also of some goods and services.

### VALUE, EXCHANGE-VALUE, AND PROFIT

Much of classical economic thought tried to answer the question of the determination of price and wages—what is the “true” or “fair” value of a commodity or of labor? Twinned with this is the question: what is the source of surplus or profit? The key insight is to be teased out of the first section of Volume 1 of *Capital*, but was not fully realized by Marx. The emphasis on money in the first section has yet to be fully registered and understood; especially the role of money in the value process. We here have to note the work particularly of Murray but also of Arthur that does make great progress in regard to the value foundation and the philosophical basis of this (Murray 2005; Arthur 2005). The main point here is that value must appear as and through money. Marx formulated correctly this identity, but he did not go on to situate profit in the exchange-value system. The ridicule that is heaped upon the idea, shared by Marx, that surplus results from “selling dear” is misplaced when we couple this with monetary exchange. It is monetary exchange that creates the framework for the calculation and registering of deficits and surpluses/profit and loss and it is these that are the form of appearance of surplus value just as exchange-value is the necessary form of appearance of value. The exegesis in Marx is both deliberate and methodical—the establishment of the existence of surplus value in the system ruled by the exchange of equivalents. The answer is of course the existence of the commodity labor power that produces more value when employed in the capitalist system than it is exchanged for. This analysis is still vital and underpins any analysis of surplus and profit.

By the same token, the price of production system in monetary terms can be equated to the “selling dear” example. The surplus may be underpinned by surplus-value in value terms, but it cannot be denied that profit in monetary/exchange-value terms stands on its own and can thus

be seen to be equivalent to “selling dear”. The surplus or profit is underpinned by monetary exchange and thus money creation. It is the mechanism of monetary creation and hence the nature of the financial system that must be taken into account in looking at the ability to generate a surplus. The concrete individual mechanism is still anchored to exploitation but there is a systemic aspect. To put this another way, unless there is a cash flow surplus there cannot be a profit; if the terms of monetary and credit creation are flexible then a surplus will be facilitated.

### THE TWO TRIADS

What we have seen is the correspondence of two triads, one of time and the other of value. The past is associated with value (labor-time), the present with exchange-value (price) and the future with use-value. Capital and commodities whose price is determined by fundamental value are referencing the future: the returns or profits associated with these in the future. Other commodities have use-value that is latent at the time of exchange; the exchange for money is carried out in order to have the use-value of the commodity in the future. Value is founded on labor-time that is firmly anchored to the past. The exchange-value or price is established at the point of exchange, i.e., the present.

There is a widely accepted view of capital being the domination of living labor by dead labor. This then leads to the portrayal of “zombie capitalism” and some very evocative depictions and condemnations of capitalism. This is gainsaid by the practice of capital calculation that only takes the future into account: “point forward” valuation is the norm meaning that history, including past investment, is ignored. One of the principal changes that the English Reformation instituted was the ending of prayers for the dead—the ending of regard for the past and the transfer to the never-ending search for gratification in the here and now (Richmond 2007). By design this is never required under capitalism leading to the purchase of the new model phone/car/clothes/trainers... the lure and promise of the future drive the system treadmill.

Steven Rose situates the importance of remembering the past for the arrow of time: “It is memory which thus provides time with its arrow” (2003: 1). Materialist time venerates the past, the present and the to come. By contrast, capitalist time erases the past in order to reconstruct a mythic and fantasy version and makes the present conditional upon the unattainable future.

Marx says that the work of history is to discover the use of things (1906: 42) ...now, we have identified fundamental value with use-value and use-value itself with the future! Going back in time then means reconstructing the value triad in the past. There is geological time for the reconstruction of the continents, the seas, the lakes, the weather and all of life on land, sea, and air; equally, there is historical materialist time for reconstructing the triad of value. Fundamental value, linked to the future, can then be projected to the past, or, rather, by looking at the future in the past, the impact of the past on the present can be estimated/approximated. This needs to be done in a properly materialist procedure and not in ahistorical time or universal time. The representation of value as exchange-value is associated with generalized commodity production under capitalism such that it is unfounded to go further back than this in the mapping exercise although it may be that there are survivals that are passed on or through that can be traced.

Equally, the association of the triads of value and time will allow the projection to the future. There has been no overall structure to the system outside of the individual competing units. What the two triads facilitate is the estimation of the total system that, along with the techniques of fundamental value outlined above, gives a structure to the system. This would not be unfamiliar to Marx who did go from the individual capital and labor to the totalizing social capital and labor.

There is also an interesting and vital study that must be made looking at the change in valuation parameters over time under capitalism. I have been describing contemporary capitalism, but there are differences in the practice of fundamental value that have occurred. For example, the assumption of growth in earnings over time would not have been the conventional practice for valuations of companies prior to the 1950s and there was certainly more reliance placed then on historical results. Equally, the boundaries of industries, markets and companies are forever changing and this results in continual changes in the production of commodities including the creation of new commodities; allied with this is that the price determination of commodities can change from one of cost-plus to fundamental value and back again. This outlines the research and analytical efforts that need to be undertaken.

So, far from “dead labor” dominating the present, we find that it is equally the labor to come, the future that is also weighing down on the present: that the present is called upon to requite both the past and the future.

## THE STRUCTURE OF THE SYSTEM

I stated at the beginning that my proximate goal was to achieve a catalogue and an outline structure of the economy and this should be taken up as a matter of priority. This is not the economy as conventionally understood as we can undo the appearance and boundaries of the formal categories and ownership in order to recast them. The catalogue will be a collection of descriptions and analyses of markets, industries, and sectors. This is not a theoretical modeling exercise trying to force the economy into a mathematical or physical straitjacket, but rather the analysis, description, and depiction of the economy. This can, should and must be done equally at a very local level, in all communities and countries. There will be great scope and power in undertaking this at a local level.

We need to take stock of our analysis of the economy at this point. We have a way of determining fundamental value for complex assets such as companies; we also can determine prices cum fundamental value for those commodities where prices are determined by fundamental value (capital commodities), e.g., oil, metals, minerals, and some agricultural commodities. Similarly, the prices of “normal” goods and services (current commodities) are determined through their insertion in the fundamental value framework, in other words, they are the product of the decisions made in companies. What is lacking is a determination of fundamental value cum price for other assets, e.g., land, buildings, works of art, etc. However, these will be able to be assessed for fundamental value as they enter into the calculation of other assets; those that do not enter in a significant way will not be critical. We will want to establish the forces and parameters acting on the determination of the prices of these types of asset in order to allow them to be more fully analyzed. Similarly, wages and salaries, as necessary and required inputs, will be included in the determination of both fundamental values and of other prices. This should then complete the picture of the main structure of the economy and a first pass on the determinants of asset values and prices.

Government services, public sector, and state companies should also be estimated for fundamental value; not as a prelude to privatization, but as a necessary comparison or benchmarking exercise. By the same token we are subjecting the private sector to a critical scrutiny that involves running across existing organizational boundaries. So in a very real sense we are also subjecting the private to the gaze of the public; the public can and should also be measured for its “fitness”. In addition, this view

of the state and public sector is very necessary to complete the structural view of the economy. Equally, the informal economy, the not for profit sector and even the black economy is able to be and will need to be evaluated. This analysis will need to be undertaken and will be path-breaking—the data and statistics for a complete view of wealth are not currently available. Indeed, one of the major pitfalls in doing analysis is that of accepting data and statistics as given. It behooves us as Marxists and in the Marxist tradition to be critical and deconstruct data, categories, and statistics and then build these up again refashioned for use. In the interim before this new analysis is available, we can make a start by building on existing estimates.

The empirical study of “wealth” in the United States and the UK was firmly established in the 1960s with works by Raymond Goldsmith (1962) and Jack Revell (1967). At that time it was expected that, alongside national income estimates, national wealth estimates would be routinely carried out. This has not happened—the two main areas where wealth is focussed upon are the inequality of the distribution of wealth and estimates of the extremely wealthy: high net worth individuals (HNWI). The inequality studies are exemplified by the work of Atkinson (2015) while those focussing on HNWI come out under the name of financial institutions although largely done by academics (e.g. Credit Suisse 2016 which also does include total wealth estimates). There are also academic studies that appear now and again that focus both on total wealth and the distribution of same (see Davies 2008; Davies et al. 2011). A different branch of study has also developed over the last 40 years and is now becoming firmly established under the rubric “Stock-Flow Consistent” (SFC) modeling particularly in the Post-Keynesian school (see Godley and Lavoie 2007).

Current estimates of worldwide net personal wealth come to about \$250 trillion (Credit Suisse 2016). The composition of this is important and this is seen to be split about 50/50 between financial assets and non-financial assets. Financial assets are mainly equities/stocks, bonds, and deposits while nonfinancial assets are mainly buildings and land. Relating this to the triad of time we can associate nonfinancial assets with the past and financial assets with the future yielding the result that wealth seems to be equally balanced between that derived from the past and that deriving from the future.

The component of wealth that is derived from the future can be related to income and profit in the same way that a future income



stream is used to derive a capital value or that a share price is estimated through a P/E Ratio. If we assume that 16% of income relates to cash flow profit and we apply a multiplier of 10 to this amount then the fundamental value from the future is 160% of current income. The figures of 16% and a multiplier of 10 are illustrative estimates—the 16% is not the exact share of cash flow profit of national income, but bears some relation to this. The multiplier of 10 is the factor that would apply to a steady income stream discounted at 7.5%. World income is approximately \$80 trillion so the fundamental value associated with this is some  $80 \times 1.6$  or \$128 trillion. So, in this way by using the statistic of income and an estimate of the cash flow profit component of this we can derive an estimate for a major component of wealth. What this analysis shows directly is that activities such as privatization and/or subcontracting/contracting out by public enterprises contribute directly to the ability of private wealth to be expanded.

The component of wealth from the past is, in a real sense, the result of the accumulation of capital in the value of land, buildings, art, collections, etc. This is estimated to be some \$120 trillion and is overwhelmingly in land and buildings. The determinants of the fundamental value cum price of these assets are set country by country and range from financial organization (the availability of mortgages for house purchase and other credit forms), planning laws and regulations (affecting the supply of housing), inheritance tax, fiscal policy, the availability of social housing, the historic price of assets themselves and other factors. The cataloguing and analysis of these should be an important part of future study. We now can sum the future component of wealth, \$128 trillion, with the past component, \$120 trillion, to get a total estimate of \$248 trillion that is thus effectively equal to the \$250 trillion in the Credit Suisse study (2016).

No doubt, I will be criticized for making mistakes regarding the social accounting framework—the conventional wisdom, including that of Post-Keynesian analysis, is that financial assets net out when the total economy is the object of analysis. The works cited above, except for the Post-Keynesian SFC school, do give a figure for net financial assets but are focussing on household wealth and not consolidating across the whole economy. I differ in that the treatment of the corporate sector is not correctly portrayed in the conventional formulation (including the SFC school) where company equity (stock in US terms) is seen as a debt to the household sector and thus netted out when consolidating across

all sectors. What is more, it is not the nominal value of equity that is used, as explained by Godley and Lavoie (2007: 27–28): “Equities pose a problem ‘because they are financial assets to whoever holds them, but they are not, legally, liabilities of the issuing corporation’ (Ritter 1963 [1996])...As a result, as suggested by Ritter (1963 [1996]: 123), ‘for most purposes the simplest way to handle this is to assume that corporate stocks and bonds are roughly the same thing, despite their legal differences and treat them both as liabilities of the corporation’. This is precisely what we shall do. The current stock market value of the stock of equities which have been issued in the past shall be assessed as being part of the liabilities of the firms”. This seems a very odd thing to do, but the reason for this becomes clear as Godley and Lavoie explain (Godley et al. 2007: 28): “By doing so...we make sure that a financial claim is equally valued whether it appears among the assets of the households or whether it appears on the liability side of the balance sheet of firms. This will insure that the row of equities in the overall sectoral balance sheet sums to zero, as all other rows of the matrix”. So, this is done to get the balances “right” but it also ensures that the so-called “balance sheet of firms” is not the actual balance sheet, but a derived one. Now, this is fine, as my argument earlier demonstrates that the historical balance sheet of companies has limited significance for companies’ profits and thus stock market value, but then what is the status of this balance sheet as it treats the equity value of companies as a liability, which it is not either legally or in practice. I have pointed out before that capitalist practice is for point-forward valuation and the valuation of company equity/stock is on this basis so we see that the treating of equity/stock as a liability precisely hides the component of wealth of the future and thus goes along with the erroneous view that it is the past or historic wealth that dominates and loses sight of the future component, i.e., it loses sight of the *modus operandi* of capitalism: “Accumulate, accumulate! That is Moses and the prophets!” (1906: 652). We now see that it is necessary to take all value-forms into account to map accumulation and that these correspond to the past, present, and future.

By way of conclusion, I would like to draw out some points of the analysis. I am making political economy accessible but not debasing it; it can and should be explained and discussed “on the doorstep” including the nature of profit and exploitation. Equally important is the understanding of prices and that these embody not just the price of particular commodities but are also vital for setting capital values/asset prices. The

majority of transactions in the economy are business to business and do not involve the final consumer: this indicates that it is the whole supply chain that must be analyzed. In this way the market and the myth of the “free market” can be understood which must happen before control can be exercised. This understanding and demystification can then lead to social control, not through decree or suppression but in an open and democratic way. Marx himself had high expectations regarding the development of joint-stock companies:

Capital, which rests on a socialised mode of production and presupposes a social concentration of means of production and labor-powers, is here directly endowed with the form of social capital...as distinguished from private capital, and its enterprises assume the form of social enterprises as distinguished from individual enterprises. It is the abolition of capital as private property within the boundaries of capitalist production itself. (1909: 516)

Now, his expectations have not been met...yet, but this underlines how much more remains to be done and that an understanding of the value-forms and the accumulation of capital through wealth under capitalism is essential for further progress.

## REFERENCES

- Andrews, P., & Brunner, E. (1975). *Studies in Pricing*. Macmillan.
- Arthur, C. (2005). *Value and Money*. In F. Moseley (Ed.), *Marx's Theory of Money*. Palgrave Macmillan.
- Atkinson, A. (2015). *Inequality: What Can Be Done?* Harvard University Press.
- Brealey, R., & Myers, S. (1984). *Principles of Corporate Finance* (2nd ed.). McGraw-Hill.
- Credit Suisse. (2016). *Global Wealth Report* (7th ed). <https://www.credit-suisse.com/corporate/en/research/research-institute/global-wealth-report.html>. Accessed August 28, 2017.
- Cutler, A., Hindess, B., Hirst, P., & Hussein, A. (1977, 1978). *Marx's Capital and Contemporary Capitalism* (Vols. 1 & 2). Routledge.
- Davies, J. (Ed.). (2008). *Personal Wealth from a Global Perspective*. Oxford University Press.
- Davies, J., Sandström, S., Shorrocks, A., & Wolff, E. (2011). The Level and Distribution of Global Household Wealth. *The Economic Journal*, 121(551), 223–254.

- Fishman, L. (1992). Economic Surplus and the Market System. In J. Davis (Ed.), *The Economic Surplus in Advanced Economies*. Elgar.
- Fishman, D. (2017). Energy and Climate and Security. *The Political Quarterly*, 88(2), 335–337.
- Godley, W., & Lavoie, M. (2007). *Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth*. Palgrave Macmillan.
- Goldsmith, R. (1962). *National Wealth of the United States in the Postwar Period*. Princeton University Press.
- Holloway, J. (2015). Read Capital: The First Sentence or, Capital Starts with Wealth, Not with the Commodity. *Historical Materialism*, 23(3), 3–26.
- Keynes, J. M. (1936). *The General Theory of Employment, Interest and Money*. Macmillan.
- Lee, F. (1999). *Post Keynesian Price Theory*. Cambridge University Press.
- Marx, K. (1906, 1909). *Capital* (Vols. 1 & 3). Kerr.
- Murray, P. (2005). Money as Displaced Social Form: Why Value Cannot Be Independent of Price. In F. Moseley (Ed.), *Marx's Theory of Money*. Palgrave Macmillan.
- Paul, C., & Montagu, G. (2014). *Banking and Capital Markets Companion*. Bloomsbury.
- Revell, J. (1967). *The Wealth of the Nation*. Cambridge University Press.
- Richmond, C. (2007). Patience, Humility, Reticence: Hijacked Virtues. In D. Powell & T. Hickey (Eds.), *Democracy: The Long Revolution*. Continuum.
- Ritter, L. (1963 [1996]). A Framework for Financial Analysis. In J. Dawson (Ed.), *Flow-of-Funds Analysis: A Handbook for Practitioners*. M.E. Sharpe.
- Rose, S. (2003). *The Making of Memory*. Vintage.

PART III

---

Financialization, Credit, and Crisis



# Marx's Musings on Financial Crises: Credit and Crises in the Mid-Nineteenth- Century Gold Standard

*Laurence A. Krause*

## INTRODUCTION

Marx was the first economist to think systematically about the nature and causes of the economic crises which have plagued capitalist economies since the nineteenth century. However, he never produced an integrated theory of these phenomena. Perhaps the closest he came was in Part V of Volume III of *Capital*, which Engels called his “disorderly mass of notes” on credit (Marx 1974: 3, 4). There Marx presents what amounts to a series of suggestions on how to build a theory of complex crises, i.e., an economic contraction which combines a downturn in output and employment with a financial crisis. In this paper, I assemble his arguments to form a “coherent” perspective on his musings on financial crises (for an alternative, see Crotty 2017).<sup>1</sup>

---

<sup>1</sup>The challenges associated with this effort are discussed in the Appendix to this chapter.

L. A. Krause (✉)  
Politics, Economics & Law Department, SUNY-The College at Old  
Westbury, Old Westbury, NY, USA  
e-mail: [krausel@oldwestbury.edu](mailto:krausel@oldwestbury.edu)

In particular, I connect Marx's thoughts on the credit system, central banking, and their relationship to economic crises. Marx argues that the emergence of the credit system and its "subordination" to capitalist production in the nineteenth century, transforms the accumulation process (Marx 1974: 3, 502, 606–607; 1975: III, 468–469). This development has two interesting consequences. First, the emergence of the credit system changes the nature of the business cycle, allowing for more robust expansions followed by *contractions in which financial problems play a prominent role* (Marx 1974: 3, 607).

Second, once firms are dependent on credit to produce and sell commodities, capital accumulation becomes *sensitive to credit conditions*. This makes the pace of economic expansion responsive to the availability and cost of credit, allowing credit conditions to have a powerful impact on the timing and severity of economic crises. *An important consequence of this is that the emergence of the credit system gives rise to the conditions for an empowered central bank, a bank which can manipulate the business cycle using monetary policy* (Marx 1974: 3, 606).

For Marx, the Bank of England was the prototypical central bank of the nineteenth century. Its original mandate was to serve the needs of the gold-based monetary system (Marx 1974: 3, 572). In the panic of 1825, however, the Bank of England got its feet wet in managing credit crises (Bagehot 2015: 23). By mid-century, the Bank evolved into "the pivot of the credit system," or, to use a more modern expression, a *banker's bank* (Marx 1974: 3, 572; Goodhart 1988: 4–8).

Marx argues that empowered central banks were still beholden to the gold standard, their "Catholic" origins (Marx 1974: 3, 592). In this period, *central banks* had, in effect, *two masters—serving the gold standard and the credit system*. In the nineteenth-century and in the first third of the twentieth century, this juxtaposed central banks between the monetary and the credit systems (Marx 1974: 3, 574). In contrast, the period after the demise of the gold standard is one where central banks and the credit system are "emancipated," if only partially, from their golden, "Catholic" origins (Marx 1974: 3, 592).

In volume three of *Capital*, Marx develops a concrete theory of crisis within the confines of a capitalist economy with a sophisticated credit system. His analysis there has its roots in the more abstract model of crisis found in *Theories of Surplus Value* (Marx 1975: II, Chapter 17). In *Theories of Surplus Value*, Marx explores what he calls the *two abstract forms of crisis*, which he deems are responsible for creating the conditions

for crisis in a commodity producing economy. In Part V of volume three of *Capital*, these two abstract forms of crisis become a theory of how crises arise in a credit-using capitalist economy (Marx 1974: 3, 441).

### MONEY AND CRISIS IN MARX'S SIMPLE COMMODITY PRODUCTION

To understand Marx's abstract theory of crisis, it is useful to start with the basics of his notions of money and credit. In the first chapters of Volume I of *Capital*, Marx contends that "private credit" arises alongside the exchange of commodities. To analyze money, exchange, and credit, Marx employs a framework known as "simple commodity production" (de Brunhoff 2015: xiii, 126). In simple commodity production, commodities are produced by small, independent producers for sale on a market. A commodity (C) is either sold for money (M), the sale represented by C–M, or a commodity is purchased with money, denoted as M–C (Marx 1974: 1, 107).

Together, the sale and purchase of commodities form a circuit. The circuit is summarized by the symbols C–M–C. For an individual C–M–C circuit to exist, it must be intertwined with many other such circuits. The totality of these circuits permits each commodity producer to obtain the inputs and markets they need to continue producing and selling their output. For each individual commodity producer to reproduce themselves they must produce goods and sell them. The proceeds from selling their commodities enable them to purchase the products of other sellers. Marx calls this process "selling in order to buy" (Marx 1974: 1, 107). Here, *the basic purpose of money is to be a means of purchase, to circulate, or transfer, commodities from sellers to buyers.*

Marx emphasizes that even in simple commodity production the use of money creates the *possibility of a crisis*. Sellers exchange their commodities for money, and either spend the money they earn, or *hoard* a portion of it. By holding money, a seller becomes a "hoarder," and the hoarded money sits idle, and does not circulate commodities (Marx 1974: 1, 130–134; de Brunhoff 2015: 41). If money is held, it is not spent, and, therefore, hoarding *separates the sale from the purchase of commodities* (Marx 1975: II, 509).

The reason why hoarding money can result in a crisis is straight forward. When a seller holds money rather than purchase commodities, she



is not buying goods. This means that the flip side of hoarding money is a *decrease in the demand for commodities*, making it difficult, if not impossible, for some producers to sell their merchandise (Marx 1975: II, 509).

If some sellers are unable to turn their commodities into money, then they find themselves without the proceeds they need to continue purchasing commodities. Thus, the hoarding of money reduces the demand for commodities, which then decreases income, forcing a further decline in purchases. In this way, the problem of an “impossibility to sell” can spread.

Marx viewed the problem of an “impossibility to sell” from a macroeconomic perspective as well, which he called *overproduction*. When commodities are exchanged for money, Marx insists, *overproduction in all markets* becomes a possibility. In Marx’s C–M–C world, a fall in demand for goods manifests itself as an *increase in the demand for money*. In other words, unsold commodities can pile up in the goods market because money is hoarded and held idle (Marx 1975: II, 505).

At a given moment, the supply of all commodities can be greater than the demand for all commodities, since the demand for the *general commodity*, money ... is greater than the demand for all particular commodities, in other words the motive to turn the commodity into money, to realize the exchange-value, prevails over the motive to transform the commodity again into use-value. (Marx 1975: II, 505)

Marx uses these insights into commodity production and exchange to show that the first abstract form of crisis is the possibility of overproduction due to “the metamorphosis of the commodity itself, the falling asunder of purchase and sale” (Marx 1975: II, 510).

### CREDIT IN SIMPLE COMMODITY PRODUCTION

To develop the *second abstract form of crisis* requires the introduction of credit. Marx analyzes the “humble assistant” credit by introducing it into his C–M–C circuit. To analyze credit, he assumes that sellers lend money to their customers. If a seller of commodities makes a loan to a buyer, they exchange their commodities, not for money, but for a *promise to pay money* (an IOU) in the future (Marx 1974: I, 134–135). By lending money to a buyer, the seller becomes a creditor. The buyer, in turn, becomes a debtor and has the obligation to pay money at future specified

dates. The credit nexus between the seller-creditor and the buyer-debtor, not only changes the relationship of the seller to the buyer, as they now become creditor and debtor, but also alters the nature of money itself. Money in a credit-using economy becomes a means of payment to settle a debt (Marx 1974: I, 135).

Marx's second abstract form of crisis is built on his analysis of the use money as a means of payment to settle debts (Marx 1974: I, 136–137, 141). The separation of sale from purchase remains the “*most abstract form of crisis*” (Marx 1975: II, 509), but the introduction of credit creates a second, more concrete, possibility of crisis (Marx 1975: II, 510). The provision of commercial credit produces a chain of “mutual claims and obligations” in which “money as a means of payment functions in such a way that claims are mutually settled” (Marx 1975: II, 512). At this abstract level, if there is no separation of sale from purchase, or problems with money as a means of payment, then there can be no basis for a crisis (Marx 1975: II, 512).

A credit crisis can erupt if there is a disruption to the chain of payments leading to multiple defaults. A default is due to a separation of what Marx calls the “measure of value” from the “realization of value” (Marx 1975: II, 514). When a commodity is exchanged for a debt, C-IOU, the debt contract is written in money terms, and represents a measure of the value of the commodity purchased. At the time of payment, money then realizes the value of the commodity specified in the debt contract, M-IOU. A separation of the two moments produces a rupture of the credit circuit. In particular, the failure of a debtor to meet their payment obligations can set in motion a series of defaults (Marx 1975: II, 514).

*If in the interval* between them [the measure and the realization of value] the value has changed, if the commodity at the moment of sale is not *worth* what it was *worth* at the moment when money [or the debt contract] was acting as a measure of value and therefore as a measure of the reciprocal obligations, then the obligations cannot be met from the *proceeds of the sale of the commodity*, and therefore the whole series of transactions which retrogressively depend on this one transaction, cannot be settled. If even for only a *limited period of time* the commodity cannot be sold ... But as the same sum of money acts for a whole series of reciprocal transactions and obligations here, *inability to pay* occurs not only at one, but at many points, hence a *crisis arises*. (Marx 1975: II, 514)

Marx is clear that the two abstract forms of crisis only provide the potential for a crisis. In fact, Marx points out, the two possibilities for crisis are present whenever money is used to circulate goods and make payments. Therefore, the potential for crisis exists in *all* commodity producing economies and is *not* a unique feature of capitalism. However, Marx argues that the economic crises which haunt capitalist society are nowhere to be found in pre-capitalist modes of production. In Part V, Marx attempts to move closer to explaining how in modern capitalism a “potential contradiction ... becomes a real contradiction” (Marx 1975: II, 512).

### CREDIT IN CAPITALIST PRODUCTION

In the third volume of *Capital*, Marx introduces a credit system that is “subordinate” to capitalist production (Marx 1974: 3, 600). The nineteenth century credit system, though, cannot be understood apart from the gold-based monetary system. England’s monetary system evolved from a bimetallic standard (Kindleberger 1993, Chapter 4). By 1821, after the Bank Restriction Act was fully lifted, a mixed metallic-paper gold standard emerged (Blaug 1985: 201–202). To issue representative paper money, the Bank of England had to hold gold reserves to convert its notes into gold. In Marx’s words, the “metal reserve” became “the pivot of the bank.” As a matter of course, the Bank issued more notes than it could convert into gold, enabling it to expand the supply of gold-based money. Of course, the Bank’s ability to issue paper money was limited by the size of its gold holdings, as issuing too many notes could invite a speculative attack on the Bank’s gold reserves (for a game-theory perspective on this, see Obstfeld 1996).

### THE THREE BASIC ELEMENTS OF MARX’S PRIVATE CREDIT

Marx analyzed Britain’s credit system by dividing it into three integrated components, each of which he believed played a role in the crises of the mid-nineteenth-century gold standard. The first is the “endogenous” money produced by the credit system, which Marx called “credit money” (for a modern view, see Moore 1988). Credit money arose from private assets serving as a “means of circulation.” The advantage of credit money is its ability to expand along with the needs of commodity production. In effect, *the credit system* in the nineteenth

century began *manufacturing money* to substitute for gold and representative paper money. Second, the credit system created an *organized lending market*. The loan market provided a cheap and abundant supply of “money-capital” to finance capitalist firms, freeing them from having to hoard money as a prerequisite to accumulate capital. And finally, the credit system gave rise to what Marx calls a “paper world;” i.e., it conjures into existence mountains of paper assets, most of which Marx thinks are “fictitious,” implying that they are only tangentially related to the reproduction and expansion of capitalist production.

### CREDIT MONEY

To overcome barriers to the accumulation of capital in the nineteenth century, British capitalism “subjugates” or “subordinates” the credit system to its own reproduction (Marx 1974: 3, 600; 1975: III, 468–469). The credit system began replacing gold-based money with privately provided “credit money.” In Marx’s words: the emergence of a national credit market “limits the monopoly of the precious metal itself by creating credit money” (Marx 1974: 3, 603). By transforming private assets into money, the credit system produces an elastic supply of medium of exchange (Marx 1974: 3, 499–500).

In the nineteenth century, credit money took the form of three privately produced assets/liabilities, circulating commodities from sellers to buyers. Unlike metallic money and representative paper money issued by the central bank, credit money could expand as trade grew. The reason for its elasticity was that it was partially “emancipated” from gold. Unlike central bank notes, the issuers of credit money did not formally promise to convert it into gold. Under normal conditions, credit money was “liquid” by exchanging for government issued notes. When confidence in the financial system was unimpeachable, the business community held and used credit money for commercial transactions. In times of crisis, however, the opposite became true. A moment came in each economic downturn when they would flee from credit money and scramble to acquire Bank of England notes, temporarily demonetizing these private monies (Bagehot 2015: 26–27).

There were three forms of credit money in Marx’s era: bank notes, bank deposits, and bills of exchange. By mid-century, banks in England were prohibited from issuing additional bank notes by the Bank Act of 1844, which gave the Bank of England a legal monopoly on issuing

notes. After the Bank Act, therefore, bank notes were on their way out, becoming the credit money of capitalism's past. Bank deposits, as we know, would be the credit money of capitalism's future. However, in the nineteenth century bank deposits were not yet ready to function as a substitute for legal tender for commercial transactions.

By default, the main form of credit money was the bill of exchange, which was both a form of short-term commercial credit and commercial money "Just as these mutual advances by producers and merchants make up the real foundation of credit, so does the instrument of their circulation, the bill of exchange, form the basis of credit money proper ..." (Marx 1974: 3, 400–401). Bills of exchange are short-term IOUs issued by individual capitalists to facilitate the purchase of commodities. Once a bill is created, it can then circulate and be used as a medium of exchange and a means of payment to circulate commodities between firms (Marx 1974: 3, 400).

What enabled bills to function as money was that they could be *discounted* or sold to a bank (or bill broker) for Bank of England notes. The discounting of bills by banks made them convertible into notes before they matured. The fact that bills can be discounted made them into a highly liquid asset, allowing them to substitute for Bank of England notes in commercial transactions. Furthermore, if a banker needed cash, they could rediscount their bills with the Bank of England. In this way, bills were liquid for bankers as well.

Marx believed that there were inherent problems with bills functioning as credit money, which limited their capacity to substitute for gold-based money. The first limitation is that they were confined to what Marx called "commercial circulation," and were not usable in "general circulation" (Marx 1974: 3, 403–404). Thus, bills could substitute for government money only for exchanges between capitalists, only for larger commercial enterprises, and only to make sizeable transactions.

The second problem with bills is more interesting. Ever since Adam Smith criticized bills of exchange in the *Wealth of Nations*, it was widely recognized that bills could be used as an instrument to finance speculation, to promote swindles, and be the source of monetary disorder. Smith made a famous distinction between what he called *real bills*, or bills created to finance the exchange of commodities, and *fictitious bills*, which he believed were issued for inappropriate, speculative reasons (Smith 1976; BK II, 328–332). Marx recognized this same duality in the bill of exchange (see his quote from a banker circa 1830s, Marx 1974: 3, 401).

However, in *Capital*, Marx had a more interesting critique of the bill market. Marx argues that the problem with bills, and the credit system in general, stems from the fact that *the complexity of financial markets and institutions, rendered transactions in the bill market opaque, and this lack of transparency made the market subject to egregious agency problems.*

[T]he whole process becomes so complicated, partly by simply manipulating bills of exchange, partly by commodity transactions for the sole purpose of manufacturing bills of exchange, that the semblance of the very solvent business with a smooth flow of returns can easily persist even long after returns actually come in only at the expense partly swindled money-lenders and partly swindled producers. Thus business always appears almost excessively sound right on the eve of a crash. (Marx 1974: 3, 484)

In the crises of 1847, 1857, and 1867, bills of exchange lost their ability to function as money (For his analysis of 1857, see Marx 1858). These mid-century crises de-monetized bills by making them “undiscountable” (Marx 1974: 3, 459). Crises rob bills of their monetary role because confidence in them wanes, and they are seen, rightly, as tainted money. When bills are discredited, the only money accepted for payment is the riskless, safe notes issued by the Bank of England.

[I]n a period of crisis, the circulation of bills collapses completely; nobody can make use of a promise to pay since everyone will accept only cash payment; only the bank-note retains, at least thus far in England, its ability to circulate, because the nation with its total wealth backs up the Bank of England. (Marx 1974: 3, 540)

### BANKING AND CREDIT

Marx begins his analysis of credit in Volume I of *Capital* (Marx 1974: 1, Chapter 3) with simple commodity exchange and the use of money as a means of circulation. There he develops the relationship between seller-creditor and the buyer-debtor, who use money as a means of payment to pay contracted debt obligations. With the rise of capitalism, the “credit system is extended, generalized and worked out” because in practically every large commercial transaction “commodities are not sold for money, but for a written promise to pay” (Marx 1974: 3, 400).

Money lenders under capitalism share in the realized surplus value which accrues to capitalists by financing large commercial transactions,

and through lending money for investment in capital. Sooner or later, the banking system—“the most developed product turned out by the capitalist mode of production”—emerges as the principal lender to commercial and industrial establishments (Marx 1974: 3, 606). The ascension of commercial banking puts money lending into the hands of a new type of capitalist—the “money capitalist.” These capitalist bankers become the “general managers of money-capital” by organizing and centralizing both deposit taking (Marx 1974: 3, 402, 478, 484) and money lending, which, in turn, establishes a national credit market with a “market rate of interest” on commercial loans (Marx 1974: 3, 366–367).

Marx claims that it is the competition between these money capitalists that replaces the pre-capitalist monopoly of individual money lenders, and forces “interest-bearing capital” to promote capital accumulation (Marx 1974: 3, 603). Above all, the modern lending system provides industrial capitalists and merchants with one of the principal conditions they need to reproduce and expand—*a cheap supply of credit*.

The development of the credit system and the attendant ever-growing control of industrialists and merchants over the money savings of all classes of society that is effected through bankers, and the progressive concentration of these savings in amounts which can serve as money-capital, must also depress the rate of interest. (Marx 1974: 3, 362)

The existence of an organized market for credit produces an abundant supply of cheap money capital for industry and commerce to exploit, especially in the expansion phase of the business cycle (Marx 1974: 3, 482, 508). The provision of credit alters the nature of the business cycle, making *expansions more pronounced* and *downturns potentially more hazardous*. An abundance of credit during periods of prosperity can seduce lenders into believing that every loan they make is sound, every loan will be repaid, and, thereby, creates an illusion that money lending is less risky and more profitable than it really is (Marx 1974: 3, 447).

During expansions, easy credit conditions become the “most potent means of driving capitalist production beyond its own limits.” At the same time, however, cheap and abundant credit is one “of the most effective vehicles of crises and swindle” (Marx 1974: 3, 606–607). Marx argues that the supply of credit over the cycle becomes *pro-cyclical*, increasing in the boom and contracting in the downturn.

It is precisely the enormous development of the credit system during a prosperity period, hence also the enormous increase in the demand for loan capital and the readiness with which the supply meets it in such periods ... (Marx 1974: 3, 450)

In addition, the use of credit makes the pace of growth *sensitive to changes in the interest rate and the availability of credit*. Marx states that changes in credit conditions can alter the rhythm of the business cycle—spark an expansion or provoke a crisis (see Marx on the impact of interest rates on the boom after 1843 and the downturn in 1847, Marx 1974: 3, 360–361).

If we observe the cycles in which modern industry moves — state of inactivity, mounting revival, prosperity, over-production, crisis, stagnation, state of inactivity ... we shall find that a low rate of interest generally corresponds to periods of prosperity or extra profit, a rise in interest separates prosperity and its reverse, and a maximum of interest up to the point of extreme usury corresponds to the period of crisis. (Marx 1974: 3, 360)

### THE PAPER WORLD

Marx also has the beginnings of a theory of the nature and role of paper assets in a developed financial system. He starts by assuming that paper assets are mere “capitalized” revenues. As nineteenth century capitalism progresses, a series of intertwining circuits of capital come into existence, as Marx depicts in Volume II of *Capital* (Marx 1974: 2). By the time we reach Volume III of *Capital*, these circuits of capital produce innumerable streams of stable revenues for capitalists, as well as a host of other social classes (and the state) which derive their incomes either directly or indirectly from capitalist production (Marx 1974: 3, 510–511).

Under the right conditions, these revenue streams are capitalized and transformed into paper assets, which are claims on these revenues (Marx 1974: 3, 466). Typically, these assets are turned into financial commodities and traded on markets. Most of these paper assets in the financial world are forms of “fictitious capital.” The reason for the fictitious label is that these assets appear as real capital, though most paper assets have little to do with the circuits of capital from which they may originate. Furthermore, adding “weight to the illusion” that paper assets represent



real capital is that the value of these financial instruments have their own laws of motion and are “regulated independently of the value of real capital which it represents” (Marx 1974: 3, 467–468).

Like the production and exchange of real commodities, the creation and trading of paper assets is agglomerated and done in financial centers, like in the financial district of London. There, “the public’s money-capital [is] at the disposal of this unsavory crowd of dealers ...” (Marx 1974: 3, 511–512). The growth of paper wealth multiplies the amount of “capital” assets—“all capital seems to double itself, and sometimes treble itself”—creating a large and inflated financial superstructure (Marx 1974: 3, 470).

Moreover, this “paper world,” by all appearances, is independent of the production of real commodities, because prices in financial markets have their own, distinct laws. In the paper world “everything ... appears distorted” because “the real price and its real basis appear nowhere.” Unlike the production and sale of real commodities, in financial centers the creation and trading of financial instruments “the entire process becomes incomprehensible” (Marx 1974: 3, 490).

His view of paper assets leads him to argue that the value of these assets is susceptible to collapse in a crisis. Asset prices can collapse for two reasons. First, “because the rate of interest rises” (Marx 1974: 3, 467). And second, as asset holders become desperate their assets “are thrown on the market in large quantities in order to convert them into cash” (Marx 1974: 3, 467). Marx reasons that a fall in the value of fictitious assets can occur with or without a major disruption to the circuits of capital. If there are “disturbances in the reproduction process,” then “another depreciation [is] added” (Marx 1974: 3, 467).

### THE CREDIT SYSTEM EMPOWERS THE BANK

One of the more interesting insights Marx had was on the evolution of central banking in this era (Marx 1974: 3, 602). His main argument is that the rise of a sophisticated credit system in Britain remakes the Bank of England into a *potent and important policy maker* (Marx 1974: 3, 606). In a gold standard without a robust credit system, the central bank’s main economic purpose is to maintain monetary stability by holding an adequate reserve of gold against the notes they issue. Marx summarizes the position of the central bank in a gold standard as being one where: “[T]he metal reserve ... is the pivot of the bank” (Marx 1974: 3, 572). For the gold reserve to be the “pivot of the Bank,” the Bank in a

monetary crisis must guarantee the convertibility of its notes into gold. During such a crisis, there is a loss of confidence in the convertibility of notes into gold. This results in a run, or “drain” on the central bank’s gold reserves (Marx 1974: 3, 453, 492–493, 517, 569). The Bank is supposed to preserve the gold value of its notes by stopping the run and preventing it from bringing down the gold standard (notable exceptions were the suspension in England from 1797 to 1821, see Kindleberger 1993: 63–65, and a multi-country suspension during World War I, see Kindleberger 1986: 27–39).

With the rise of the credit system, the central bank becomes an important player in the financial system and in the larger macroeconomy as well. In Marx’s words, the central bank becomes: “[T]he pivot of the entire credit system” (Marx 1974: 3, 572). Being the “pivot of the entire credit system” puts a new, powerful instrument into the hands of central bankers which they can employ to influence the pace of accumulation over the business cycle. Ultimately, this allows central banks to affect the length and severity of economic crises.

As we argued, the rise of the credit system “creditizes” the circuits of capital (Marx 1974: 3, 447, 482), creating a commanding role for credit in the accumulation process. Capitalists are given a new and potent stimulant in the form of an elastic and cheap supply of credit. Credit creation enables more rapid expansions of output and employment in the upswing of the cycle, and has the potential to worsen downturns, when recessions are accompanied by severe financial collapses. It does so by creating an “over-sensitiveness” of the credit system (Marx 1974: 3, 572).

The new weapon, which “accounts for the immense power” of the Bank of England (Marx 1974: 3, 606), derives from the “creditization” of capitalist production; namely, the central bank can now *alter the interest rate and the availability of credit*. The main tool that the Bank of England uses to impact credit conditions is by setting its discount rate, and determining how much, and what quality, paper it purchases from banks (Marx 1974: 3, 409–410, 456, 534, 571, and the quote from J. S. Mill, 519). “The power of the Bank of England is revealed,” wrote Marx, “by its regulation of the market interest rate.” Its influence over credit conditions empowers the Bank of England, particularly during economic downturns, when it “puts on the screw, as the saying goes, that is, when it raises still higher the interest rate which is already above average” (Marx 1974: 3, 542–543).

## MONETARY POLICY

At the same time, the Bank acquires its power, it also inherits new-found responsibilities, for it becomes the “pivot of the entire credit system.” The main policy goal of the Bank is still to manage its gold reserve, which it is forced to do as long as the gold standard is in operation. In other words, it is still the case that the “metal reserve ... is the pivot of the bank.” However, the Bank’s role is now made more complicated by the fact that it must not only be able to convert its notes into gold *but, in theory, at least, it must also be able to make liquid all the credit money circulating in the economy as well* (Marx 1974: 3, 454).

The Bank also has the task of keeping the credit system up and running by acting as the *banking system’s banker*. In normal times, this means that the Bank discounts the paper presented to it from banks, loans notes to banks, and permits depositors to cash out their accounts (Marx 1974: 3, 454). In troubled times, the Bank must do even more to keep the credit system afloat. The reason is in a crisis the demand for notes as a “means of purchase” of goods declines, while the demand for money as a “means of payments” increases. This is because “credit collapses completely,” “commodities and securities are unsaleable,” “bills of exchange are undiscountable and nothing counts any more but money payment, or as the merchant puts it, cash” (Marx 1974: 3, 459). During such a crisis, the central bank must serve as a *lender of last resort* to satisfy the demand for cash by banks and firms (Bagehot 2015: 23; Kindleberger 1978, Chapter 9).

Finally, because of the “creditization” of the capital accumulation and the growing “sensitivity” of capital accumulation to the interest rate and financial conditions, central banks can now “manage” the cyclical ups and downs in output and employment. Using monetary policy, the Bank can ease credit conditions during a crisis by lowering interest rates to spark a recovery from a downturn. Or, it can “put on the screw” to put an end to an economic expansion by “increasing the rate of interest, recalling credit, depreciating securities” (Marx 1974: 3, 517), this will create a “general apprehension” that will “rise in crescendo” (Marx 1974: 3, 571).

All this adds up to the conclusion that Marx believed that what the Bank of England was doing was “epoch-making” *as it was in a position by the middle of the nineteenth century to conduct monetary policy* (Marx 1974: 3, 602).

*Complex Crises: Overproduction and Financial Crisis*

Marx argues that the crises in nineteenth century Britain were complicated because they combine a toxic mixture of overproduction in the market for goods; contagious defaults and runs in the credit system; and a monetary crisis, precipitated by a run on the Bank of England's gold supply.

In Marx's view, it did not matter if a crisis starts in the real economy with goods going unsold, the credit system with mushrooming defaults, the monetary system with an outflow of gold, or a combination of all three (see, for example, his rudimentary analysis of the crisis of 1847, Marx 1974: 3, 487–488). The point to understand is that once a crisis starts in one part of the economy it is likely to spill over and spread. In turn, a vicious cycle can develop from these adverse spillovers, if they further disrupt the reproduction of the circuits of capital (Krugman 2009).

To understand Marx's thinking, assume that a crisis starts with overproduction in a leading industry like textiles (Marx 1975: II, 522–525). Inventories of unsold goods pile up and bring cutbacks in production and employment. Due to the interdependence of producers—"the interdependence not only of the workers directly employed in these industries, but of all branches of industries which produce the elements of their products," as depicted by Marx in his circuits of capital found in the second volume of *Capital*—the problem of overproduction in one industry can spread to an industry's suppliers, wholesalers, and retailers, leading to even larger falls in production and employment, or a "general" crisis (Marx 1975: II, 523). The falls in production and employment also reduce the incomes of producers, suppliers, and workers (Marx 1975: II, 523–524). At the macro level, a general inability to sell problem emerges.

A crisis which starts in the goods market can easily spread to the financial system. The seeds of a looming financial crisis are planted in the expansion. Credit is used to fund the accumulation of capital in an expansion, creating a complex web of interdependent payment commitments—"mutual claims and obligations"—where there are debt obligations between capitalists, capitalists and financial institutions, and between financial institutions (Marx 1974: 3, 484; 1858). In addition, during the expansion, low-quality borrowers can easily become overextended and illiquid (Marx 1974: 3, 488), and liquidity can decline

throughout the economy (Marx 1974: 3, 537). This makes firms and financial institutions vulnerable to debt repayment problems, which is greatly aggravated if they experience a decline in their *sales revenue*. A shortfall of revenues puts the ability to pay the contracted debt obligations built up during the expansion in jeopardy.

Once one credit-using enterprise defaults on their payments this can initiate a domino effect where the entire chain of payment commitments can collapse (Marx 1975: II, 511–5120).

In a credit-dependent capitalist economy, an excess supply of goods can spread and impact the health of the credit system, as we have seen, creating the possibility of multiple defaults. Marx argues that because of agency problems and a lack of transparency, firms can initially hide their growing financial difficulties, and continue meeting their payment obligations through increased borrowing. Credit is sought at this juncture in the business cycle, when making payments on existing debts becomes the main objective, to continue paying debt, and not, as in normal times, to purchase commodities (Marx 1974: 3, 513, 515).

Marx assumes that, sooner or later, it becomes impossible to hide the declining financial health of debtors, and creditors become aware of their customers' declining financial health, or as Marx puts it: "banks scent danger" (Marx 1974: 3, 447). Lenders then anticipate defaults and losses, and react by restricting the supply of credit, denying new loans, and refusing to discount bills. In other words, financial institutions turn off the credit spigot—"credit suddenly stops" (Marx 1974: 3, 488)—to reduce their exposure to default. This "stoppage" worsens the crisis (Marx 1974: 3, 483).

Due to the reduction in the supply of credit and the falling demand for goods, credit markets tighten, and interest rates are forced up. The reduction in the supply of credit, compels desperate firms to make debt payments by selling goods and assets at distressed prices. A complex crisis erupts. The problem of overproduction in industry worsens, while at the same time, there is growing excess demand pressure in the credit markets because: "During the crisis itself, since everyone has products to sell, cannot not sell them, and yet must sell them in order to meet payments ..." (Marx 1974: 3, 483). All the signs of a recession combined with a credit crisis appear: there are unsold inventories of goods, firms are failing, the labor market softens, and multiple signs of distress appear in the credit system (Marx 1974: 3, 488).

As cash flows are restricted by the crisis, not all debtors are able to make payments to their creditors. This interrupts the “chain of payments” established between debtors and creditors during the expansion (Marx 1975: II, Chapter 17; Minsky 1975; Crotty 2017). At this moment in the crisis, the credit system is being undermined and requires support. In a gold standard, the demise of the credit system in a crisis begins a reversion from a sophisticated credit-using economy back into a simple monetary one (Marx 1974: 3, 459).

A full-blown crisis is at hand setting in motion a mad rush to liquidate goods and assets to acquire money to avoid insolvency. However, the *creditization of the circuits of capital produces an interdependency between capitalists and their creditors from which they cannot escape* (Marx 1974: 3, 480). Firms act to deepen their own distress by selling goods at deep discounts, goods “flood the market as commodities.” The holders of paper assets are forced to sell their assets at whatever price the market will bear:

When a panic exists a man does not ask himself what he can get for his bank-notes, or whether he shall lose one or two per cent by selling his exchequer bills [treasury bills], or three per cent. If he is under the influence of alarm he does not care for the profit or loss, but makes himself safe and allows the rest of the world to do as they please. (Marx 1974: 3, 413)

Distress in the goods and credit markets is transmitted to the paper world as well. This adds another dimension to the crisis; namely, a collapse in the value of paper assets, which, at this historical juncture Marx believes is a side show to the main event occurring in the goods and credit markets (Marx 1974: 3, 467–468).

To summarize Marx’s argument, overproduction in the goods market shrinks the revenue of firms, making it difficult for indebted capitalists to continue making payments on their contracted payment obligations. Initially, capitalists can conceal their growing financial distress by increasing their borrowing and using new debt to pay existing debt. At a certain point, creditors realize that their debtors are at risk of default and they curtail the supply of credit to protect their own solvency. This “stop” in the supply of credit forces the more desperate firms and asset holders to start selling, at bargain basement prices, their inventories of goods, real assets, and paper assets for cash. The selloff of goods and assets can

worsen the crisis because it has a negative impact on the balance sheets of debtors by reducing the value of collateral. All this undermines the viability of the credit system, and, if the credit system does not receive support, it can collapse and force a reversion to the gold-based monetary system.

### *External Gold Drains*

Marx also wrote on how disruptive capital flows in the crises can produce “external drains” on the Bank of England’s gold reserves. Marx thought that the mid-nineteenth-century crises spooked domestic wealth holders into converting their “unsafe” private assets into the Bank of England’s notes. For the most part, however, domestic asset holders did not demand gold during crises, but were satisfied with increasing their holdings of the Bank of England’s notes. Thus, there were no significant “internal drains” during this period. The last significant internal drain occurred in 1797, due to the Napoleonic Wars, and forced a suspension of the gold standard (Kindleberger 1993: 63). The gold drains during the mid-nineteenth century crises were the result of foreign creditors attempting to sell their pound denominated claims for gold (Marx 1974: 3, 460).

Marx’s reasoning is unclear as to why these gold drains took place. As a matter of theory, he believes that external gold drains can occur for at least two reasons. The first is due to an adverse balance of payments shock, like a bad harvest, which requires a temporary increase in imported food, as occurred in 1836, 1844, and 1847. The second catalyst for a gold drain arises due to a brewing crisis. A reasonable interpretation of Marx’s thinking here is that gold outflows are triggered by runs against currencies like the British pound. A run is sparked if foreign holders of, say, pounds lose confidence in the pound, leading to a “balance of payments due, which must be settled immediately, is *unfavorable*.” This is how he describes his “model” of the external gold drain in the crisis of 1857 (Marx 1974: 3, 491–492).

In contrast to his vague reasoning as to the circumstances which spark external gold drains, Marx is much clearer on the impact of external gold drains on an emerging crisis, which he thought would produce a crash (Marx 1974: 3, 571).

[A] drain, a continued and heavy export of precious metal, takes place as soon as returns no longer flow, markets are over-stocked, and an illusory prosperity is maintained only by means of credit ... This period, therefore, precedes the crash. (Marx 1974: 3, 571)

Why can a gold drain lead to a crash? Marx explains that it is in part the reaction of the Bank of England to the diminution of its gold hoard. First, an external gold drain, in Marx's view, was perceived by the financial community to be of exaggerated importance (Marx 1974: 3, 452). Outflows of gold were alarming, particularly when they came after a period of "animation and speculation" (Marx 1974: 3, 453).

The fear which the modern banking system has of a gold drain exceeds anything ever imagined by the monetary system, which considered precious metals as the only true wealth. (Marx 1974: 3, 452)

Second, growing fears of a monetary collapse pressure the Bank to alter monetary policy. The Bank reacts to the "somewhat threatening conditions" by tightening monetary policy using "coercive measures, raising the rate of interest ... for the purpose of safeguarding ... convertibility" (Marx 1974: 3, 516). The gold drain then "acting as a feather ... tips ... the weight on the scales" pushing an economy, that has been made "over-sensitive" by the credit system, into a full-blown crisis (Marx 1974: 3, 571–572).

Finally, Marx argues that because England's monetary and credit systems are linked to other developed economies with their own national gold standards, that a crisis which starts in one country can spread to become what Marx calls a "world market" crisis (Marx 1975: II, 500). Unfortunately, if Marx is unclear about the "model" he uses to understand why England is subject to external gold drains, he told us even less about how a monetary/credit crisis in one country can spread to another. However, if England's external gold drains were the result of runs by foreign holders of, say, pound-denominated assets, then we can make sense of why Marx thought that a crisis in one country can spread to another.

Based on his understanding of the crisis of 1857, Marx explains how a monetary crisis—started by an external drain on one nation's gold supplies—can spread to other countries (Marx 1974: 3, 492). The following interpretation of Marx's analysis of the 1857 crisis can provide us some insight into his theory of a world market crisis. Assume that there is a synchronous boom in several countries, all of which have relatively sophisticated credit systems and monetary systems based on gold. A crisis of overproduction combined with a break down in credit markets starts in, say, England. The emerging crisis worries foreign holders



of pound-denominated assets and they panic, converting their pounds into gold. The Bank of England counters the speculative attack on its gold reserves by raising its discount rate. This stems a gold outflow from England and *entices gold inflows from other countries*. The monetary system in Britain is rescued, but the Bank's tight monetary policies worsen the crisis in England's credit system.

The crisis can spread because the high-interest rate policy in Britain forces gold to flow back to England and out of other countries, thus creating the conditions for a run on, say, the French franc. As in England, the French are forced to stop the outflow of gold by raising their interest rates, which can become a "feather on the scale" that precipitates a crisis in France. In this way, a monetary crisis in England morphs into a multi-country, or "world market" crisis (Marx 1974: 3, 517).

### *The Marx Moment*

The last interesting aspect of Marx's analysis is his claim that a severe crisis can undermine the credit system and force a sophisticated, credit-using economy to revert to its monetary origins, temporarily restoring the "barbarous relic" to its full glory as a medium of exchange and means of payment. I call this point in the crisis the Marx Moment—i.e., the moment at which the credit system temporarily retreats, and payments must be made using gold-based money (Krause 2017: 579–580). The moment arrives when "credit is shaken" and a "mad demand" develops to convert "all real wealth ... into money, into gold and silver." He concludes: "In a crisis, the demand is made that all bills of exchange, securities and commodities shall be simultaneously convertible into ... gold" (Marx 1974: 3, 574).

When the Marx Moment arrives, how the crisis is resolved depends crucially on the response of the central bank. Under the most favorable circumstances, a crisis engulfs the credit system, but leaves the monetary system unaffected. This allows the nation's central bankers, if they so desire, to support the credit system. They can alleviate the pressure by lowering interest rates and providing liquidity to the banking system, discounting bills and issuing notes.

In the worst-case scenario, however, a full-blown crisis—what Bagehot referred to as "opposite malady" or "compound disease" (Bagehot 2015: 25–26)—overwhelms both the monetary *and* credit systems, and now the central bank is faced with a dilemma. If the monetary crisis is due

to an external drain on the central bank's gold reserves, as Marx warned might be the case, then, to support the gold-based monetary system, the Bank needs to tighten monetary policy and coerce an inflow of gold. Of course, choosing this course risks breaking the back of the credit system. The "unthinkable" alternative, which would "unsettle all existing relations," would be to abandon gold and support the credit system.

Despite Marx's use of the word "inevitable" to describe the choice of the central bank to support the monetary system against the credit system in a full-blown crisis, and his claim that "the credit system does not emancipate itself from the basis of the monetary system," Marx must have realized that escape from gold was a possibility. As long as the existing faith in the gold standard remained resolute, central bank policy makers had two masters—the gold standard and the credit system. As we know, in the nineteenth century policy makers had not reached the point where they were ready to rethink their obsession with gold, and leap into a new policy regime in which they would embrace paper money and private "credit operations ... and ... credit money" (Marx 1974: 3, 516).

Interestingly, Marx seemed to have had an inkling of what might happen if governments did renounced gold and made support of the credit system their one and only true love. By breaking the link between gold and money, gold is no longer "the pivot of the bank," but the Bank would still be "the pivot of the credit system." This would emancipate the Bank's policy makers from making the convertibility of money into gold their priority, and, thereby, free the Bank to serve a new master and to do "whatever it takes" (to borrow Draghi's words) to manage the credit crises which periodically erupt and threaten the capitalist mode of production. Perhaps, in Marx's wildest moments of fantasy, he foresaw the incredible possibility that the Bank would, one day, support the "entire artificial system of forced expansion of the reproduction process" by means of credit, and bail out "all the swindlers" and help "buy up all the depreciated commodities" (Marx 1974: 3, 490).

## CONCLUSIONS

There are two kinds of conclusions that can be drawn from my reading of Marx's musings on financial crises. The first deals with the specific arguments he made regarding the operation of the mid-nineteenth-century gold standard. The second is what the analysis reveals about Marx's crisis theory in general.

With regards to the former, by piecing together Marx's many suggestions and observations on the operation of the British financial system, there are at least five interesting arguments which flow from his analysis. They are presented below in no particular order.

The first is that the British credit system in this period was shaped by the underlying gold-based monetary system. This point is made abundantly clear by Marx's analysis of the period's crises. He argues that credit crises in this period tended to revert into monetary crises as wealth holders converted their assets into notes and gold. To support the gold standard in such a crisis required the Bank of England to prioritize maintaining the convertibility of its notes into gold over addressing the impact of the crises on industry, workers, and the credit system.

The second is that the rise of the credit system and the "creditization" of the accumulation of capital worsen economic crises by creating the conditions for potentially severe credit crises alongside downturns in output and employment. Specifically, he argued that crises in production can spread and lead to payment defaults in the credit system, bringing a "stop" to the allocation of credit, and starting a damaging fire sale of goods and assets to raise cash to pay debts. Finally, a crisis can worsen if growing instability in the financial and real economy spooked England's foreign creditors and started a run on England's gold stock.

Third, Marx argues that the credit system altered the business cycle. It did so by supplying an abundant supply of cheap credit during the upturn of the cycle, making expansions more robust. However, credit-fueled expansions would make economic booms more fragile, increasing the likelihood of overproduction, over-speculation, and credit swindles. In the downturn, when the supply of credit collapses because the credit system is undermined by defaults, crises can morph from being real crises into credit crises, and, under the gold standard, into monetary crises.

Fourth, as the reproduction and expansion of the circuits of capital become intertwined with and dependent on the credit system, the Bank of England gained a potent policy lever to manage the business cycle. The Bank could use its discount policy to alter interest rates and the supply of credit, anticipating that its monetary actions would have an impact on the pace of capital accumulation. This meant the Bank had the power to use monetary policy to cut short economic expansions, and even to reduce the severity and length of downturns.

And finally, the articulation between the credit system and the monetary system in the nineteenth century greatly complicated the Bank of

England's stabilization policies during crises. Supporting the basis for a "sound" monetary system required the Bank of England to maintain the convertibility of its notes into gold. The rise of the credit system provided central bankers with a potent policy lever to accomplish this task; namely, tightening monetary policy in a crisis to reverse gold drains. However, tightening monetary policy during a crisis would surely exacerbate any ongoing problems in the real economy and the credit system; and could even spread the crisis to other countries.

Stepping back, we may ask another question: what, if anything, does Part V of *Capital* tell us about Marxian crisis theory in general? There are, perhaps, two important, interconnected lessons. The first is that Marx gave greater weight in his abstract and concrete theory of crisis to financial and monetary matters than is usually admitted. At the very least, concerns over central bank policy, credit crises, and monetary affairs should be a more important factor in contemporary Marxian analysis of crises than it currently is. In other words, Marx was much more than a simple real theorist of economic events. To the contrary, Marx in Part V of *Capital* was trying to integrate his real analysis and his theory of credit and money into a complex theory of crisis.

The second lesson is that Marxian-inspired analysis of actually-existing crises must be much more than an exercise in identifying which type of universal crisis is unfolding at a given historical moment. No account of existing crises in our own era can provide us with a thorough analysis of these events if it is not grounded, as Marx attempted to do, on the myriad real and financial forces at work.

## APPENDIX

The daunting problem of editing and making sense of this part of Marx's *Capital* was made clear by Engels:

The greatest difficulty was presented by Part V [on the credit system] which dealt with the most complicated subject in the entire volume. And it was just at this point that Marx was overtaken by one of the above-mentioned serious attacks of illness. Here, then, was no finished draft, not even a scheme whose outlines might have been filled out, but only the beginning of an elaboration — often just a disorderly mass of notes, comments, and extracts. I tried at first to complete this part, as I had done to a certain extent with the first one, by filling in gaps and expanding

upon passages that were only indicated, so that it would at least approximately contain everything the author had intended. I tried no less than three times, but failed in every attempt, and the time lost [perhaps as much as 10 years] in this is one of the chief causes that held up this volume. At last I realized I was on the wrong track. I should have had to go through the entire voluminous literature in this field, and would in the end have produced something that would nevertheless not have been a book by Marx. I had no other choice but to more or less cut the Gordian knot by confining myself to as orderly an arrangement of available matter as possible, and making only the most indispensable additions". (Marx 1974: 3, 4)

Added to this, Marx never even intended to provide a complete work on the credit system in Part V (Marx 1974: 3, 400).

Perelman optimistically likens the problem of deciphering Marx's "disorderly mass of notes" on crisis theory to imagining what Michelangelo's unfinished work *Slaves* would look like if completed. "Like Michelangelo's *Slaves*, Marx's crises theory has many unfinished details" (Perelman 1987: 2–3).

My perspective is that making sense of Part V is equivalent to assembling a complex jigsaw puzzle with many missing pieces, pieces that do not belong in the puzzle and must be discarded, and with no precise idea of what the completed puzzle is supposed to look like. Add to that, it is a puzzle that Engels devoted several years to and could not solve.

This means that critics of a project to construct a "Marxian theory of crisis" out of Part V have the right to wonder if the whole exercise is not just a Rorschach test in disguise! After all, the puzzle cannot be assembled unless one pretends to know what the completed puzzle *should* look like before one starts.

## REFERENCES

- Bagehot, W. (2015). *Lombard Street: A Description of the Money Market*. North Charleston, SC: Printed by Createspace.
- Blaug, M. (1985). *Economic Theory in Retrospect* (4th ed.). New York: Cambridge University Press.
- Crotty, J. (2017). The Centrality of Money, Credit, and Financial Intermediation in Marx's Crisis Theory: An Interpretation of Marx's Methodology. In *Capitalism, Macroeconomics and Reality: Understanding Globalization, Financialization, Competition and Crisis, Selected Papers of James Crotty*, Northampton, MA: Edward Elgar.

- de Brunhoff, S. (2015). *Marx on Money*. London: Verso.
- Goodhart, C. (1988). *The Evolution of Central Banks*. Cambridge: MIT Press.
- Kindleberger, C. P. (1978). *Manias, Panics, and Crashes: A History of Financial Crises*. New York: Basic Books.
- Kindleberger, C. P. (1986). *The World in Depression: 1929–1939* (Rev. & Enlarged ed.). Berkeley: University of California Press.
- Kindleberger, C. P. (1993). *A Financial History of Western Europe* (2nd ed.). New York: Oxford University Press.
- Krause, L. (2014, September). Recent Economic Crises: What Are the Lessons? A Review of Paul Krugman, *The Return of Depression Economics and the Crisis of 2008*. *Review of Radical Political Economics*, 46(3), 415–417.
- Krause, L. (2017). Marx on the Mid-19th Century Gold Standard. *Review of Radical Political Economics*, 49(4 Winter), 574–581.
- Krugman, P. (2009). *The Return of Depression Economics and the Crisis of 2008*. New York: W. W. Norton.
- Marx, K. (1857, November 21). The Bank Act of 1844 and the Monetary Crisis in England. *New-York Daily Tribune*, No. 5176.
- Marx, K. (1858, October 4). British Commerce and Finance. *New-York Daily Tribune*, No. 5445.
- Marx, K. (1974). *Capital* (Vol. 1). Moscow: Progress Publishers.
- Marx, K. (1974). *Capital* (Vol. 2). Moscow: Progress Publishers.
- Marx, K. (1974). *Capital* (Vol. 3). Moscow: Progress Publishers.
- Marx, K. (1975). *Theories of Surplus Value*, Part II. Moscow: Moscow Progress Publishers.
- Marx, K. (1975). *Theories of Surplus Value*, Part III. Moscow: Moscow Progress Publishers.
- Minsky, H. (1975). *John Maynard Keynes*. New York: Columbia University Press.
- Moore, B. J. (1988). *Horizontalists and Verticalists: The Macroeconomics of Credit Money*. New York: Cambridge University Press.
- Obstfeld, M. (1996). Are Currency Crises Self-Fulfilling?: Comment. *NBER Macroeconomics Annual*, 11, 393–403.
- Perelman, M. (1987). *Marx's Crisis Theory: Scarcity, Labor, and Finance*. New York: Praeger.
- Smith, A. (1976). *The Wealth of Nations*. Chicago: Chicago University Press.



# Marx on Financial Intermediation: The Promise of Money as Command Over Future Labor

*Joseph M. Ricciardi*

## INTRODUCTION

Marx's analysis of the French *Crédit Mobilier* provides critical insights on the destabilizing role of financial intermediaries in the macroeconomy relevant to constructing a political reading of modern turbulence in financial accumulation. In a series of articles Marx wrote for the *New York Daily Tribune* during the 1850s (MECW, XV), he offers real-time analysis of the rise of private joint-stock banking as an innovation in French finance which simultaneously accelerated industrialization while fueling the global financial collapse of 1857. The *Crédit Mobilier*, founded by Issac and Emile Péréire in 1852 France, was one of the most important financial institutions of the nineteenth century—imbued with St. Simonist doctrine to finance rail, industrial, and public works projects on a global scale, competing with Rothschild commercial banking interests.

Five distinct contributions emerge from Marx's examination of the *Credit Mobilier*: **First**, financial intermediaries promote the multiplication

---

J. M. Ricciardi (✉)  
Babson College, Wellesley, MA, USA  
e-mail: [ricciardi@babson.edu](mailto:ricciardi@babson.edu)

of financial claims to social wealth beyond their basis for realization in production. The driving force of speculation in the normal operations of finance, thus, predispose the economy to debt-deflation crises. In contrast to post-Keynesian analysis, however, the heart of debt-deflation crises is understood as a crisis of imposing work. Keynes' notion that "all permanent relations between debtors and creditors ... form[s] the ultimate foundation of capitalism" (Keynes 2010, 57) for Marx, becomes entirely contingent on capital's capacity to discipline labor and annex surplus value at a future date. The exercise of such class power is inherently uncertain.

**Second**, Marx suggests that financial intermediaries immobilize and misallocate capital. Such misalignments occur across productive sectors (e.g., agriculture vs industry), within production (fixed vs variable capital), over time (present vs future), as well as disrupting the circulation of value over the various circuits of capital.

**Third**, Marx argues that Central Bank efforts to intervene as the "lender of last resort" in the face of financial crises prove ineffective since the Central Bank merely substitutes the fictitious capital of the state for the bad debt of private capital. **Fourth**, Marx argues that financial intermediaries accelerate the restructuring and concentration of capitalist property. **Finally**, Marx argues that financial intermediaries play an explicit political role in the class struggle. In 1850s France, finance capital was mobilized to "buy time" in the class struggle, to consolidate power, strangle the February Revolution, and provide support to Napoleon's project for "Imperial Socialism."

The objective of this chapter is to heighten the profile of class analysis in matters of finance, particularly at the juncture of the circuits of money and capital, and to import Marx's insights from the Grundrisse on the imperative of money as command over future labor.

### FINANCIAL INTERMEDIARIES, SPECULATION, AND FICTITIOUS VALUES: THE LOGIC OF DEBT-DEFLATION IN MARX'S WRITINGS ON THE *CREDIT MOBILIER*

In thirteen of the fifty-eight articles Marx wrote for the New York Daily Tribune between June 1856 and December 1857, he directly addressed the French *Crédit Mobilier*, arguing that Péréire-styled joint-stock investment banking inevitably had the ill effect of shifting industrial accumulation into the hands of stockjobbers, i.e., acquiring other



people's capital to stimulate a flurry of speculation in securities trading on the Bourse. The *Crédit Mobilier* 'worked' both sides of the market. It drove up the value of its own securities and simultaneously collected promoters' profits by "constantly speculating for its own account on the fluctuations of the very same securities, on their fall as well as their rise" (MECW, XV, 276).

Profits derived from the differential between the interest receivable on the long-term industrial paper it purchased and the interest paid "repackaging" this paper and issuing its own liabilities of shorter term and smaller denomination. This financial quest for profits diverted intermediation to speculation, accelerated turnover, and challenged the solvency, liquidity, and capital adequacy of financial institutions. Marx observed that the risk composition of bank portfolios increased, the power to issue debt far beyond capitalization provided a false appearance of liquidity, and capital adequacy proved especially fragile where assets are merely backed by paper representatives of industrial capital. "Winning" in this environment rested principally in wielding the market power secured by debt issue; i.e., attaching other people's claims to the revenue streams of industrial capital. Capital formation rapidly moved beyond the scale of individual advances characteristic of the world of self-finance.

Marx's concern with the *Crédit Mobilier* was that it *manufactured* fictitious value. The power to issue its own paper was the power to monetize debt. It stood between savers and investors, borrowing funds from the public against its own paper, which was issued on the basis of its intentions to make future purchases of industrial paper out of its own borrowings.

This organization of capital had profound destabilizing effects: First, while *Crédit Mobilier* debentures earned a fixed yield on an aggregate of paper secured by a capital that was nominally of the same amount, the realizable value of this capital was contingent upon the quotations of the Bourse. The bank's only backing was its paltry fixed capital in conjunction with a sum of industrial paper whose nominal value could vanish in an instant when liquidated in the throes of a panic. Second, Marx argued that the power to generate fictitious capital can debilitate aggregate accumulation by decapitalizing productive industry in order to fuel the spectacle of gambling. This is not unlike Keynes' view that capitalist finance promotes *speculation at the expense of enterprise* (Keynes 1935: 154–160).

For Marx, the central problem with this fictitious layering of debt is that financial accumulation assumes an independent dynamic of its own, entirely disengaged from the accumulation of real productive-capital. In the fantastic world of interest-bearing capital— $M-M'$ , money itself appears simply to breed more money *ex nihilo*. Financial accumulation is driven beyond its basis for realization in real production, setting the stage for financial crises to emerge.

The accumulation of financial claims is not the same as the accumulation of real wealth. Thus the cycle: The fictitious capital of financial intermediaries forms a precipice of debt that fuels speculative financial accumulation, which ultimately outruns real accumulation and collapses, resulting in a harsh deflation that devalues capital, destroys fictitious claims to wealth, and bankrupts the holders of such capital. What Marx saw in the *Crédit Mobilier* were the seeds of the classic “*debt-deflation*” crisis, but he probed beyond the relationship between asset prices and debt. Marx linked the fictitious nature of the capital characteristic of financial institutions to the problem of commanding surplus labor in the circuit of industrial capital.

#### THE IMPERATIVE OF SURPLUS LABOR IN THE FINANCIAL DYNAMICS OF DEBT-DEFLATION

Financial accumulation takes the form of augmented value—the money form ( $M-M'$ ). The accumulation of industrial capital, on the other hand, proceeds on the basis of the pure exercise of command over the conditions of production and the imposition of surplus labor. Marx argues that for money to assume its role as capital, it must at once fix and preserve its value as capital by constantly increasing it—a task which it can only perform by virtue of its exchange against living labor (MECW, XXVIII, 291).

Industrialists seek out external finance to extend their command over productive-capital and labor to expand operations. Marx argued, however, that the loans made to industry by financial intermediaries have no backing in realized production and are advanced only on the anticipation of the realization of the products of future labor in industry. The command over the new conditions of production afforded by the extension of finance capital is not secured until the realization of surplus labor from the new productive operations validates both the claim to future

income associated with the financial instrument, as well as the return associated with the underlying accumulation of industrial capital. Until such validation occurs, the capital involved is fictitious: The *financial capital* because it represents a claim to values which have not been newly produced—The *industrial capital*, because it represents an advance of merely the promise of future value and not the advance of previously realized value from a prior period of production, i.e., reinvestment.

Marx argued that absent command over surplus labor, securities held by the *Crédit Mobilier* as capital, constituted merely so much worthless paper. This did not stop the banks, however, from promoting the accumulation of fictitious capital and the layering of debt. When placed as ‘*Crédit Mobilier*’ debentures, the paper representatives of this capital circulate with a life of their own and are transformed into so much money-capital. The liquidity generated is advanced once again as money-capital in industrial loans; i.e., further purchases of industrial paper, which, in turn, are further capitalized.

A fundamental question arises with such a circuit: Does the money-value generated out of claims to fixed capital when subsequently loaned out, serve as an advance of *capital*, or does it merely circulate as *revenue*? For the individual financial intermediary the money loaned out is expected to make a return. The interest paid, however, must originate as a deduction from the surplus value produced by the borrower who must have mobilized labor productively—or else suffer a dead-loss.

From the vantage point of accumulation at the level of society as a whole, however, the advanced interest-bearing capital realizes itself as capital only to the degree an imposition of surplus labor is achieved that would not otherwise occur in its absence. The newly created surplus value must be “shared” between both industrial and financial capitalists in proportions corresponding to their relative economic power. If payment of interest occurs as the result of liquidating borrower assets as opposed to the creation of new values, then the effect of the loaned interest-bearing capital would be to merely transfer ownership of existing values from borrower to lender. In such a case, the money-capital is invested in *appropriation* and not *accumulation*. The circulation of value in this circumstance appears as a *redistribution of money* or the *circulation of money as revenue* and not a circulation of *money as capital*.

The distinction between the circulation of money *as money* (revenue) and the circulation of money *as capital* is an important one in Marx’s

work. The advance of money as money refers to the circulation of money in its role as a pure medium of exchange—for the execution of transactions. The advance of money as capital, however, refers to money's role in securing command over surplus labor and the realization of surplus value on a sum of money-capital advanced. In his later work in Volume III of *Capital*, Marx argued that financial crises are associated with the collapse of circuit of money as capital into the simple circulation of money as medium of exchange. When the accumulation of financial claims outstrips the production of real wealth, the “overhang” of financial claims can no longer command the surplus labor necessary to validate their existence as capital—i.e., withdrawing from circulation a greater value than the sum of value advanced. These devalued claims thus serve merely to recover a portion of the initial value advanced. While *ex ante* such claims were advanced as capital, *ex-post* they have merely recirculated the existing stock of values. This is central to the role of financial intermediaries in producing the concentration of capitalist property. What appears initially as simply the “mismanagement” of the loan-portfolio in the face of “uncertainty” is, in fact, the loss or absence of command over labor.

Time is of the essence in all these relationships. Until wealth is newly produced through the mobilization of living labor and the imposition of surplus labor, the financial intermediary accomplishes nothing except the multiplication of paper claims to real values, which are beyond hope of realization in the aggregate. Thus, where financial intermediaries are present, holders of financial instruments must be satisfied twice: First, the intermediary's claim on the surplus value of the industrial borrower must be realized. Then, the shareholders and creditors of the intermediary must be satisfied by means of a further deduction from this surplus value, which has been realized through the successful completion of the circuit of interest-bearing capital on the part of the intermediary.

In summary, Marx emphasized that successful completion of the circuit of interest-bearing capital,  $M-M'$ , presupposes the successful imposition of surplus labor in the circuit of productive-capital. Without this, financial crises are immanent and capital is devalued—the accumulation of capital is reduced to mere appropriation and the existing stock of values is simply redistributed. It is this link between the fictitious capital of financial intermediaries and the imposition of surplus labor in the sphere of industrial capital that formed the core of Marx's analysis of the debt-deflation crises inherent in financial intermediation.

## THE IMMOBILIZATION OF CAPITAL, AND THE GEOGRAPHY OF ACCUMULATION

Contrary to the orthodox notion that financial intermediaries ensure an optimal allocation of savings to ultimate users of funds, Marx argues that the routine functioning of financial intermediaries distorts the allocation of capital, both within the firm and with respect to the macro-composition of sectoral demand. Financial intermediaries are driven to *mobilize* the paper claims to social wealth, precisely by “fixing” liquid capital in bursts of speculative investment in productive-capital—plant and equipment, in order to collateralize and monetize this capital for yet further lending and fixing. The resultant *immobilization* of capital inevitably interrupts the continued reproduction of existing productive-capital. The “Mobilier”, instead of “mobilizing credit”, sunk “floating capital.”

Under pressure of class conflict, paper securities preserve the flexibility of capital by remaining perpetually *outside of* production and *uncommitted* to specific use-values (Harvey 1982: 266). Capital must remain fluid to respond spatially and sectorally to working-class initiatives in production, as well as to the changing compositions of consumption demand that devalue capital and so ruin its owners. The “mobility” of capital in its money-value form, however, is inherently precarious. The circulation of capital as a whole must include the metamorphosis of capital values into commodity-capital and productive-capital. The fantasy of interest-bearing capital is the appearance that the accumulation can proceed entirely within the confines of the circuit of money-capital and independently of the dynamics of class struggle.

One problem that arises is the coordination of the amount of time lenders are willing to part with their money-values at a given price (interest) and the amount of time borrowers require to realize the production of the augmented sum of values at a given return and efficiency in imposing work in production. Coordinating these exchanges is the objective of the capital market.

Ultimately, the coordination of the circuits of capital and the imperative of production inevitably confronts the fantasy of financial capital. In this world capital inverts itself. Harvey (2006) documents how the Pereire’s credit matrices promoted outsized construction investments, underwriting the “Hausmannization of Paris.” The resultant “overproduction” of high-value housing construction proved difficult to liquidate, immobilizing capital, leading to the bank’s decline.

## THE “LENDER OF LAST RESORT” AND THE FICTITIOUS NATURE OF STATE DEBT

The onset of financial panic prompts the mass of claim-holders to attempt the impossible—to cash in their paper representatives of value for direct command over real values. It is argued that the state can make good on the claims of security-holders by virtue of its power to annex the nation’s tax revenues. This was at the heart of Walter Bagehot’s notion of the central bank as a “lender of last resort.” By converting private financial obligations into obligations of the state serviced through taxation, the lender of last resort was supposed to restore confidence and halt panics in the midst of liquidity crises. For Marx, such infusions of fictitious capital could offer little hope.

Again, the question reemerges of whether money in such a financial scheme continues to be advanced as *capital*, or, merely circulates as *revenue*. To the degree, the resolution of the private financial crisis is achieved by making good on private debt through an issue of state debt backed by taxes—all that is accomplished is a socialization of losses which affords no productive contribution to capital accumulation, save for the indirect effects of containing the scope of incurred losses associated with stemming the run.

In the financial world characterized by a pyramiding of fictitious values, there always appears to be a need for a guarantor of some sort. *The introduction of state debt resolves the uncertainty of the extant illiquidity of the present by substituting for it the uncertainty of the future.* The state exercises its capacity to exact reimbursement for today’s borrowing out of future taxation, however, it is less certain that tomorrow’s tax revenues will be exacted out of newly produced additions to capital as opposed to a decapitalization of existing capital, resulting from the failure to impose surplus labor in the interim.

In this manner, state debt provides a short-term solution for financial crises brought on by the breakdown in confidence in a world over-accumulated in financial claims, but does so only by displacing the potential rupture in accumulation into the future on a larger scale. At best, in a crisis, the state’s guarantee can make individual creditors whole, but only as a result of distributing the burden of losses over the entire society.

Additionally, there are definite social pressures associated with the fragility of the balance of class forces which impose constraints at both

ends of the policy spectrum: On the one hand, there are social limits to the state's power to actively intervene to bailout fictitious capitals due to working-class refusal to accept the loss in purchasing power associated with either the new taxes or the inflation necessary to finance the bailout. There is, in addition, the potential hazard of generalizing the panic by calling attention to it with state intervention. On the other hand, there are social limits to the state's ability not to bail out in an effort to discipline economic units prone to moral hazard due to working-class refusal to accept the loss of income associated with the attendant rise in unemployment that accompanies failing enterprises.

Finally, it should be noted that appeals to commodity money, e.g., gold, will not correct the concerns with a lender of last resort to prevent crises and the devaluation of financial claims. The presence of money of intrinsic value will not resolve the dilemma of a credit mechanism built on the promulgation of paper representatives of values issued in anticipation of their real labor counterparts in production.

#### FINANCE AND THE RESTRUCTURING OF CAPITALIST PROPERTY

The *Crédit Mobilier* played an important role in leveraging operations to facilitate the progressive annihilation of small individual private capitals which ultimately led to an immense centralization of capital. Marx noted that the Pereire's true aim was to annex other people's money through the *Crédit Mobilier's* operations to realize the St. Simonist dream of commanding all of French banking—not to mention French production and social wealth. For Marx, monopoly is the highest stage of competition in banking.

#### “BUYING TIME” IN THE CLASS STRUGGLE—THE *CREDIT MOBILIER* AND NAPOLEON'S BID FOR “IMPERIAL SOCIALISM”

State debt can be advanced to “buy time” in the class struggle as a device for postponing distributional conflict to a later date and consolidating state power in the interim. Napoleon sought in the *Crédit Mobilier* just this sort of independent arm of credit that would be “state-serving” in consolidating class power. Marx saw in the operations of the *Crédit Mobilier* the gradual destruction of private property through its aggressive acquisition of private enterprise and incorporation into the hands

of the state. This Péréire-inspired socialization of capital without the elimination of the class relation, Marx termed “Imperial Socialism” (MECW, XV, 12).

Marx noted the greatest despair among the bourgeoisie in 1857 was the sense that the victory over the 1848 revolution—a victory genuinely purchased on credit—was about to collapse as the real terms of the loan, measured in terms of the class relation, came “due.” Settlement day, brought on by the agitation of the working classes, would provoke a massive devaluation of the fictitious values that had provided a temporary buffer of prosperity between the classes.

While credit may provide temporary relief from the barriers to accumulation posed by working-class power, credit can never overcome the barrier of the class relation itself.

## CONCLUSION

*Finance must at all points must be reconciled with capital's capacity to discipline labor and harvest surplus value at a future date. The uncertainty of “money as capital” is the uncertainty of the class struggle itself.* This methodological premise separates Marx from the Post-Keynesians, both in terms of understanding the forces producing speculative debt-deflation crises and the spectrum of remedies proposed as cures.

What can we learn about the recent period of financial crises from such a reading of the role of financial intermediaries in development? Can we better understand the collapse of the housing bubble in 2008 in terms of the growth of fictitious capital in derivatives markets that circulated the crisis globally? Was capital “immobilized,” crushing the housing sector for the financial gains of “mobilizing” it by means of mortgage backed securities? What prospects were there for the realization of these advances as “capital,” working from a foundation of securitizing *revenue* streams? Was the 2010 sovereign debt crisis a financial hammer to re-discipline labor in weak states (Greece) while postponing the day of reckoning for finance “as capital” to a future date? Did the restructuring of capitalist property and global redistribution in failed financial institutions push “accumulation through dispossession” across class lines as homeowners and debtors surrendered property through mass foreclosures? And what of the eternal return of the same with the present housing and student loan debt crises under rising interest rates? Or the financial Colonialism of draconian debt receivership now perpetrated on



the Island of Puerto Rico? Did debtor resistance, Occupy Wall Street, and sustained global mobilizations against austerity deepen the crisis? Will continued application of monetary emission and fiscal stimulus via state debt still serve to “buy time,” in attempts to consolidate social control?

Will waning forms of credit organization beget new modalities of financial exploitation from usury to interest-bearing capital to banking to the paper world? Is finance-led capitalism in decline (Guttmann 2016)? My bet is the new coin of the realm may be “real estate capitalism” denominated in human survival itself. What of climatologically displaced populations and the rise of right-wing real estate capitalism pushing “enterprise cities” and privatizing sovereignty?

*Reform palliatives afford no cure.* Tweaking information access and regulation on trades (e.g., Dodd-Frank style reform legislation) will not erase the structural predisposition to speculative excess. Crisis resolution without active resistance will only provision the socialization of losses to pay for the cleanup of devalued assets liquidated to realize privatized gains. Well intentioned calls for policies of “bank nationalization” that fail to envision the elimination of the class relation, will only produce a depraved socialization of capital and the inevitable reemergence of crises at the level of the State.

Working-class struggle must be targeted to rupture the circuit of money as capital, and with it, elimination of the imperative of interest-bearing capital and the associated largess of social classes that live by means of it and its implied exploitation of labor. Finance should only operate through the circuit of money as a medium of exchange to facilitate the ability of all to transform the time path of consumption in alignment with the needs of generational life cycles, absent interest claims as returns for “the time value of money” and “compound interest” as presupposed in capitalist accumulation. Finance must not be in the service of capital, promoting the speculative multiplication of claims to social wealth to produce the concentration of capitalist property. Workers must refuse to service state debt issued to bail out private capital via the “lender of last resort” or to finance state spending directed to “buy time” in the class struggle to impose surplus labor. Indeed, destroying money as capital and capital’s imperative to enforce command over future labor demands the dissolution of the class relation itself to revolutionize the very foundations of production and access to social wealth.

## REFERENCES

- Bologna, S. (1974). *Moneta e Crisi: Marx Corrispondente della "New York Daily Tribune", 1856–57*, Primo Maggio No. 1.
- Caffentzis, G. (2013). *In Letters of Blood and Fire: Work, Machines, and the Crisis of Capitalism*. Oakland, CA: PM Press.
- Cleaver, H. (1979). *Reading "Capital" Politically*. Austin: University of Texas Press.
- Guttman, R. (2016). *Finance-Led Capitalism: Shadow Banking, Re-Regulation, and the Future of Global Markets*. New York: Palgrave Macmillan.
- Harvey, D. (1982). *The Limits to Capital*. Oxford: Basil Blackwell Publisher.
- Harvey, D. (2006). *Paris, Capital of Modernity*. New York: Routledge, Taylor & Francis.
- Keynes, J. M. (1935). *The General Theory of Employment, Interest, and Money*. New York: Harcourt, Brace, & World Publishers.
- Keynes, J. M. (2010). Inflation (1919). In *Essays in Persuasion*. London: Palgrave Macmillan.
- Kindleberger, C. P. (1983). *Financial Institutions and Economic Development: A Comparison of Great Britain and France in the 18th and 19th Centuries* (Seminar Paper No. 234). Stockholm: Institute for International Economic Studies, University of Stockholm.
- Marx, K., & Engels, F. (MECW), *Karl Marx-Fredrick Engels: Collected Works* (Vols. 1–50). New York: International Publishers.

PART IV

---

Crisis in the 21st Century:  
Cross-National Evidence



# The Ambiguous Role of China's Collective Land Ownership Under Global Capitalism

*Xiangjing Chen*

As Marx says, the formation of the capitalist mode of production requires “the confrontation of, and the contact between, two very different kinds of commodity owners; on the one hand, the owners of money, means of production, means of subsistence, who are eager to valorize the sum of values they have appropriated by buying the labor power of others; on the other hand, free workers, the sellers of their own labor power, and therefore the sellers of labor.” For the two groups to be generated and meet each other, there must occur beforehand “a complete separation between the workers and the ownership of the conditions for the realization of their labor.” “The process... which creates the capital-relation can be nothing other than the process which divorces the worker from the ownership of the conditions of his own labor; it is a process which operates two transformations, whereby the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage-laborers.” Hence, “so-called primitive

---

X. Chen (✉)  
Tsinghua University, Beijing, China  
e-mail: [cxjpku@163.com](mailto:cxjpku@163.com)

© The Author(s) 2020  
M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_10](https://doi.org/10.1007/978-3-030-13639-0_10)

accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as ‘primitive’ because it forms the pre-history of capital, and of the mode of production corresponding to capital” (Marx 1990: 874–875).

However, in China, what we see is the peculiar coexistence of two different modes of production, which contradicts Marx’s theoretical construction of capitalism. On one hand, there is the seemingly “pre-modern” form of subsistence agriculture in the rural area, composed of small farmers maintaining the semi-self-sufficient mode of life; on the other hand, there is a huge floating population of migrant workers in the city. This peculiar mixed form of economy came into existence in the 1980s and accompanied China’s historical integration into the global capitalism and its recent phenomenal rise in world economy as the world’s factory.

How do we explain the persistence of subsistence agriculture and the advanced stage of post-Fordist capitalism? Why is “family” taken to be the basic economic unit of the current collective land ownership? Can we even say that such small producers constitute an innate feature of Chinese capitalism, and perhaps even of world capitalism?

#### DISSOLUTION OF THE COLLECTIVE AND THE FORMING OF THE “OUTSIDE” IN THE “UNEVEN STRUCTURE”

To comprehend the rationale of the “noncapitalist” sector of small-holdings in China, we must first revisit the Marxist theory of “uneven development.” As Rosa Luxemburg analyzes it, capital always needs an “outside,” the noncapitalist strata, for its accumulation, and such need for the “outside” is perpetual and constant. Luxemburg argues, to realize the surplus value in expanded production, capital needs a “third person,” that is, “consumers other than the immediate agents of capitalist production (i.e. workers and capitalists),” which could only come from noncapitalist strata (1968: 350). Besides, when capital expands in leaps and bounds, the two most important elements that it needs—raw material and living labor—can only come from “non-capitalist groups and countries.” Therefore, “the accumulation of capital becomes impossible in all points without non-capitalist surroundings” (361). In other words, capital does not function in a clean, transparent, and homogeneous society but always functions through an uneven structure, articulating both the “outside” and the “inside.”

In China, what constitutes the “outside” is precisely the not fully capitalized land and the subsistence agriculture in the countryside, institutionally guaranteed by the current land system of “household contract responsibility system.” It developed from the “agricultural collective” in socialist period, which lasted for two decades in China, and preserved some elements of “collective ownership.” During the socialist period, collective land ownership worked as an instrument to extract surplus products from the peasantry to assist the accumulation of the state capital for the new-born socialist state under the condition of an extreme shortage of capital.<sup>1</sup>

Based on the collective ownership of land, implements, and animals, the “agricultural collective” and the more advanced form of the People’s Commune served as an intermediary agent between the socialist state and individual peasants, extracting surplus products from peasants and organizing collective labor. However, starting from 1979, the “agricultural collective” went through a process of “de-collectivization” and evolved into the current form of “household contract responsibility system.” By 1982, 99.2% of villages had adopted the “household contract responsibility system” (Zhang 2002: 56). The village still acted as the agent to collect agricultural products for the state, but its power of governing peasants was gradually undermined; the land remained nominally the collective property of the village, but the production tasks were “decentralized” and “individualized” to individual households. As indicated by the name “household contract responsibility system,” each household signed a contract with the village collective and was allotted a plot of land, for which it undertook the responsibility of growing food and turning in a portion of products to the village collective, keeping the rest of the products for self-consumption.

<sup>1</sup>Wen Tiejun points out, while most underdeveloped states would have to rely on the economic aid of foreign countries to accomplish the primitive accumulation for their industrialization, which often result in their political dependence on foreign capital, China chose the path of “internal primitive accumulation,” by extracting surplus value from the vast rural area to support the state’s industrialization. See Wen Tiejun, *Baci weiji: Zhongguo de zhenshi jingyan* 八次危机:中国的真实经验 1949–2009 (Eight Crises: Lessons from China, 1949–2009) (Beijing: Dongfang chubanshe, 2012), 5. Lin Chun points out, the “primitive accumulation” was done through the unequal “scissor price” in the exchange between the industry and agriculture, by trading the cheapened agricultural products with more expensive industrial goods. See Lin Chun, *The Transformation of Chinese Socialism* (Durham: Duke University Press, 2006), 66.

The village collective, though it lost the substantial power to command and organize peasants' labor, nevertheless retained the power to distribute the land according to the heads within each family, take back the land when a person deceases or moves out of the village, and assign new land to a new member of the village community, so that every member of the village is guaranteed equal share of land, with which he could sustain his life. The land, nominally a collective property, is actually at the disposal of each household. Interestingly, over the years there has developed the tendency toward "stabilization" of the possession of the plot of land: the duration of the contract (during which the family temporarily "owns" the land) was initially set to be 15 years, but since 1993, the period has extended to 30 years. In 1998, the policy again reasserted the necessity of maintaining 30 years of usage of the land unchanged (Zhang 2002: 59–60). As such, the land has in fact turned into something like the "private property" of the peasant household. The agricultural tax was abolished in 2006, which means peasants no longer needed to turn in products to the state.

This "individualization" and "stabilization" of land ownership and the formation of the huge strata of small peasants happened along with China's increasing integration into the world economy—1993 was the high period of China's marketization and commercialization, and 1998 was only two years away from China's joining the World Trade Organization. As such, the "household contract responsibility system" generated a huge class of small peasants, forming the "outside" of Chinese capitalism, a "noncapitalist" sphere. Such a "noncapitalist" sector of smallholdings (an "outside") interacts with the "capitalist" sector to form an "uneven structure" of Chinese economy, providing the perpetual momentum for the accumulation of capital.

An important aspect of the "outside" is that cash/capital is extremely lacking in rural areas. The fragmented nature of smallholding economy is fundamentally incompatible with the socialized nature of the capitalist mode of production. As Wen Tiejun points out, the "transaction cost" with millions of individual peasants is too high for the bank; therefore, commercial banks prefer to do business with large capitalist and big enterprises, while avoiding dealing with small holders (Wen 2005: 118). Kautsky made a similar point with respect to Germany in the early twentieth century (Kautsky 1988: 121). As such, capital investment did not go into the sector of subsistence agriculture.

A second sense of being "outside" the capitalist sector is the "non-capitalist" nature of the subsistence agriculture enables the peasant

family to live a relative self-sufficient life with relatively lower demand for cash. As Wen Tiejun points out, it is very common for Chinese peasant households to combine cropping with some poultry farming. "They tend to grow some tea on the east slope, grow some corn on the west slope, grow some vegetables at the front door, raise a pig in the backyard, tether a cow at the back of the house" (2005: 231). Through such arrangement, part of the products for self-consumption can be obtained without paying cash, or to a certain extent, "for free." He Xuefeng terms such mode of life as "low consumption, high welfare" (He 2010a: 55).

However, it must be noted that this "welfare" of rural residents can only be understood as minimum subsistence level and does not include medical care and education. High-quality education and medical resources powered by capital tend to concentrate on the "capitalist sector" and hence are inaccessible to peasants. Similarly, good schools also retreat from the countryside to the cities; the distribution of quality schools coincides with the hierarchical distribution of capital resources. A child may be able to go to primary school in his/her own village or nearby village, for junior middle school he would have to go to the town, for junior high school he/she would have to go to the city, and for university, he would have to go to the capital city of a province or metropolis such as Beijing or Shanghai. Children thus end up the same peasant migrants as their parents when they reach the age of 18, looking for jobs in the city. As such, the countryside becomes the production site for a cheap labor force for the city. Labor power is produced "outside" the capitalist sector, in the countryside, where it is produced at a very low cost by the (semi) self-sufficient small holdership.

In sum, although small holders have no difficulty sustaining their daily life by producing their own food in an uneven structure circumscribed by the capitalized environment with all the important welfare being commercialized (medical, education, and allowances), peasants, driven by the urgent need for cash, would migrate into the city to look for supplemental employment. As such, small peasants turn into migrants.

### "DOUBLE LABOR MARKET" AND DUAL IDENTITY OF SMALL-PRODUCERS AND MIGRANTS

Even in the traditional smallholding economy, agricultural production is often supplemented by nonagricultural occupations, such as crafts and trades. This is because the seasonal nature of agriculture often results in



the uneven distribution of labor in agricultural production, so that labor is often far from being fully utilized in agricultural sector. Hence, small holders often throw part of their labor into nonagricultural livelihoods for supplementary income, such as crafts and trades, which “give a considerably higher payment per labor unit” (Chayanov 1966: 108).

When small holders are circumscribed by capitalist conditions, the pressure to seek cash to fulfill various consumption needs becomes even more urgent, driving small holders to turn into sellers of labor power (Kautsky 1988: 161). A similar form of wage-worker also existed in Russia, known as the “allotment-holding wage-workers.” V. I. Lenin found out that the landowners provided the estate with cheap agricultural workers by allotting patches of land to the agricultural workers. The workers worked this patch of land for their own subsistence, in exchange of which they were obligated to work the land of the private landowners for free. As such the *corvée* (*otrabotki*) system and the capitalist system “are interwoven in the most varied and fantastic fashion” (Lenin 1956: 200).

We can see that small farmers routinely shift between their own family farm and the nearby capitalist farms, and between the role of a producer and a seller of labor power. Such routinely shift of small peasants between workplace and home already contains the innate tendency for small producers to “migrate” somewhere else to look for supplementary employment. In China, such rotation and migration between countryside and city have been “institutionalized” and “normalized” by the “household contract responsibility system,” which generated what Claude Meillassoux calls the “double labor market” and “rotating migration.”

Claude Meillassoux shows it is in the interest of capitalism to create a “double labor market,” which divides the proletariat into “workers who are integrated (or stabilized) and who reproduce wholly within the capitalist sector” and “migrants who only partly reproduce themselves within it” (1981: 120). By creating this “double labor market” and externalizing the cost of production of labor power to the rural area, capitalist maintains the cost at a minimum level.

Together with this double labor market is the mechanism of “rotating migration,” through which migrating peasants in the city are periodically discharged back to the domestic sector. When the peasant is engaged in both self-sustaining agriculture and the wage labor in the capitalist sector, that is, when he “divides his productive time between

the self-sustaining activities necessary to support himself and his replacements, on the one hand, and the work carried out without return for a third party on the other," he not only generates "surplus value," but also generates "labor rent." In this circumstance, it is the domestic community in the countryside which undertakes the responsibility for labor power's "maintenance" and "reproduction," "breeding him as a producer of labor-power" by providing him with "the subsistence goods and care," taking care of him when he lost the laboring capability (during illness or retirement) (Meillassoux 1981: 111–114). As such, the cost of reproducing labor is "externalized" to the domestic community in the subsistence agriculture, absolving the capitalist state of its responsibility for taking care of the workers. For this reason, the colonial authority in Africa sought actively to preserve the premodern community and to "block the growth of private landed property and the formation of capitalist relations of production" (1981: 117).

Interestingly, such design of rural land relations by colonial authority was strikingly similar to China's "household contract responsibility system." "According to its size, each family receives, in principle, a plot of land to live on—*one man one plot*. These plots are subject to rigorous restrictions; they cannot be sold, which prevents their concentration in the hands of a local class of landowners, and it is forbidden to employ paid labor on them or to undertake cash cropping. Furthermore, the circulation of money in the reserves is reduced to a minimum, thus preventing any concentration of capital which might lead to changes in the relations of production or a shift of labor power toward lucrative activities within the reserves" (Meillassoux 1981: 117–118). The purpose was "to preserve an area in which labour-power can reproduce itself, but strictly at subsistence level." In this sense, the "land reserves" are really "reserves of labor" (1981: 118).

In China, the collective land ownership, together with the "household registration system" which regulated the residence of urban and rural citizens, served to create the "double labor market" and "rotating migration." During socialist period, while urban citizens enjoyed the package of welfare benefits provided by the state, including "administratively allocated, guaranteed jobs, underpriced and highly accessible transportation and water, cheap food and electricity available at stable cost, ... law and order, full employment, low-cost utilities, and price stability" (Solinger 1999: 102), rural residents had none of them; they not only grew their own food, but their medical care, retirement, education all depended on

the products of the agricultural cooperative to which they belonged. This hierarchy in welfare benefits between urban and rural residents drove peasants to migrate into the city to look for employments. In the socialist period, enterprises already secretly hired peasants as low-paid temporary workers against the government policy. Starting from the 1980s, with the opening-up of China to the world market, peasants became a huge “floating population,” who have their permanent residence registered in the countryside, while working in the city as wage-earners (Solinger 1999: 15). When the peasants flooded into the city in the 1980s, most of the jobs they took were lowly paid and dirty work that urban citizens refused (Ge and Qu 1990).

In recent years, with the deepening of the crisis of over-accumulation worldwide, the tendency to lower the cost by using cheap and disposable labor has become more urgent. As David Harvey points out, at times of over-accumulation, when “surpluses of capital (perhaps accompanied by surpluses of labor) lie idle with no profitable outlets in sight,” the “non-capitalist” sphere becomes so important that capital not only makes use of the existing “outside”—the noncapitalist social formations—but also actively “manufactures” it by destroying a portion of capital to create new “noncapitalist” space for accumulation (Harvey 2003: 141). Viewed in such perspective, the noncapitalist subsistence agriculture in China fits exceedingly well with capital’s need for a huge army of cheap, flexible, and disposable labor force at times of the over-accumulation. If, as Harvey says, neoliberalism is characterized by “flexible labor markets and short term contracts, chronic job insecurities, lost social protections, and often debilitating labor,” (2003: 170) and that “the figure of ‘the disposable worker’ emerges as prototypical upon the world stage” (2007: 169), then the huge “floating population” in post-Fordist China constitutes precisely a huge group of “disposable workers” which can be discharged at will by capital.

According to Lü Tu, the frequency of changing jobs in migrant workers have been rising in recent years. While old migrant workers change jobs every 11 years, younger generations change their jobs more frequently, about every 3 years, and recently even increased the frequency to once every year. And most often times it is the migrant workers who choose to end the contract willingly, for reasons such as dissatisfaction with the working environment, dissatisfaction with the salary, boredom, seeking for better jobs somewhere else, etc. Of the younger migrant workers who have changed their jobs, 88.2% asked to quit the jobs

(Lü 2013: 19). According to the statistics of national rural population investigation, from 1996 to 2006, the outgoing rural migrants increased from 34,000,000 to 132,120,000, increasing by nearly 400% over the 10 years (Chen et al. 2008: 197). Up to 2015, the floating population had reached 294,000,000, which is 21.38% of the entire population (China Statistical Yearbook 2016).

How then does the capital keep the migrant peasants from settling down and forming “slums” in the city like some developing countries, such as Brazil? In other words, how to keep the small producers in the state of permanent migration? This demands us to turn to another crucial element of the “household contract responsibility system,” the family.

### INDISPENSABLE AND IMPOSSIBLE FAMILY

Under the current “household contract responsibility system,” a peasant’s right to possess land is predicated on his membership of the village community and his registered residence in the countryside. Even if a peasant works in the city, as long as he keeps his permanent residence registration in the countryside and remains a member of the village community, he gets to possess a small plot of land. When he gives up his permanent residence registration in the village, he loses the possession of the small land, which is then taken back by the village community and redistributed to others. This possession of land, though it does not produce much cash income, nevertheless contributes to the overall wellbeing of the family by producing vegetables, eggs, and meat at a relatively low cost. Hence, “entirely abandoning the management of the land will greatly increase the cash expenses of the peasant family, which cannot be compensated by the seemingly ‘affluent’ wages earned in the city” (He 2010b: 237). Since most peasant workers cannot get secured employment and completely settle in the city, the most rational choice for them is to retain their residence registration in the countryside and have their family or relations work the land while they work in the city. Their wage income in the city combined with the agricultural income from the land is just sufficient to maintain the reproduction of the entire family in the countryside (He 2010b: 48).

Hence, there is the tendency toward “familization” in the division between agricultural and nonagricultural labor. According to He Xuefeng, while in the 1980s, the division of agricultural and

nonagricultural work took place between different time periods, i.e., peasants spent part of their time working in the fields and spent part of their time working in small factories in the nearby town. However, starting from the 1990s, the division of labor began to take place more and more within one family, between different generations, i.e., aged parents work the land in the countryside, while young couples work in the city, or the husband works in the city while the wife stays in the countryside (He 2010a: 237). And the period of their staying in the city is stretched to a full year or even longer. As such, the prevailing economic structure of Chinese small-holders family is half-agriculture, half-wage-labor, combining the “small peasants” and “migrant workers” together in the single economic unit of family. In other words, the family is structurally divided between the country and the city.

It is by no means a coincidence that the “household contract responsibility system” takes “family” as its basic production unit, as family is a crucial institution for primitive accumulation which involves a great amount of “unpaid labor,” as has been shown by Silvia Federici and Claude Meillassoux. Federici points out, the family was the most important institution for the “enclosure” of women’s bodies and their reproductive labor. The unpaid domestic labor of women within the family “have enabled capitalism to immensely expand the ‘unpaid part of the working day’”. For example, in the putting-out system, a wife could help the male cottage workers with their work for the merchants, “while caring for their physical needs, and providing them with children, who from an early age could be employed at the loom or in some subsidiary occupation”. Hence, “even in times of population decline, cottage workers apparently continued to multiply” (Federici 2004: 88–115). Meillassoux shows that the parental labor of bringing up a child is another form of “unpaid labor.” The family is “the institution within which birth, nurture and education of children take place thanks to the largely unpaid labor of parents, particularly of the mother. It remains the locus of the production and reproduction of labor power (1981: 141). “The cost of ‘manufacturing’ a producer is never accounted for in capitalist terms, neither as a private investment, nor as a product which brings the producer of the producer a profit in interest or by sale” (Meillassoux 142).

If Federici and Meillassoux illustrate the general forms of “unpaid labor” (parental labor and women’s labor) sedimented in the institution of family, then the “small peasant family” has an even more outstanding capacity for accumulating the “unpaid labor,” because it has the innate tendency of “intensification labor.”

As Chayanov illustrates, one important difference between the family farm and the capitalist farm is the lack of the category of “wages.” For capitalist farms, the net profit is the amount left after the deduction from the gross income of the expenditures on materials and wages paid to the labor hands. However, for a family farm, when they calculate income, they do not take into account the price of their own labor, rather the income is the amount of product left after the deduction of the expenditure on materials from the gross income (1966: 86). In other words, “there is no social phenomenon of wages” (1966: 5).

Another characteristic of family labor farm is that it cannot “lay off” labor hands like capitalist farms but must keep them fed under whatever circumstances. For a family farm (with its fixed number of labor hands), the “labor” is a fixed element and therefore all the other elements of production (land, means of production) must be deployed around this fixed element in such a way as to optimize the effective use of “labor hands.” As Chayanov illustrates, “in the scheme of the harmoniously developed organic elements of the labor farm undertaking, the labor force of the family is *something given*, and the farm’s production elements are fixed in accordance with it in the technical harmony usual *among them*” (1966: 92). While capitalist farms take as their central concern the pursuit of profit, the family labor farm takes as its central concern the maximum employment of family members. In other words, it tends to “force up the labor intensity” so as to maximize the gross income for the family, even at the cost of declined return per labor unit. “Inevitably losing on unit labor payment, it nevertheless considerably expands the gross income of its agricultural undertaking.” “This forcing up of labor intensity, buying increased annual agricultural income at a price of reducing labor unit payment, is achieved either by an intensification of work methods or by using more labor-intensive crops and jobs” (Chayanov 1966: 113). Such a situation often happens in densely populated areas, such as in China. Philip Huang’s study of Chinese family labor farms in the Yangzi Delta from 1350 to 1988 reveals that, due to the greater pressure on the land posed by growing population in Ming and Qing Dynasty, peasant families in the Yangzi Delta increasingly switched to growing labor-intensive commercial crops such as cotton and mulberries (for silk). By doing this, they achieved higher total values of output per unit land, though they got lower average returns per labor day. Viewed from another light, we can see the intensification of labor as in essence the “devaluation” of labor and leads ultimately to increasingly amount of “unpaid labor” in agricultural practices.

A third characteristic of the family farm is that the family is particularly adapted to the elastic and irregular nature of agricultural activities because it is good at utilizing the “spared” and “auxiliary” labor of women, children, and the old people, who are not qualified as “wage-laborers” on the capitalist labor market and can accept much lower wages than the standard wages. According to Philip Huang, the family farm “easily outcompeted the wage labor-based managerial organization” (1990: 74) because while “managerial enterprises had to rely mainly on adult and male labor paid at prevailing market wages” (14) the family farms are able to draw on the much cheaper auxiliary labor of women and the old and young (218). According to He Xuefeng, some trivial activities, such as feeding cows, feeding pigs, working the land, growing vegetables in the yards, won’t take up much physical energy, yet they contribute substantially to the family’s income by producing “free” milk, eggs, fish, and meat, which help reduce the price of Chinese migrant workers in the city. Of course, these agricultural products are not truly “free” in the real sense; they are in essence the result of the “unpaid labor” of women, children, and aged parents within the family. But it is hard to calculate wages of these “half-laborers” in subsistence agriculture, where production and consumption are integrated as a whole. As Wen Tiejun illustrates, when an old mother, after washing the wok, uses the wastewater to cook some grain husks to feed the pigs, does this count as “production” or “consumption”? When a child after school picks some grass on his way home and feeds it to the pigs, does that count as production (Wen 2005: 233)?

For all these reasons stated above—the lack of “wage” category in income calculation, the intensification of labor (thus the devaluation of labor), the use of “spare-time” and “auxiliary” labor within the family—contributed to the large amount of “unpaid labor” within the small peasant family. When such family farming is circumscribed by the capitalist economy and drives peasants to go to the city for employment, the “intensification of labor” of the peasant family now manifests in peasant workers’ “unpaid labor” of traveling back and forth between their homes and their place to hold together the family which is structurally divided.

Such “separation” of family is not transitory but is rendered permanent by the unique “uneven” politico-economic structure of China. Structurally divided by the noncapitalist rural area and the capitalist sector, the family is inherently precarious, unstable, and unsustainable. On one hand, the integrity of the family as an economic unit is

“indispensable” because the reproduction of the family is predicated upon the combination of both the agricultural income from the land and the wage income from the city. On the other hand, family is “impossible” because it strides across the divide between the urban and the rural area, between the industrial sector and agricultural sector. In sum, the family of peasant migrant in the countryside is both “indispensable” and “impossible.”

One consequence of the “divided” family is the huge group of “left-behind children” and “left-behind elders.” Up to 2010 (the most recent national census), the number of “left-behind children” has reached 61 million, which was about 40% of the rural children and 22% of the children nationwide. The “floating children” (children who live with their migrant parents in the city without official urban residency because their permanent residence is registered in the countryside) and “left-behind children” (children who live in the rural home and separated from their parents) occupy up to 1/3 of the overall population of children. From 2000 to 2010, the number of “left-behind children” grew from 23,900,000 to 61,000,000, increased about 160%. According to the national census, as of 2010, in the rural area, of the households with old people over sixty, in about 33.87% of households, old people are living separately from their adult children (Duan et al. 2014: 13, 16, 17).

As a result, what we witness is what Yan Hairong calls the “hollowing out” of the countryside and the rural population—while millions of physically strong laborers are sucked into the numerous enterprises and sweatshops in the city as its fresh blood, thousands of injured, weak, and disabled laborers are discharged back to their homes in the countryside, living on the small plot of land as their final resort of welfare. The rural area consistently releases fresh young labor power while absorbs sick and weak labor power, like a reservoir (Yan 2005: 83).

Interestingly, this extraction of “unwaged labor” in the family operates through the social relation of “love.” Love is a nonutilitarian relation which defies the logic of exchange; however, such “nonutilitarianism” may turn into a device for capital to extract surplus value. Gavin Walker has touched upon how the “national sentiment” works for the accumulation of state capital. Capital needs the two elements land (raw material) and population (labor power) to be readily available, and it is through the nationalist sentiment that the two elements could be obtained for free, without paying price. “Capital, in order to undertake



its own supposed ‘rational’ and directly economic production cycle, in which commodities are produced by means of commodities, requires something given, a social gift at its core, in which the basic social positions of buyer and seller are already presupposed as if they could be relied on as naturally available elements” (Walker 2016: 186). Likewise, here, in the case of family, the unconditional love to support one’s family works to extract the unpaid labor which accrues to the gains of capital. To keep the family integral, rural migrants must travel back and forth between their homes in the countryside and their workplace in the city.

Out of “love,” a peasant worker may be “laid off” by the factory, but he cannot be “laid off” by his family, who will do whatever to support him; even when he is laid off and discharged by the urban capital and returns to the land. As He Xuefeng illustrates, when financial crisis strikes China and shuts down factories, the migrant workers return to their home in the countryside, stay there, and “wait out” the crisis, until economic conditions improve and allow them to go out to work in the city again. This is exactly why China can still remain politically and economically stable, when masses of manufacturing factories were shut down in 2008 (He 2010a: 214, 230). For this reason, despite the increasing pressure from the capital to “capitalize” the land and turn it into commercial use, some Chinese economists and sociologists insist that the small holdings be preserved as the “buffer” and “reservoir” for the capitalist crises (He 2010a: 254, 311; 2010b: 55).

Out of love, aged parents would continue to work into their very old age in the countryside, which results in the over-exploitation of old people. He Xuefeng points out, “in the countryside, old people do not have the concept of ‘retirement’, even if they are over sixty, as long as they could move, they will manage to do some work around the house. The children can also do some minor jobs such as feeding the chickens or feeding pigs” (2010a: 229). In a sample study of “left-behind elders,” 65% of them still need to do agricultural work, while 35% do other kinds of work (such as housework). And when they get ill, they mostly rely on their spouses or children living nearby; only 13% of them get to be taken care of by their children who were migrating outside (Du et al. 2004: 47).

Another instance of love-driven “unwaged labor” is parents’ huge investment of money on their children’s marriage and house building. According to He Xuefeng, in some places of China, such as Hubei Province, the ideology of “passing down one’s descendants and continuing one’s bloodline” is so powerful that that parents would spend their lifetime savings on weddings, dowry, and building new houses

for their grown-up children, whereas children give parents very little in return, often the minimum level of allowances—300 catties of grains each year, some heating materials, and a little cash for daily expenses—just adequate for their livelihood but barely enough for consumer goods (He 2010b: 114). Besides, He's field work shows, in Jingshan, Hubei Province, the suicidal rate of old people in the rural area is exceedingly high. In some villages, up to 50% of old people commit suicide. In that place, there is a very unfavorable ideology that old people should work as long as they can still move; once they cease to be useful to children, they should not cause any trouble to their children (He 2010b: 135). This unconditional and willing sacrifice of elders is done under the name of the parental "love," and such unequal exchange generates an immense amount of "unwaged labor" that is in turn sucked by the capital in the city. Once the "labor value" of the aged parent is extracted to the very last bit, the parent can be disposed of. "Love" relieves the state and capitalist of the obligation of taking care of laborers when they are ill or weak. To this extent we may say, "love" (as an inherent component of family) constitutes another "noncapitalist" sphere that facilitates capitalist accumulation.

Interestingly, the immense amount of unpaid labor sedimented in such irrational "sacrifice" for family is justified in the name of "Chinese cultural values." While condemning the cruelty of children abandoning aged parents, He Xuefeng nevertheless considers such value for family to be an important feature of Chinese traditional culture and is worth preserving because it gives Chinese people the spiritual support needed to sustain their life and helps stabilize the society (2010b: 120–122). It is also worth noting in recent years, the "filial piety," along with other traditional cultural values that uphold the harmony of family, have come to be promoted by the government. No doubt family is a crucial factor in maintaining the stability of the society and the state, and given what I have analyzed above, it might also have something to do with the unpaid labor accumulated in this form.

#### POSSIBLE WAY OUT: ALTERNATIVE USE OF COLLECTIVE OWNERSHIP

However, like any "outside" that capital seeks to incorporate into its metabolic cycle for the purpose of extracting surplus value, such agricultural "outside" also poses threat to capital by injecting radical

“otherness” into capital and subverting its logic. Harry Harootunian points out in his analysis of “formal subsumption” that, while the structure of contemporaneous configuration of different temporalities is essential for capital’s self-reproduction, it at the same time generates within itself “the force of temporal interruption, unevenness, fracturing, and heterogeneity” (Harootunian 2015: 64). In reproducing the old elements for the purpose of creating surplus value, it also brings in the radical otherness (or historicity) of a different temporality of precapitalist society, which capitalism tries every means to bury or “naturalize.” Once the suppressed historicity and heterogeneous elements have been discovered, excavated, and activated, the possibilities for an alternative future could be opened.

In this sense, the “outside” role of the countryside in China’s capitalism would not just mean the source for raw material and cheap labor like the “colony,” or as a dumping ground to which global capital “externalizes” its costs and emits its waste (both “material wastes” and the “human waste” such as the weak, the aged, the disabled that have been exploited and disposed by the city). Rather, because the countryside undertakes the job of producing the labor force for the capitalist economy in the city, and because labor power is the most important factor that sustains the production circuit of capital, the countryside may end up a source of instability for the capitalist system, as it always contains the possibility of terminating the supply of labor power.

Gavin Walker’s study of Japanese Marxist Uno Kozo shows that, labor power, as the source and origin of surplus value, creates an opening that disrupts the smooth operation of capitalism, a “threshold” or “limit” of capital which capitalism itself cannot overcome. On one hand, the continuing cycle of capitalist (re)production is predicated upon the ceaseless input of labor power into the production process; the continuation of capital must always presume that labor power is given and available at hand (Walker 2016: 128). On the other hand, “labor power is something that cannot be produced in the production process as a commodity,” but “must always-already be intersected by another surface or entire phase of capital’s circuit, the consumption process.” The process in which the laborer consumes food and clothing to replenish his physical power and reproduces himself lies “outside” the capitalist production process and “can never be strictly presupposed in capital’s interior” (Walker 2016: 25, 117).

If, as Walker shows, the separation of (re)production of labor power (in the realm of life) from usage of labor power (within the factory)

generates an inherent “fracture” or “split” in the labor commodity (and hence creates the opening within capitalism), then, in China, the rural–urban divide makes the gap between the (re)production of labor power and the use of labor power even greater. As we see above, in China, the laborer is produced in the countryside, but he/she has to travel a long distance from the inland agricultural provinces to the coastal cities to actualize his labor power; this implies that the supply of labor power is even more unstable and more out of the control of capital.

In this light, we must not dismiss one important institutional element that has been retained in the “household contract responsibility system,” that is “collective ownership.” The “collective land ownership,” as a means of production, when used productively, is capable of producing enough value to sustain the livelihood of laborers; it thereby suggests the possibility of the “exodus” of labor power from capital, and provides a way to “delink” from the capitalist sector. Then, can we put it to alternative use?

Currently, there have been various attempts to revive the socialist legacy of agricultural cooperative in the rural area, as manifest in the “rural construction movements” going on in the countryside. One example is the Zhou Co-operative, which is the only agricultural collective which has retained the organizational form of “People’s Commune” up to this day, despite the mass disintegration of collectives in the 1980s. Having its own industries and agriculture, the Zhou Co-operative has very few members migrate into the city. And due to its large scale of production, it is able to accumulate its own funds, command capital, and generate considerable profits within the community.

According to Pun Ngai, Yan Hairong, and Gu Xuebin, the Zhou Co-operative has several important characteristics. First, it insists on a relatively egalitarian distribution. Instead of having each department produce and distribute its own products, it is the cooperative that collects, calculates, and distributes the products. Therefore, although the division of labor between industry and agriculture and between different types of labor would generate different amounts of value and results in different levels of income, the cooperative insists on a relatively egalitarian distribution of products between different departments. And since members of the cooperative would be asked to rotate between different departments, rather than staying in one department for too long, everybody gets a fair share of the surplus. For example, as of 2001, the contribution of the collective enterprise to the income of the entire cooperative has amounted to 90%, while the agriculture takes up less than 10%; however,

a portion of the profits of the collective-owned industries would be distributed to the agricultural sector in order to prevent the laborers from flocking into the industrial sector (Pun et al. 2014: 76).

Secondly, different from normal enterprises which pay laborers only with wages, the surplus value generated by the collective enterprises (after the deduction of production cost) go directly to the cooperative members. After taking out 7% to be used for “public accumulative fund” and 3% for “public welfare fund” at the cooperative level, about up to 86% of the surplus would be distributed among cooperative members (Pun et al. 2014: 110). All the surplus value is retained within the community and shared in common by all members, rather than flowing out into the city, hence the cooperative has great economic power for the public welfare of its members. The cooperative has established its own public welfare system and basic infrastructure construction. It has its own public education-system, including primary school and junior middle schools, which are free of charge to the members. Clean processed water is provided to all members for free. The residence buildings are also partially subsidized by the cooperative and are built according to a unified plan (Pun et al. 2014: 113). The cooperative also takes care of the aged people who have lost their capacity to labor, subsidizes living expenses every month, and sends volunteers to take care of those who have no children. For those who are afflicted with serious disease and have to go to the hospital in the city, the cooperative also gives some economic subsidies.

In the case of Zhou Co-operative, we see a possible way of collectively and productively using the means of production for the common benefit of the village community. Instead of decentralizing into small holders who cannot articulate with socialized means of production and fall “outside” the urban capitalist sector, the allied producers of the cooperative have the power to produce surplus product and exchange with the capitalist sector. As such, it may indicate an alternative way for collective ownership in China.

## CONCLUSION

China, as an underdeveloped agrarian country, with its large tracts of land not fully capitalized, presents an interesting case for Marxian theory of primitive accumulation. Its peculiar “uneven” structure articulates several modes of production together—the smallholdings (natural economy), the nominal collective ownership (socialist legacy), the mature

capitalism in the advanced and post-Fordist stage—interact in a dynamic relationship and contain rich possibilities for the potential direction of China's future development.

With the dissolution of the socialist agricultural collective in the 1980s, the land has been “decentralized” and turned into virtual private property held by individual peasant families. That generated a stratum of smallholdings, which form the “outside” of capital, characterized by its lack of cash and self-sufficient mode of production in rural areas. Circumscribed by the mature capitalist environment in which major welfare are commercialized, peasants are driven by the need for cash to go into the city seeking for supplemental income, constituting a huge army of cheap, flexible, and disposable labor force, migrating back and forth between the city and the country. This migrating labor force is institutionalized and normalized by the “household contract responsibility system” and “household registration system,” which links their right to possess the land with their rural residence, thus maintaining their status of “migrant.”

What sustains their rotation between country and city is “the family,” a crucial institution notable for its accumulation of “unwaged labor” in labor reproduction. In agriculture, the family takes on particular importance for its exceeding ability of “intensification of labor,” by canceling the category of “wage” and by utilizing the “spared” and “auxiliary” labor of women, children, and the elderly. And in the uneven structure of contemporary Chinese capitalist economy, the “intensification of labor” of the small holders’ family manifests in the huge efforts of keeping the family together which is structurally divided between the “noncapitalist” rural area and “capitalist” urban sector. Such “intensification of labor” constantly operates through the social relation of “love,” whose nonutilitarian logic (defying the logic of exchange) turns out to be the device for accumulation of capital, as manifest in the over-exploitation of the elderly in the countryside, the irrational financial investment in the children’s housing and marriage in the city, and the time and money spent on their routine traveling as migrants. As a result, the family’s inherent tendency toward the “intensification of labor” makes it particularly adapted to the elastic and mercury nature of post-Fordist capitalism, even during the strife of financial crisis. However, such structurally split families generate “left-behind children” and “left-behind elders,” the “hollowing out” of the countryside, and cause the reproduction of labor to be unsustainable. Still, as the case

of Zhou Cooperative shows us, with the preservation of the “collective ownership,” there exists the possibility of dissociating laborers from the urban capital and reintegrating them with land for more productive use.

## REFERENCES

- Chayanov, A. V. (1966). *The Theory of Peasant Economy* (D. Thorner, B. Kerblay, & R. E. F. Smith, Eds.). Homewood, IL: Richard D. Irwin.
- Chen, X., Zhao, Y., & Luo, D. (2008). *Zhongguo nongcun gaige sanshinian buigu yu zhanwang* [Thirty Years of Chinese Rural Reform: Review and Prospect]. Beijing: Renmin Chubanshe.
- China Statistical Yearbook. (2016). Available at <http://www.stats.gov.cn/tjsj/ndsj/2016/indexch.htm>. Access September 15, 2017.
- Du, P., Ding, Z., Li, Q., & Gui, J. (2004). Nongcun zhinü waichu wugong dui liushou laoren de yingxiang [The Impact of Migrant Working on “Left-Behind Parents”]. *Renkou Yanjiu* [Population Research], 28(6), 44–52.
- Duan, C., Lü, L., & Wang, Z. (2014). *Chengshibhua beijingxia liushou er'tong de jiating jiaoyu he xuexiao jiaoyu* [Family Education and School Education for Left-Behind Children Against the Background of Urbanization]. *Beijing daxue jiaoyu pinglun* [Peking University Education Review], 12(3), 13–29.
- Federici, S. (2004). *Caliban and the Witch: Women, the Body and Primitive Accumulation*. New York: Autonomedia.
- Ge, X., & Qu, W. (1990). *Zhongguo mingongchao: mangliu zhenxianglu* [Chinese Migrant Wave: The Truth of “Blind Flow”]. Beijing: Zhongguo guoji guangbo chubanshe.
- Harootunian, H. (2015). *Marx After Marx: History and Time in the Expansion of Capitalism*. New York: Columbia University Press.
- Harvey, D. (2003). *The New Imperialism*. New York: Oxford University Press.
- Harvey, D. (2007). *A Brief History of Neoliberalism*. New York: Oxford University Press.
- He, X. (2010a). *Diquan de Luoji: Zhongguo shehui xiang hechuqu* [The Logic of Land Rights: Whither the Chinese Society]. Beijing: Zhongguo zhengfa daxue chubanshe.
- He, X. (2010b). *Xiangcun shehui guanjianci* [Keywords of Rural Society: A Sketch of China’s Rural Society in the 21st Century]. Jinan: Shandong renmin chubanshe.
- Huang, P. C. C. (1990). *The Peasant Family and Rural Development in the Yangzi Delta, 1350–1988*. Stanford: Stanford University Press.
- Kautsky, K. (1988). *The Agrarian Question* (Vol. 1). London: Zwan Publications.
- Lenin, V. I. (1956). *The Development of Capitalism in Russia: The Process of the Formation of a Home Market for Large-Scale Industry*. Moscow: Foreign Language Publishing House.

- Lin, C. (2006). *The Transformation of Chinese Socialism*. Durham: Duke University Press.
- Lü, T. (2013). *Zhongguo Xingongren: mishi yu jueqi* [China's New Workers: Lost and Rise]. Beijing: Falü chubanshe.
- Luxemburg, R. (1968). *The Accumulation of Capital*. (A. Schwarzschild, Trans.). New York: Monthly Review Press.
- Marx, K. (1990). *Capital* (Vol. 1). New York: Penguin Books.
- Meillassoux, C. (1981). *Maidens, Meal and Money: Capitalism and the Domestic Community*. Cambridge: Cambridge University Press.
- Pun, N., Yan, H., Gu, X., & Gu, J. (Eds.). (2014). *Social Economy in China: Beyond the Imagination of Capitalism*. Beijing: Shehui kexue wenxian chubanshe.
- Solinger, D. J. (1999). *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market*. Berkeley: University of California Press.
- Walker, G. (2016). *The Sublime Perversion of Capital: Marxist Theory and the Politics of History in Modern Japan*. Durham: Duke University Press.
- Wen, T. (2005). *Sannong wenti yu shiji fansi* [Rural China's Centenary Reflection]. Beijing: Sanlian shudian.
- Wen, T. (2012). *Baci weiji: Zhongguo de zhenshi jingyan, 1949–2009* [Eight Crises: True Experience of Modern China, 1949–2009]. Beijing: Dongfang chubanshe.
- Yan, H. (2005). Xukong de nongcun he kongxu de zhuti [Empty Village and Empty Subjectivity]. *Dushu* [Reading], 7, 74–83.
- Zhang, H. (2002). *Zhongguo nongcun de tudi zhidu bianqian* [Transformations of Land Relations in Rural China]. Beijing: Zhongguo nongye chubanshe.





## CHAPTER 11

---

# Beyond the “Pink Tide”: Dependent Capitalism in Crisis in Argentina and Lessons to Be Learned for Radical Social Change

*Mariano Félix*

### INTRODUCTION

Argentina was part of the so-called “pink tide” in Latin America. Such a denomination was used to describe a process that included several “progressive” governments across the region. This included Venezuela as the most radical attempt at social transformation, and too—on the other side—Argentina and Brazil as examples, in my opinion, of merely reformist neo-developmental projects of dependent capitalist development.<sup>1</sup>

<sup>1</sup>Neo-developmentalism is a form and strategy of capitalist development that puts the State as the force channeling political contradictions. As a form of the State, it promotes the articulation of social demands from below and from above in a way that helps sustained capital accumulation with some redistribution of income. As a development strategy it attempts at keeping social conflicts within the limits of capitalist social structure so as to avoid or ‘suspend’ crisis tendencies. See more in Félix (2012, 2015, 2016).

---

M. Félix (✉)

CIG-IdIHCS / Consejo Nacional de Investigaciones Científicas y Técnicas  
(CONICET) and Universidad Nacional de La Plata (UNLP), La Plata, Argentina

© The Author(s) 2020

M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_11](https://doi.org/10.1007/978-3-030-13639-0_11)

215

The pink tide begun, arguably, with the election of Hugo Chávez as president in Venezuela in 1999, in the more general context of political and economic crisis of the neoliberal project in the region. Its demise began more or less with Hugo Chávez's death in 2013 and as the world economic crisis was still unfolding. It was, of course, a process of different temporalities and materialities, but real nonetheless. It can be said that this process signaled the beginning of a new era of developmentalist strategies for capitalist development.

In Argentina, the story began with the crumbling of neoliberalism at its highest (1991–2001) and the social and political explosion that accompanied it. The new era that began expresses a new political composition of the oppressed and a new social formation.

We will briefly discuss here the articulation of this process of transformation into neo-developmentalism. In particular, I will be interested in explaining the conflictive and contradictory role of social struggles (especially of employed and unemployed workers, of ecological activists and communities, and of women). I'll attempt to show how these struggles molded (and were molded by) confrontation with the structural novelties of the new era and the contested constitution of a neo-developmental form of hegemony. Finally I'll attempt to draw up some preliminary conclusions and lessons being learned by social movements as the first stage of this new era comes to an end in a transitional crisis.

## A BRIEF HISTORY OF NEO-DEVELOPMENTALISM IN ARGENTINA

The crisis of the neoliberal era in Argentina opened up a can of worms for Argentina's dominant classes. 2001 was the year when they all "lived in danger." Popular organization and struggles had put Argentina's capitalist project on the brink of violent implosion.

Let's not get confused. Argentina's was not on the verge of social revolution, although at the time it seemed to many of us as if we were living in extraordinary times (Dinerstein 2002). And we were. The economic crisis, which began in 1998 and did not end until late 2002, was the expression of a greater social and political crisis, that put into question the rules constituting capitalist production and reproduction. The capitalist tactics of the nineties, the highest stage of neoliberalism—so far—had crumbled.

The crisis of money was expressed in the multiplication of alternative currencies (Féliz 2003, 2004). The productive crisis was being questioned by the process of factory occupations and self-management. The crisis of the bourgeois State was expressed in the repudiation of parliamentary elections, the ousting of several presidents and the negation of the residual forms of social policies (Bonnet 2006).

Massive mobilizations, roadblocks and picket lines on the streets were the sign of something in the air: the repudiation of neoliberal common sense. Not the negation of capitalism as such but only a taste of it. The crisis was, in a nutshell, the crisis of the neoliberal strategy of capitalist management and development.

Through neoliberalism, in a conflictive and disputed process, some fractions of capital had emerged as the new leaders of a potential hegemonic bloc: big transnational capitals. Not financial nor productive, but transnational capitals as a whole emerged victorious from almost three decades of neoliberal restructuring of social relations. Their ubiquitous place in Argentina’s economy was so widespread that it became part of the social scenery; behind every “national” brand there was a transnational corporation. “Made in Argentina” meant little. Together with transnationalization, neoliberalism had set the pace for the financialization of the economy. This meant that it created the institutional framework for the generalization of credit–debt relationships, which mingled into consumption and production social relations. Finally, the increasing precarity of labor and life became a fact of the times. The State had abandoned a regulating role, and broken community, social and personal ties had not been able to step into compensate its displacement. As neoliberal rule crumbled, a neo-developmental era emerged. However, those structural novelties set up by neoliberalism were not to be dismantled but consolidated.

### CLASS STRUGGLE AND THE CRISIS OF NEO-DEVELOPMENTALIST STRATEGY

The neoliberal crisis created the need for a new capitalist strategy for production and appropriation of surplus-value. Class struggle had put the tactical instruments of neoliberal rule in the brink of destruction. Rigid macroeconomic institutions (independent Central Bank, currency convertibility, low real exchange rate), and residual social policies

(means-tested and conditional cash-transfer programs), were no longer efficient means for social control and capital accumulation. After a violent opting-out from these institutions, neo-developmentalism progressively became its replacement. It wasn't a planned alternative for dominant classes but something that was built in the heat of class conflict.

In the early days (the first half of 2002, during the presidency of Peronist Eduardo L. Duhalde) a new set of macroeconomic policies was put in place in an attempt to jumpstart a stalled economy.<sup>2</sup> A 200% currency devaluation against the US dollar, a new tax on primary exports, a partial default on public debt, and the bailout of the banking system were the main decisions made to unleash the capitalist initiative to invest (Féliz 2015). If until then capitalist policies could not force the devaluation of capital in its various forms, the new government was able to depreciate the labor force, devalue productive and financial capital, and create consequently new aggregate demand conditions to promote a process of export-led capitalist growth.

With its new social and political composition, the working class could not avoid this process of sudden and deep devaluation. However, its most dynamic factions were able to demand new social and labor policies. These demands were at times radical but as the new hegemonic bloc consolidated, they were generally dismissed (sometimes, violently).

The new movement of the unemployed (the so-called *piquetero* movement) reached its most powerful moment (Stratta and Barrera 2009) and was able to gain the massification of social programs that soon reached almost 2 million beneficiaries, with little or no conditions, even if the amount paid was barely enough to survive (about 50 US dollars a month in early 2002). At the same time, the more formally employed sectors of the working class were gaining momentum as the economy picked up steam by late 2002 and unemployment rates were falling. By 2003—when the Peronist Néstor C. Kirchner was elected for president—the economy had been growing again for several months,

<sup>2</sup>Peronism is a political movement born in the 1940s with the irruption of working people as a mass political actor. In general terms, it has been a populist type of political movement, always calling on 'the people' but in heteronomous fashion, limiting and attempting to control the autonomous political participation of the masses. Peronism has always sustained multi-class political coalitions to promote forms of capitalist development.

and as employment begun to increase, the unions were able to demand and gain partial and disparate improvements in working conditions (Féliz 2012).

The neo-developmental strategy assumed that it could tame class struggles and frame them within specific boundaries, in a process that could be called “conflictive normalization” (Dinerstein et al. 2010). However, as capital accumulation passed from recovery to actual “growth,” the demands from labor turned into very conflictive ones. In the early stage (e.g., from 2003 to 2006) accumulation of capital was based on an extensive use of the labor-force, that is an increase in the use of capacity of existing fixed-capital stock and increasing employment. This gave the capitalist class the possibility of accepting partial concessions, that were necessary to create both political stability within the direct labor processes and within the “social factory.” With lowered wages (to begin with) and precarious employment, capitalist growth could be successful as it increased the production of absolute surplus-value.

Of course, as unemployment fell, pressure on profitability grew. In the first stage, capital—especially big capital—grudgingly accepted the redistribution of value to fractions of organized labor.<sup>3</sup> However, the consolidation of neo-developmentalism (2006–2011) built up steam and increasing uneasiness on the part of capital. Profitability had greatly increased at the exit of neoliberalism, due to the devaluation of capital, the increase in the rate of exploitation of labor and increased prices for (and ground-rent appropriation in) export commodities.<sup>4</sup>

The demands from organized labor were channeled through direct action and State institutions, such as collective bargaining legislation. In the context of expanding economy and employment, unions gained power, even within these conflict management institutions.

<sup>3</sup>Even after years of neoliberal deregulation, Argentina’s unions remained fairly strong with about 1/3 of all salaried workers unionized. Besides, labor legislation protected union representatives in the factories against dismissal.

<sup>4</sup>The profit rate on circulating capital for big corporations jumped from 5.9% in 2001 to 14% in 2002, averaging 14.4% between 2003 and 2010, in the first decade of the neo-developmental era (Féliz 2015). Ground-rent related to production of commodities for exports also had a significant increase: According to Arceo and Rodríguez (2006), the volume of agrarian rent jumped 700%, from 1288 million constant pesos to 9022 million between the 1991–2001 period and the 2002–2004 period.

The government attempted to administer demands within the limits of new profitability standards through the implementation of informal wage caps and public control on the prices of privatized public utilities, in the hope that increased profits would eventually result in increased investment rates.<sup>5</sup> However, transnational corporations (the hegemonic factions of capital) were reticent to produce a radical change in their investment patterns that could allow for a transition to strategies of relative surplus value production.<sup>6</sup> As wage demands increased, the response by price-fixing capitals (price regulators, as Shaikh [2006] calls them) was to devalue wages through inflationary policies. Thus, as wages were negotiated upwards, inflationary pressures increased.

In the meanwhile, the *piquetero* movement was partially disarticulated through governmental intervention. With the creation of an officially sponsored movement, the kirchnerist *Movimiento Evita* (Evita movement), and the arbitrary use of public resources to favor allies within the social organizations, the government attempted to contain pressure from the more precarious fractions of the laboring classes. Even with growing employment, a sizable fraction of labor was not “included”; after several years of unemployment and precariousness, many remained in stagnant form, not immediately employable for capital. For that reason, as neo-developmentalism consolidated as a latest stage (strategy) of capitalist for capitalist development in Argentina, the new set of social policies continued to amplify its reach, increasing the demand for public expenditures. As in many other countries in the region, these policies were accompanied and financed by the World Bank that, realistically, saw in them a means to contain popular uprising all over the region to the south of the Río Bravo.<sup>7</sup>

The unwillingness and inability of the dominant class to rationalize production through a spike in investment in fixed capital, led to the

<sup>5</sup>The prices of privatized public utilities (mainly, gas, mass transport and electricity) remained heavily subsidized since 2002. This helped keep at bay, for some time, demands for higher wages.

<sup>6</sup>In fact, even as profits increased, the rate of investment of big corporations fell during neo-developmentalism (Manzanelli 2011).

<sup>7</sup>The World Bank promoted a new generation of social policies that expressed a form of basic universalism. This meant that social policies would be wide in the scope of beneficiaries but basic in the amount of transfers. Cash-transfers should provide just enough to avoid hunger but give incentives to participate in the precarious labor-market.

development of increasing barriers to valorization of productive-capital. This was exacerbated by the development of the world crisis of neoliberal rule in the center from 2008 onwards. Increasing inflation eroded local capital’s competitiveness; the global crisis reduced inward capital flows and reduced export’s prices. As part of transnational capitals, most big firms stepped down from any significant investment plan.

Labor was not willing to accept a further increase in exploitation and deepen its demands for improved wages and social benefits. Whilst generally unsuccessful, labor demands press on the ability of capital to reproduce: inflation increased, real exchange rate (competitiveness) fell, public deficit grew to be financed with monetary emission (Féliz 2015). Stagnation of accumulation, wages and employment became the character of the latest quinquennial (2011–2015).

Kirchnerism was a political force in the national government and attempted to remain as such (Féliz 2016). In the first, easy, stages it was able to contain contradictions at the cost of growing macroeconomic (and, then, political) disequilibrium. The latest stage was a transitional crisis toward overcoming such problems, in the form of “fine tuning” (*sintonía fina*) as the then president Cristina Fernández de Kirchner explained in late 2011, after her landslide 54% electoral triumph. This resulted in an attempt to avoid a macroeconomic shock thru a series of partial and gradual corrections in policies. The intention was to rebuild macroeconomic conditions for capital valorization while at the same time avoiding its political cost.

The result of the 2015 presidential election showed the impossibility of such compromise within the neo-developmental hegemony. The victory of the conservative political coalition *Cambiamos* (Let’s change) meant that the radicalization of neo-developmentalism was going to need an acceleration of adjustment.<sup>8</sup> This first stage allowed for the consolidation of a new way of producing and reproducing capital in a dependent economy. The “neo-developmental way” was not simply a set of policies but a new strategy for the containment of social conflicts, in particular—but not only—class conflicts, within a capitalist development process. It is a strategy built in the heat of the struggles, in an

<sup>8</sup>At the same time, the result of the 2015 election meant that there was no actual radical popular political alternatives to overcome the pendulum between a form of reformism (kirchnerist way through neo-developmentalism) and conservative neo-developmentalism.

attempt by dominant fractions of capital—emerging from the neoliberal era—to recreate stable conditions for their hegemony.

Neo-developmentalism is more a stage than a definite set of policies. It is a strategy (as was neoliberalism) for the constitution of a hegemonic alternative. As we briefly showed, such a strategy needs to contain most relevant struggles of the working classes.

However, a would-be dominant strategy has to make use and maximize available sources of value and surplus-value. Thus, a viable (even if disputed) capitalist strategy in Argentina must confront the dependent nature of the economy if not to overcome it, which is not part of the strategic goals of imperialist capital, to suck every bit of labor and value from it.

### DEPENDENCY, SUPER-EXPLOITATION OF NATURE AND LABOR AND CRISIS

The dependence of Argentina's economy is historical. It is of course, a many-faceted process, but as Marini (1973), amongst others, has proposed, dependency is tied primarily to the particular role peripheral economies have come to play within the process of historical constitution and expansion of capitalism world-wide. Thus, dependency is linked directly with imperialist development (Luxemburg 2008; Harvey 2003).

Dependency has to do with the appropriation of both value and use-value for the expanded reproduction of imperialist goals. It attains the appropriation of surplus-value produced in dependent economies, by capital from imperialist nations by way of varieties of "unequal exchange" (Marini 1973). At the same time, it implies that concentration of transnational capital on the extraction and appropriation of particular forms of capital (use-values) that are physically useful for the production of commodities and (surplus)value within global capitalist circuits (today called global value chains).

These processes have several implications on dependent economies. Firstly, the flow of surplus value toward imperialist centers, forces local capitals in the peripheries to make extensive use of absolute value producing strategies to compensate for the loss of value through unequal exchange (Marini 1973). This results in the generalization of labor precarity that set the conditions in the labor markets for the widespread use of labor super-exploitation. This creates a pool of labor that is paid below



its value, thus forcing conditions of reproduction for it that generalized precarity of life (e.g., precarious urban settlements, poor health and educational services, etc.).

Secondly, as capital accumulation progresses in peripheral countries, it tends to be oriented toward the production of primary products and its manufactured by-products. These “commodities” (in the sense of having little product differentiation, and being generally traded in world commodity markets) are mainly produced for exporting within unequal exchange agreements with imperialist or sub-imperialist countries (United States and UE, or Brazil and China, for example) or as essential parts within global transnational intra-firm (intra-capital) trade. The particular nature of this use-value production tends to divert resources essential from the production of use-values for the satisfactions of immediate needs for working people. Besides, a third process comes to the fore. In general, the production of these world-commodities is tied to ground-rent (GR) generation and appropriation. GR sucks up resources from other activities since it reflects in extraordinary profitability for capitals in those branches or in related branches (such as industrialization or processing of primary products). Thus, dependent participation in the international division of labor, creates forces that hinder the production of anything else but rent-accruing productions. Finally, these productions tend to be “extractivist” in nature: this relates to rapid extraction of production with little regard for the social and environmental costs. This form of super-exploitation of nature becomes a huge problem as it provokes the destruction of the commons (De Angelis 2012), being the very expression of new imperialist practices (Harvey 2003).

The combination of super-exploitation of nature and labor creates a particularly dysfunctional (uneven and combined) dynamics, that is reproduced in the neo-developmental era in new forms. In fact, while appropriation of labor force and natural goods is relatively easy (e.g., prone to strategies of absolute surplus-value production) accumulation advances in a “progressive” fashion. The produce of economic growth might be partially redistributed, inasmuch as there are organized forces of labor ready to limit their demands within the parameters of the law of value. Wages and social security benefits can be expanded, as well as different forms of precarious employment. This is done—as we’ve seen for

Argentina's case—through the instruments of collective bargaining and through fiscal policy (such as taxation of primary commodity exports, and subsidies on utilities' prices). However, when the cycle of commodity prices collapses and labor's demands (both direct on capital and through social policies) begin to exceed the boundaries set by general profitability expectations, valorization, first, and accumulation—later—begin to hinder. In Argentina, the combination of capitalist crisis in the center (beginning in 2007–2008) and local social struggles that cannot be contained within institutional forms, built ever growing barriers to accumulation. Successful (although partial) struggles against open-pit mining and against GMO agriculture also set the tone for a transitional crisis in the making.

As in most of the “progressive” experiments in Latin America, crisis of neo-developmentalism in Argentina after 2008 was a transitional crisis. Such a crisis is the by-product of the relative and temporal exhaustion of ground-rent and surplus-labor. It is the consequence of the need and inability by dominant fraction of capital to produce a productivity jump. In this first stage (2002–2015), Kirchnerism was the political force attempting to politically lead the hegemonic social bloc.

In its early years Kirchnerism could boast about building a “serious” capitalist project (dubbed “growth with inclusion”). As the transitional crisis extended, the fragmentation of its political base had to be countered by the amplification of a politics of “recognition” (to cite Fraser 1998). As that third Kirchnerist government was inaugurated (2011–2015), the policies of consensus building moved toward what's been called a form of high intensity populism (Svampa 2016).

Transitional crisis of (within) neo-developmentalism is the expression of its inability to overcome the easy accumulation path and force increasing productivity growth based on capitalization of society (e.g., increasing the organic composition of capital). After 2008, apparent increasing productivity of labor was the mere result of the generalized attempt by decentralized capitals to cope with reduced extraordinary profitability (profits combined with ground-rent) and force a change in accumulation strategy from mere super-exploitation to its intensification. Neo-developmentalism is a form/strategy for capitalist development. As such, it is also a strategy to build a novel relationship between patriarchy and capitalist reproduction.

## POLITICAL ECONOMY OF CARE, DEVELOPMENTAL STATE AND FEMINIST STRUGGLES

In fact, as we stated, in its inception, neo-developmentalism attempted to contain social conflict mostly through labor and social policies that would accompany recovered economic growth (“growth with inclusion”). Labor policies were mostly oriented toward formal labor force, which is mainly male. In parallel, social policies were oriented toward precarious employees and unemployed people, in fact mostly women. Thus, policies for social inclusion/control had an evident gender bias.

Neo-developmentalism is not just new way of production and reproduction of capital in the periphery but also a particular way to process social struggles within it. Women’s struggles are an integral part of the general social struggles as patriarchal rule is an integral part of social domination of capital. Patriarchy is a means for the oppression of women (and feminized bodies) to the benefit of men’s domination. While it predates capitalism (Rubin 1997), the rule of capital has come to use, produce and reproduce a particular form of patriarchy (Federici 2011). Within capitalism, discrimination and oppression of women has been used to improve the exploitation of employed, waged labor force (mostly, male) and extort increasing amounts of unpaid labor from unwaged women at home and in their communities.

In Argentina, neo-developmental hegemony came to perform and extend this form of oppression and exploitation of women. Social policies turned massive, generalized, as social struggle against neoliberalism was at its peak. These new policies did in fact have women as its direct beneficiaries, as they had become the main participants in the social struggles led in the streets by the *piquetero* movement.

The massification of cash-transfer to families, in general through women in the households, replicates traditional roles for women. Even if in general these programs are nominally not directed to women (but to “families,” “children”), in fact it is them who are expected to fulfil the requirements to receive the benefit. In general, families lose the benefits if the beneficiary (e.g., the women) is formally employed, thus providing a very negative incentive for formalization of women’s waged employment.

These programs came hand in hand with the recognition of certain “rights” for feminized bodies and dissident identities, such as same sex

marriage, or gender identity, especially after 2008. The combination of “redistribution” (of income) and “recognition” (as proposed by Fraser 1998) has been a partial triumph for the feminist movement in Argentina and a recognition by the patriarchal State of women’s power. The movement of women for feminist demands has grown to ever new levels in the country since the late 1980s. The National Encounter of Women has for more than 30 years been increasing in participation (to more than 70 thousand in 2016) and has been the result of the multiplication of feminists demands and organizations. Of course, these struggles have not been able yet to break patriarchal rule.

At the first stage of the neo-developmental era, women could enter the labor market in its most precarious branches (retail, textile, cleaning houses, “care” for children and old people). While this meant an improvement in income for their families, it also meant an increase in the working week. Women had to multiply their use of time to keep up with household tasks, together with increased waged-labor, and—in many cases—work in their communities and/or social organizations.

A three-tier work day became a norm for women (especially, for working class ones), that was partially compensated by increased commodity consumption, but in general turned into the progressive disruption of the process of care-taking within their homes. On the one hand, in general men did not step up to substitute or complement women in such tasks. On the other hand, the neo-developmental State remained a fragile, subsidiary part within the system of care (Rodríguez Enriquez 2005). The precarization of care has been an integral part of the precarization of labor and life.

As the crisis of valorization of capital became ever present, women faced increased pressure to go back “home,” and social policies, which multiplied, reinforced that process of “putting them back where they belong.” Not surprisingly, the multiplication of women’s resistance to patriarchal rule, of rejecting this traditional role, was expressed in a growing organized feminist movement. Sadly enough, women’s emancipatory struggles met fierce (even murderous) resistance by most conservative parts of the population, especially from the male population. Thus, the multiplication of mobilizations against feminicide and the women’s strike of October 2016. While it is true that we cannot blame the victims in explaining men’s response to women’s struggles, as Segato (2014) stresses, the dialectics of struggle is contradictory and—as such—the struggle for women’s freedom (as with any fight for liberty) will be faced with the reaction (often violent) of the oppressors.

## TRANSITIONAL CRISIS AND THE STRUGGLE FOR ALTERNATIVES: LESSONS TO BE LEARNED

The transitional crisis of neo-developmentalism was the result of the amplification of the contradictions of dependent capitalism in Argentina. As part of the general "pink tide" in the region, Argentina went through a process of reorganization of social forces and constitution of a new hegemonic project of the—still—dominant class. Argentina's people could not turn the organic crisis of neoliberalism into the key for a transitional process of radical social transformation. However, this did not mean the defeat of social forces for social change but its partial and precarious integration.

Contrary to other processes such as Venezuela's Bolivarian Revolution or Bolivia's process of change, in the aftermath of neoliberal order, Argentina's dominant classes were able to regain social power in and beyond the State, and put the social forces at hand to work in the favor. Neoliberalism had fallen, but not its social, political and economic consequences. A new hegemonic bloc built around the prevalence of the new hegemonic fraction of capital within the dominant classes: big transnationalized capital.

Popular forces were able to force transformations in the class relations but could not, however, break the dominant sense of what development is. Neo-developmental discourse and practice was able to contain the most radical demands made during the transition of 2001/2002 and set them within the boundaries of capital accumulation.

Social struggles for better (good) living, against patriarchy and for a community with nature, were met with a mix of new policies, old institutions and wide range repression. Demands from the unemployed were confronted with policies for "social inclusion," which were in fact basically cash-transfers with no improvement whatsoever in real access and provision of common goods (education, health, nutrition, etc.). The response to demands for changes in the ratio of social reproduction and nature was the multiplication of the extractivist development path, repression of struggles and lip service to "sustainable development" (e.g., green capitalism). Labor demands were met with the traditional Argentina's labor institutions that attempt to normalize conflicts within capital's parameters within the shop floor. Finally, but not last, women's demands against patriarchal rule have been met in teardrop fashion. Some "recognition" and "redistribution" has not meant a radical disarticulation of "traditional" role of women as "all-solvers" at the Homefront.

To provide a preliminary conclusion to this debate, we will state a few notes that popular movements are taking into account at this juncture:

1. Neo-developmentalism is a new stage of capitalist development in some dependent countries, particularly in South America. It is the response of dominant classes to the social struggles that emerged from the underground of the neoliberal era.
2. This new stage builds itself on the remains of neoliberal rule, which include a new form of dependent articulation with the world market, and a new political constitution of the oppressed. In neo-developmental Argentina, this new political constitution of the people includes the central role of women's movement, socio-ecological movements and *piquetero* movements; these last two also lead mainly by women.
3. In this new period, in Argentina, Kirchnerism operated as the political glue that, for some time, could contain and process different social demands. This was an attempt to make them compatible with the needs for capitalist reproduction. The current transitional crisis is an economic crisis but mainly a socio-political crisis for the replacement of the political force that will be able to guarantee the unity of the hegemonic bloc led by transnational capital.
4. State policies were able to defuse most requests without being able to permanently disarticulate social movements. The "phantom" of 2001/2002 struggles is still around.
5. Labor, social/territorial, women's and ecological movements have not been able to articulate their demands to surpass the limits imposed by the capitalist patriarchal State. In many cases, they have been absorbed and neutralized within it.
6. Radical demands need to go beyond the State and into the social fabric, into the social movements themselves. They need to create new commons, new social relations in and beyond current ones.
7. Neo-developmentalism is a particular form of articulation of capitalism, patriarchy and extractivism. Even in its most "benevolent" forms (e.g., with "progressive" governments) it produces and reproduces exploitation and oppression of people and nature by capital, and women by men. The struggles for a free society need to be struggles against both neoliberalism and neo-developmentalism, for a radically different form of social relations.

## REFERENCES

- Arceo, N., & Rodríguez, J. (2006). *Renta agraria y ganancias extraordinarias en Argentina, 1990–2003*. Documento de Trabajo, 4, CENDA.
- Bonnet, A. (2006). Qué se vayan todos! Discussing the Argentine Crisis and Insurrection. *Historical Materialism*, 14(1), 157–184.
- De Angelis, M. (2012). Marx y la acumulación primitiva. El carácter continuo de los ‘cerramientos’ capitalistas. *Theomai*, 26, 1–20.
- Dinerstein, A. C. (2002). The Battle of Buenos Aires: Crisis, Insurrection and the Reinvention of Politics in Argentina. *Historical Materialism*, 10(4), 5–38.
- Dinerstein, A. C., Contartese, D., & Deledicque, L. M. (2010). *La ruta de los piqueteros*. Capital Intelectual.
- Federici, S. (2011). *Calibán y la bruja. Mujeres, cuerpo y acumulación originaria*. Tinta Limón Ediciones.
- Féliz, M. (2003). Instituciones monetarias y mercado de trabajo. Las monedas “paralelas” y la política laboral. *6to. Congreso Nacional de Estudios del Trabajo “Los trabajadores y el trabajo en la crisis*. Buenos Aires.
- Féliz, M. (2004). Teoría y práctica de la pluralidad monetaria. Algunos elementos para el análisis de la experiencia argentina reciente. *Revista Economía, Teoría y Práctica*, 21, 107–133.
- Féliz, M. (2012). Neo-Developmentalism Beyond Neoliberalism? Capitalist Crisis and Argentina’s Development Since the 1990s. *Historical Materialism*, 20(2), 105–123.
- Féliz, M. (2015). Limits and Barriers of Neodevelopmentalism: Lessons from Argentina’s Experience, 2003–2011. *Review of Radical Political Economics*, 47(1), 70–89.
- Féliz, M. (2016). Till Death Do as Apart? Kirchnerism, Neodevelopmentalism and the Struggle for Hegemony in Argentina, 2003–2015. In I. Schmitt (Eds.), *The Three Worlds of Social Democracy: A Global View from the Heartlands to the Periphery*. London: Pluto Press.
- Fraser, N. (1998). Iustitia Interrupta: Reflexiones críticas desde la posición “post-socialista”. *Revista de Estudios Sociales*, 2, 150–151.
- Harvey, D. (2003). *El nuevo imperialismo*. Akal.
- Luxemburgo, R. (2008). *La acumulación del capital*. Terramar Ediciones.
- Manzanelli, P. (2011). Peculiaridades en el comportamiento de la formación de capital en las grandes empresas durante la posconvertibilidad. *Apuntes para el Cambio*, 1.
- Marini R. M. (1973). *Dialéctica de la dependencia*. Mexico: ERA.
- Rodríguez Enríquez, C. (2005). Economía del cuidado y política económica: una aproximación a sus interrelaciones. *Trigésima octava reunión de la Mesa Directiva de la Conferencia Regional sobre la Mujer de América Latina*, CEPAL.

- Rubin, G. (1997). *El tráfico de mujeres: notas sobre la 'economía política' del sexo. En El género: la construcción cultural de la diferencia sexual*. Porrúa: PUEG.
- Segato, R. L. (2014). *Las nuevas formas de la guerra y el cuerpo de las mujeres. Pez en el árbol*.
- Shaikh, A. (2006). *Valor, Acumulación y Crisis. Ensayos de economía política*. RyR Ediciones.
- Stratta, F., & Barrera, M. (2009). ¿Movimientos sin clases o clases sin movimientos? Notas sobre la recepción de la teoría de los Movimientos Sociales en la Argentina. *Revista Conflicto Social*, 2(1), 118–134.
- Svampa, M. (2016). *Debates latinoamericanos. Indianismo, desarrollo, dependencia, populismo*, Edhasa.b.





# The Final Fiction: Madoff Clawback Suits and Their Implications for Capitalism in the Twenty-First Century

*Colleen P. Eren*

In December of 2008, former NASDAQ Chairman Bernard L. Madoff’s multibillion-dollar Ponzi scheme—the largest in US history—collapsed under the weight of panicked client redemptions spurred by the financial crisis of 2007–2009. For decades, Madoff and his accomplices had maintained the charade of an investment advisory business which had miraculously outperformed the market through all fluctuations in the business cycle. All the while, of course, Madoff had not purchased nor sold a single security on their behalf: their money flowed in and out of his 703 account at JP Morgan Chase.<sup>1</sup> Touting his proprietary “split-strike conversion” trading strategy, Madoff ensnared thousands of individual and institutional clients globally. The dramatic story of Madoff’s devastating fiction seized international attention until his sentencing to 150 years in federal prison in 2009.

---

<sup>1</sup>JP Morgan would pay 1.7 billion to settle claims of complicity. See Helen Chatiman’s (2016), *JP Madoff: The Unholy Alliance Between America’s Biggest Bank and America’s Biggest Crook* for a thorough accounting of the relationship between Madoff and the bank.

---

C. P. Eren (✉)  
William Paterson University, Wayne, NJ, USA

I have elsewhere argued for the significance of the Madoff case as a vehicle for public discourse about *laissez-faire* capitalism during a time of crisis [5]. However, the complex legal denouement of this case—particularly the Madoff Trustee’s clawback suits, which make claims on how fictitious “profits” earned by victims should be treated—continues to be overlooked by the public and scholars, with the exception of those writing for law journals or industry publications [21] confined to the business pages. Here, I argue for their significance (and hence, that of law and legal systems) to the ideological bulwarking of finance capital by providing a Marxist reading of these suits and their outcomes. I situate the clawback suits and the debates surrounding their use within the cultural logic of capitalism in the twenty-first century, a logic more and more willing to consciously and brazenly embrace the obliteration of lines between Marx’s concept of fictitious capital and real capital.

After an introduction to the Madoff clawback suits and an explanation of the legal terminology, I present three claims in this chapter. First, I argue that under the guise of maintaining impermeable distinctions between “net winners” and “net losers,” and between “principal” and “profit” in Ponzi schemes for the purpose of fair restitution, clawback suits actually serve only to keep the fetish mask on the relations of capital and in fact deepen the level of mystification. Next, I present the absolute distinctions between “innocent” victims and “complicit” victims, and the opposition of some victims and legal experts to the clawbacks as evidence of a type of capitalist, Orwellian doublethink, a manifest consciousness of the fictions at play in investors’ own profit-making. There is willingness to accept fictitious profits while rejecting “real” losses so long as *belief* in the fiction was a sincere “good faith” belief. Rather than to acknowledge individual risk-based real consequences of fictive losses incurred, this group of victims and legal experts suggest socialized forms of “real” rescue—just as we saw during the bailout of the US financial system in 2008. Last, I demonstrate how the most recent Madoff clawback ruling in November 2016 in the Southern District of New York confirms the tactical obliteration of truth from fiction with breathtaking clarity. It demonstrates the strategic disregard of finance capital of the distinction between fictitious capital (fictitious both in its Marxist and literal definitions) and real capital, while at the same time it reifies and defers to illusory neoliberal constructs of places outside of the reach of impositions on capital. I conclude with thoughts about the implications of the

Madoff clawback suits during a time that the proliferation and embracing of “fake news” provides an affinitive political/cultural context for a blurring of fictitious and real capital.

### THE MADOFF CLAWBACK SUITS: BACKGROUND

In December 2008, attorney Irving Picard became the court-appointed Securities Investor Protection Act (SIPA) trustee. He, his chief counsel David Sheehan and their prestigious Baker Hostetler LLP legal team were tasked with working for the quasi-governmental Securities Investor Protection Corporation (SIPC) to liquidate Bernard L. Madoff Investment Securities. As the SIPA trustee, Picard’s stated duties were to “identify and then recover assets, putting them in proper order as designated by law to maximize the amount available for distribution as customer property and for the benefit of general creditors,” duties for which Picard’s firm has been compensated at a rate of \$850 an hour, leading to a staggering billion dollars in legal fees [26]. While the losses to individuals and institutions was nowhere near the originally reported 50–65 billion figures (a number which reflected “on paper” losses from investors’ statements), yet over 16,000 claims were filed by victims with Picard [10] with principal investment losses approximating 17.5 billion. The liquidation process, involving thousands of lawsuits, is still ongoing ten years after the unraveling of the Madoff Ponzi scheme, and has been controversial and acrimonious, presenting different obstacles to different “classes” or “camps” of victims.

One such obstacle has been to those victims who did not give their money directly to Bernard L. Madoff Investment Securities (BLMIS), but who had invested indirectly through intermediary institutions like hedge funds, pension funds or feeder funds like Fairfield Greenwich or Tremont, which accounted for 23% of accounts [24: 7]. These feeder funds pooled investors’ capital and channeled it—sometimes exclusively, despite their promises of a diversified and risk-averse portfolio [2]—to BLMIS without the investors’ knowledge. Because the SIPC’s definition of a “customer” has a large loophole which excludes indirect investors<sup>2</sup> from coverage, Picard’s distribution of recovered funds could not

<sup>2</sup>“Except in limited circumstances, SIPC only protects the direct customer of a brokerage firm,” the agency states.

and did not include these victims. In fact, of the 16,000 claims Picard received, 66% had to be rejected on this premise alone. This did not signify that these investors would *never* receive compensation through the Trustee, but rather that they would have to wait for their intermediary institution to distribute any funds it has received from Picard for its claims. For direct investors, however, Picard's recoveries have been substantial, even at their hefty price to the SIPC: by February 2019, a tenth pro rata distribution of funds had been made, bringing the aggregate distribution total to over 12 billion dollars. As of that date, and all those with approved claims under approximately 1.49 million were made whole, and almost 70% of the other customers' allowed claims were recovered [20].

In an attempt to assist those 11,000 indirect investor Madoff victims thus excluded through this loophole, a parallel process to Picard's began in December 2012 under the aegis of the Justice Department and Special Master Richard Breeden, a former Securities and Exchange Commission Chairperson. The Madoff Victim Fund (MVF) employed a more expansive definition of victim than Picard and SIPC: "It doesn't matter how the money got into Madoff Securities - if it was actually your own money, it was actually invested in Madoff Securities, and you lost it due to the collapse of Madoff Securities, you are a victim...For purposes of the MVF, the ultimate investor, not the intermediary fund, has the claim" [14]. Now, those who had money lost to Madoff through an intermediary could apply directly for compensation. Breeden and his team sorted through an impressive 65,000 claims from 135 countries, and in 2017 was still making determinations on claims, many thousands of which were incomplete or deficient, before allocating their 4 billion in funds obtained through the State Attorney's Office for the Southern District of New York through forfeitures and settlements with JP Morgan Chase, among others [14].

The second obstacle to the victims, once again dividing them into classes or camps, is central to this paper and its analysis: the "problem" of all victims' (direct and indirect, individual or fund) net position at the end of the Ponzi. In a Ponzi that lasted as long as Madoff's did—for decades, possibly stretching back into the 1970s—many investors withdraw more money from their accounts with Madoff than they had put in as principal, just like any investment vehicle. Some withdrew all of their money and closed their account before the scam was discovered. Thus, although victims of fraud, they also were recipients and beneficiaries of fraudulent funds that were essentially the deposits of other investors. They had withdrawn profits that were "fictitious." On the other hand,

some victims kept their money in their Madoff account and did not withdraw more than they put in as principal. These two “camps” of victims were classified by their net position in the Madoff fund as either “Net winners,” or “Net losers,” respectively. That designation would make all the difference in the decade to come.

According to a 2012 Government Accountability Office (GAO) report, “Customer Outcomes in the Madoff liquidation proceedings,” only 29% of individual/family investors were net losers—investors who had lost more than they had invested as principal (with 60% net winners and 11% who had a zero balance). The fact that most individual Madoff investors had actually earned money from the scheme at the time of its collapse was not frequently acknowledged in media accounts or pop cultural representations. For institutional investors, again, most were net winners, with only 40% net losers (50% net winners and 10% with a zero balance). Yet, losses to principal for individual and institutional net losers was substantial—the 17.5 billion figure noted earlier. While it is true that some of these losses were attributable to Madoff’s diverting them for personal purposes, most of the losses to net losers were withdrawals by other investors, however unknowing those investors were about the scam. Picard interpreted one of his key tasks as the trustee—which is to “distribute customer property and...otherwise satisfy net equity claims” to mean he would satisfy the *net investment* claims of customers using a “Cash-In-Cash-Out” method: “investors should be entitled only to the amounts they had deposited, minus any money withdrawn” [21: 14]. Picard understatedly wrote, “Some BLMIS customers never withdrew the full amount of their deposits, while others unwittingly withdrew funds that were, in reality, money stolen by Madoff from other BLMIS customers. Part of my statutory mandate as the SIPA Trustee is to ask customers who withdrew more money than they deposited to return those excess funds.”

And “ask” he did. Picard did not claim that the vast majority of Madoff clients knew about the fraud or should have known, but he has pursued thousands of so-called clawback<sup>3</sup> (also known as avoidance) law suits against net winners, recovering withdrawals in excess of deposits made during the six year period permissible under New York bankruptcy

<sup>3</sup>The term “clawback” has different meanings and application. Cherry and Wong’s [3] definition is “a right to, or action for, the restitution of *unfair enrichment* that is otherwise justified or permitted under prevailing applicable law.”

law [21]. “Bad faith” complaints were also made against sophisticated clients who were arguably complicit (such as Jeffrey Picower and Stanley Chais), family members (Peter Madoff), and entities (Avellino and Bienes), with billions recovered from these suits [24: 30].

### FICTIONAL DICHOTOMIES, FICTITIOUS CAPITAL, AND FETISH MASKS

Just as the eponymous Ponzi scheme is not new, neither, necessarily is the use of clawback suits. However, as Amy Sepinwall [21] points out, they have only been wielded against “innocent” net winners in such schemes since the 1980s and have seen their greatest usage in the past 15 years.<sup>4</sup> And certainly, Picard’s frenetic use of clawbacks beginning in 2009 has been as remarkable as the Ponzi which necessitated them. The rise of such lawsuits at this sociohistorical moment, after the accounting scandals of the early 2000s and 2007–2009 financial crisis, and the discourses/debates surrounding them give fresh insight into how the fetish masks of capitalism [9: 254] have evolved, but the consequence has remained the same—to conceal and deny the social relations of capital. The capital relation is further mystified by the futile disarticulation of capital from labor power (and thus, from value) suggested by the parameters of these lawsuits.

The Madoff Ponzi clawbacks assume that there are absolute dichotomies between “net winners” and “net losers,” and between “principal” and “profit” in order to determine liabilities. *Prima facie*, it would seem that these designations are meant to actually maintain the integrity of fiction from non-fiction. Was not, after all, the money that investors put in as principal more ontologically “real” than the “profits” the scheme yielded? Didn’t investors who withdrew more funds than they deposited become, in a sense, “winners” in the scheme? Shouldn’t there be a strict separation between investors who benefited from the scheme and those who saw their principal vanish?

These dichotomies only are meaningful in the final analysis if an impossible theoretical condition were to be met. That is, the capital invested and withdrawn would have to be purely a use value, removed

<sup>4</sup>She presents commentators’ predictions that clawbacks use will only increase in the future due to a populism allegedly pushing the American economy to the brink (see p. 6).

from the circulation of commodities and capital, unable to be employed as an exchange value for the accumulation of more capital. It would have to be a non-fungible *thing* which was neither deployed either as “real” capital to absorb more surplus value, nor as fictitious capital, which for Marx is capital which only gives the appearance of containing value, of being “self-valorizing value” when in fact no surplus value is being produced at all.<sup>5</sup> Then, and only then, would it be true that what the net loser investor put into the scheme is *exactly* what is owed to her from the net winner or indeed, from the SIPC. Only then could it be said that she is a loser vis-a-vis winners. Only then could “fictional” be neatly extracted from “real.” Because this is not the case, the bifurcations are illogical. To illustrate this, let us consider the following example.

Net loser A withdrew some funds from her Madoff accounts, and placed them in another investment vehicle to use as money capital which may have yielded profits far in excess of any remaining principal left in the Madoff account. The opposite could also be true: Net Winner C might have closed out his Madoff accounts with some “profit” that he then put into a house purchased at an inflated cost which collapsed after the Financial Crisis. Even if able to sell the home, the loss in its market price could mean that he is left, in the end, with only the sum he had originally put into the scam. Yet, Net Winner C is responsible for paying the Net Loser A restitution through the Trustee’s clawback suit. We see in this example that the distinction between “winners” and “losers” is thus inherently fraught, as is any distinction between principal and profit in the Ponzi. The principal of the Madoff investors, just as principal put into a savings account in the banking system, does not reside in a vault, hermetically sealed, outside of circulation. It is not static and unchanging. Infinitely protean, as capital, it exited Madoff’s Chase account and took to the wind in innumerable forms. Laundered into a thousand other endeavors, it took wings and insinuated itself into the “real” economy where—allegedly—the price of things should be tied to underlying value. Harvey notes in his exegesis on Marx’s notion of fictitious capital: “through a change of use, what is fictitious capital at one moment can instantly be transformed into real money power (for capital or consumption) at another moment” [9: 256].

<sup>5</sup>See Harvey, pp. 242–243 and also Meacci, “fictitious capital arises at any time that money capital is not employed either in production or circulation as two distinct phases of the reproduction of wealth” p. 6.

Because capital *is* both use and exchange value, the “cash in, cash out” method used by Picard as Trustee as a way of determining restitution is shrouded in denial and an unwillingness to consider the full societal implications of fictitious capital—whether this is created through fraud or through legal products that do not have any roots in surplus value production. Once loosed into circulation, this capital cannot be reined back, but its impact can be compounded by other fictitious capitals. Meacci warns in his “Fictitious Capital and Crises” “[fictitious capital]’s value is formed in contrast with the principles of the labor theory of value...it is the excessive growth of fictitious capital...that constitutes a condition of crisis” [15: 9]. Consider that JP Morgan Chase netted approximately half a billion dollars in interest from the Madoff deposits over a 16-year period [4] With 500 million dollars, how many other fictional capitals were set in motion, delinking the connection between value—actual humans’ labor power—and capital, leading to crisis? And how many fictitious capitals were set in motion with the fabricated gains made by Madoff customers in the years before the 6 year statute of limitations on the clawbacks?

#### INNOCENT VICTIMS AND SOCIALIZING LOSSES IN THE RISK ECONOMY

In addition to the dichotomies between net winner and loser, principal and profit presented by the Madoff Ponzi clawback suits, the suits also divided cases into “good faith” versus “bad faith” categories, separating “innocent” investors from complicit ones [24: 2]. While being “good faith” clients did not immunize Madoff victims from a clawback if their redemptions exceeded principal, the amount they initially invested was protected. Bad faith clients, those who knew or *should have known*, about Madoff’s fraud were liable for any principal in addition to fictitious profits. Picard went after these investors, seeking close to 11 billion from them [24: 30]. He also sought 94 billion from feeder funds and banks alleged to have enabled the fraud, failed to do due diligence, or who continued transacting with Madoff despite knowledge of the fraud.

The creation of an *innocent/good faith* category of investor spawned acrimonious debate about what is owed to these victims from a legal, social and ethical perspective. Many “innocent/good faith” investors



who were net winners, as well as some legal experts [21] opposed the clawback suits to take back the phantasmic profits.<sup>6</sup> They opposed the redistribution of these assets to make up for lost principal of the other victims and suggested other methods for restitution that relied primarily on socializing their personal fictive losses. I argue that this construction of the *innocent/good faith* investor in the clawback suits who, because of ignorance alone, is entitled to fake profits is congruent with the beliefs underpinning finance capitalism of the late twentieth and early twentyfirst centuries. There is a deeply held belief in endless accumulation of profit.<sup>7</sup> But concomitantly, a kind of capitalist Orwellian double-think accompanies this belief which betrays its ultimate schizophrenic “insanity.”

There is of course a rich irony in using a work of fiction to point out psychosocial dynamics which entail the acceptance of the “fictitious” in both its Marxist and common usages. In *1984*, Orwell described doublethink as “The power of holding two contradictory beliefs in one’s mind simultaneously, and accepting both of them... To tell deliberate lies while genuinely believing in them, to forget any fact that has become inconvenient, and then, when it becomes necessary again, to draw it back from oblivion for just as long as it is needed, to deny the existence of objective reality and all the while to take account of the reality which one denies” [16: 203]. The logic of finance capitalism and its adherents in the twenty-first century, however, have the markings of such thinking. There is a *will to believe*, in spite of all evidence from the ruins of crises past, that however risky the speculation, however rotten underlying securities are, that fictitious capital can indefinitely conjure the rabbit from the hat. There is a *will to believe* that banks and individuals can indefinitely procure fictitious gains and in fact are *entitled* to those gains because of their willingness to enter the market, their creativity or innovation.

<sup>6</sup>Interestingly, to my knowledge, no investors who lost money on investment vehicles like derivatives contracts referenced to Madoff securities have argued against their exclusion. But question must have arisen, as Breeden on the Madoff Victim Fund website cautions that such investors are ineligible for recoveries.

<sup>7</sup>And, as Marx describes, there is belief in the “mystery” of compound interest through myriad forms of fictitious capital. Marx notes in Volume 3, “the identity of surplus value and surplus labor sets a qualitative limit to the accumulation of capital,” but compound interest ignores this limit (see p. 523).

And this is where the doublethink occurs: when the “fact” of fictitious capital becomes inconvenient—such as when a bubble bursts and a crisis ensues and losses are sustained, the desire is not for the market to fix the problem, nor for the individuals to sustain “real” losses, admitting that they were aware that alchemy does not produce gold. Rather, there is a desire for the losses—based on fiction—to be paid for by “real,” socially supplied capital, whatever the broader ramifications. Haiven [8] aptly writes, “Finance’s fundamental crisis is that it is a vast social fiction...an imaginary construct given real power” [8: 10].

Over the past 30 years we have witnessed the dramatic way in which the state steps in, *deus ex machina*, with socialized bailouts. After the 1980s Savings and Loan crisis, precipitated by fraud and deregulation, the American public was saddled with a 500 billion bailout price tag.<sup>8</sup> The Emergency Economic Stabilization Act of 2008 following the financial crisis of 2007 carried with it a cost to taxpayers of \$700 billion, at the same time that in its implementation, the Act failed to sufficiently help those same taxpayers avoid foreclosures on their homes. There is a transfer of “real” capital from taxpayers who do not enjoy the privilege of being investors (innocent, unknowing, or otherwise) to stanch the bleeding of fictitious capital. Perelman in his “The phenomenology of Constant Capital and Fictitious Capital” [18] comments that for Marx, crisis can have a positive effect in its production of a closer articulation between prices and values. Such a positive effect is completely negated through the unwillingness to accept individual and corporate responsibility for when the house of cards fall.

The Madoff net loser/good faith victims evince how finance capital has made the illogical appear logical and produced a cultural sensibility of entitlement to fictitious gains. In 2009, a series of lawsuits by victims were made against Picard, decrying his (and thus SIPC’s) valuations of their investments. Three Pennsylvania investors in June 2009 in *Peskin v. Picard* argued that Picard’s “disregarding all appreciation” in their accounts was unacceptable. Another suit also filed in June 2009, *Albanese v. Picard*, contended that what is owed to good faith victims

<sup>8</sup>See Kitty Calavita et al.’s *Big Money Crime: Fraud and Politics in the Savings and Loan Scandal* (Berkeley: University of California Press, 1999) for an extended treatment of the way in which the insider fraud, collusion, deregulation, and the casino economy factored into the S&L debacle.

is precisely what appeared on their last statement from Madoff. Less than that, according to the plaintiffs, violates the Securities Investor Protection Act [25]. And perhaps most brazenly, Madoff net winners (an ERISA pension fund) brought an ERISA action against its investment manager “seeking to recover the ‘lost opportunity’ of the fictitious alternative investments” [13]. In other words, a pension fund that actually netted more money than it had invested in Madoff argued not only that it was entitled to the fictitious gains, but it was entitled to gains that *might* have accrued if the money had not been invested with Madoff.<sup>9</sup>

Just as witnessed during the Savings and Loan crisis and financial crisis of 2007–2009, the proposed remedy to fully compensate the Madoff good faith victims was through a socialized rescue. In 2010, a coalition of Madoff and Allan Stanford Ponzi victims hired professional lobbyists to persuade Congress members to add new “revenue neutral” requirements to a regulatory overhaul bill, demanding that brokerage firms pay billions in additional fees to SIPC in order to make net winners whole. They also sought requirements that SIPC compensate them each up to \$500,000 for their losses [19]. An attorney for some of the victims demanding phantom profits, Robert Schachter, said “some government aid is a very logical request...*If we’re bailing out Wall Street and the auto industry, maybe these individuals should be bailed out too*” [1, emphasis mine]. However, as law professor James Cox aptly assessed, the term revenue neutral is inappropriate: “This is just a tax increase. It’s levied on banks, but [uninvolved] customers end up paying.” A. C. Hurt [11] points out how the Madoff good faith victims’ suits distort the purpose of SIPC: “the purpose behind the SIPC is to provide minimum guarantees that investment principal has been invested as requested, not to guarantee a return” But even without the net winners’ fictitious losses being compensated, the Madoff recoveries to pay for lost principal are socially costly. The fees to pay Picard and his firm almost a billion dollars as Trustee also comes out of a SIPC fund. But as Andrew Ross Sorkin observes, “The cost of those charges is most likely passed on to customers” [23].

<sup>9</sup>Lazarini writes “There is no cognizable loss based on the amount of Plaintiff’s actual investment with Madoff, some \$6 million. Had \$6 million been withdrawn from Madoff and invested elsewhere...there is no plausible scenario under which Plaintiff would have enjoyed returns in excess of the \$33 million in ‘profits’ Plaintiff pocketed.”

## THE FINAL FICTION

The lawsuits described above were dismissed. Even with high-powered lobbying, the Madoff victims were unable to obtain new levels of SIPC funding through Congress to “compensate” net winners. It would seem from these outcomes that there was still *some* insistence on a boundary between the fictitious and the real, some defense mechanism against eventual complete implosion of the financial system through its denial of value itself. Even this illusion was shattered in November 2016 when Koch Industries, dozens of banks like HSBC, Credit Suisse, Merrill Lynch and hedge fund managers had a shocking legal victory. A Manhattan bankruptcy judge ruled that Picard could not clawback almost 2 billion in phantom profits from the billionaires and other entities because the funds were either in offshore accounts or held elsewhere outside of the United States. The *Chicago Daily Herald* declared: “billionaire brothers Charles and David Koch have made plenty of good business decisions over the years. Placing millions of dollars with Ponzi scheme Bernard Madoff may have been one of them” [12]. This statement is only partially true, as their good decision-making also included withdrawing 21.5 million from their Madoff account a few years before the Ponzi’s collapse and sending this money to an offshore fund registered in the British Virgin Islands, then to the United Kingdom [22].

A previous ruling in July 2014 had portended this outcome. In that ruling, Picard was prevented by Judge Rakoff in the Federal District Court of Manhattan from clawing back fraudulent funds because they were transferred between two “foreign” entities. Rakoff dismissed Picard’s recovery claims, positing that the bankruptcy code’s Section 550 (a)(2) did not apply extraterritorially [7]. Money transferred overseas therefore was out of the bounds of play, as it were, out of reach for the Trustee. Picard complained that these funds “did business in New York, almost all their employees were in New York, they listed New York as their primary place of business, and they dealt with shareholders from New York” [12]. The extraterritorial dimension, in other words, was a façade. In his decision, Rakoff even agreed with Picard’s concern about the ramifications: “Such a ruling would allow US debtors to fraudulently transfer all of his assets offshore and then retransfer those assets to avoid the reach of US bankruptcy law” [17].

“Finance functions as capital’s imagination,” Haiven [8] writes. In these legal acceptances of fictitious profits (if put into entities with

fictitious claims to territoriality) we recognize that ideologically, finance capitalism has entered a remarkable new phase of imagination. The fictitious nature of profits (in this case, fraudulent profits, not merely profits that were disarticulated from value) is openly admitted. Yet because of similarly fictitious boundaries and entities created almost exclusively for subterfuge, financing of illegal operations or tax evasion by elites (offshore jurisdictions, shell companies, and the like), these profits are granted “reality.” To use Harvey’s term, the “disembodied” M–M’ artifice is in plain sight. The magician’s trick is openly acknowledged. And a key contradiction in the logic of finance capitalism is exposed: capital wants to be liquid, transnational, unrestricted. It wants to override national sovereignty. Yet, when it comes to protecting the gains from surplus value extraction or fictitious capital or indeed fraudulent activity, it insists on the omnipotence of locality and place, no matter how illusory that “place” may be. The 2016 global scandal surrounding the leak of the Panama Papers demonstrates the vast scale of this problem. Over 500 banks had registered 15,600 shell companies for their clients through Panamanian law firm Mossack Fonseca, hiding dirty money and facilitating tax evasion for the wealthy [6].

As we have seen in moments of crisis, such reification of imaginary constructs and capital divorced from value in the final analysis must lead to collapse. Yet, we are at a cultural moment where the insistence on the obliteration between fact and fiction is found not only in finance, but in politics, providing an affinitive ideological milieu. The United States’ election of Donald Trump in November of 2016 coincided with the bankruptcy court ruling allowing the Koch brothers to keep their fictitious profits from the Madoff scheme. While in no way causally related, the insistence by the administration that falsehoods can be “alternative facts,” and that newspapers of record are merely “fake news” demonstrates the same level of disregard for the basis of reality. Fictions, whether believed in sincerely or cynically—have real world consequences. The president’s insistence that the homicide rate is at its highest rate in 47 years, or that millions voted illegally, and so on, are fantasy, but the impact will be felt among the most marginalized populations. In the same way, as evidenced throughout this paper, a proliferation of fictitious capital divorced from production even in cases of fraud, will result in crisis, forcing the social relation that is capital into view, with untold consequences.

## REFERENCES

1. Associated Press. (2008, December 18). Madoff Victims May Be Out in the Cold. *NBC News*.
2. Blodget, H. (2009, April 1). Fairfield Greenwich Group's Amazing Due Diligence Practices. *Business Insider*.
3. Cherry, M., & Wong, J. (2009). Clawbacks: Prospective Contract Measures in an Era of Excessive Executive Compensation and Ponzi Schemes. *Minnesota Law Review*, 94, 368.
4. Davis, L., & Wilson, L. (2011). Estimating JP Morgan Chase's Profits From the Madoff Deposits. *Risk Management and Insurance Review*, 14(1), 107-119.
5. Eren, C. (2017). *Bernie Madoff and the Crisis: The Public Trial of Capitalism*. Stanford: Stanford University Press.
6. Esoimeme, E. (2016, April 27). Wealth Management, Tax Evasion and Money Laundering: The Panama Papers Case Study. *Law Digest*, 11.
7. Graulich, T., Resnick, B., & Coco, K. (2015). Fatally Foreign: Extraterritorial Recovery of Avoidable Transfers and Principles of Comity in the Madoff Securities SIPA Liquidation Proceeding. *Harvard Business Law Review Online*, 53. Available at <http://www.hblr.org/?p=3971>.
8. Haiven, M. (2011). Finance as Capital's Imagination? Reimagining Value and Culture in an Age of Fictitious Capital and Crisis. *Social Text* 108, 29(3), 93-124.
9. Harvey, D. (2013). *A Companion to Marx's Capital* (Vol. 2). Brooklyn: Verso Books.
10. Henriques, D. (2017). *Wizard of Lies*. New York City: St. Martin's Griffin.
11. Hurt, C. (2009). Evil Has a New Name (And a New Narrative): BernardMadoff. *Michigan State Law Review*. Available at [http://digitalcommons.law.byu.edu/faculty\\_scholarship/161](http://digitalcommons.law.byu.edu/faculty_scholarship/161).
12. Larson, E. (2016, June 4). Koch Brothers Cling to Madoff Cash. *Chicago Daily Herald*.
13. Lazarini, C. (2017, February 1). Trustees of the Upstate New York Engineers Pension Fund vs. Ivy Asset Management. No. 15-3124 (2nd Cir., December 8, 2016). *Securities Litigation Commentator*. Available at <https://www.jdsupra.com/legalnews/chris-lazarini-discusses-dismissal-of-99396/>.
14. Madoff Victim Fund (MVF). (2013, November). Frequently Asked Questions. Available at <http://www.madoffvictimfund.com/frequently-asked-questions/>.
15. Meacci, F. (1998). *Fictitious Capital and Crises* (MPRA Paper No. 11761). Available at <http://mpra.ub.uni-muenchen.de/11761/>.
16. Orwell, G. (1983). *1982*. New York: Houghton Mifflin Harcourt.

17. Partow, C. (2014, July 9). Madoff Trustee Cannot Recover Foreign Funds. *SDNY Blog*. Available at <http://www.sdneyblog.com/judge-rakoff-madoff-trustee-cannot-recover-foreign-funds/>.
18. Perelman, M. (1990). The Phenomenology of Constant Capital and Fictitious Capital. *Review of Radical Political Economics*, 22, 66–91.
19. Schmitt, R., & Westbrook, J. (2010, March 11). Madoff Victims Find Allies in D.C. *Bloomberg News*.
20. Securities Investor Protection Corporation (SIPC). (2019, February 22). *Tenth Pro Rata Interim Distribution of Recovered Funds to Madoff Claims Holders Commences; Totals Approximately \$464 Million*. Press Release. Available at <https://www.sipc.org/news-and-media/news-releases/20190222>.
21. Sepinwall, A. (2012). Righting Others' Wrongs: A Critical Look at Clawbacks in Madoff-Type Ponzi Scheme and Other Frauds. *Brooklyn Law Review*, 78, 1–64.
22. Smith, R. (2016, November 23). Koch Brothers are Winners in Fight Over Madoff Riches. *New York Times*.
23. Sorkin, A. R. (2012, May 28). Madoff Case is Paying Off for Trustee (\$850 an hour). *New York Times*.
24. United States Government Accountability Office (GAO). (2012). *Customer Outcomes in the Madoff Proceedings*. Available at <https://www.gao.gov/assets/650/648237.pdf>.
25. Walder, N. (2009, June 11). Madoff Victims Blast Trustee's Valuations of Their Investments. *Law.com*. Available at <https://www.law.com/almID/1202431382435/?sreturn=20181021122513>.
26. Weiss, D. C. (2015, October 20). \$1B in Legal Fees for Recovery of Madoff Losses is a 'Good Return on Investment,' lawyer says. *ABA Journal*.



# Navigating the Scylla and Charybdis of Precarious Work: Through the Storm of Contingency

*Christian Garland*

Marx especially in the pages of *Capital Vol. 1* contended that the Capital–Labour relation is massively and structurally unequal; of course the former “feeding vampire-like” off the latter, only ever so far as it needs its lifeblood. This vampiric social relation in which *Labour* creates *Capital* also delineates the Scylla and Charybdis of the terms of material existence: work becomes increasingly precarious or contingent, existence defined by social vulnerability and contingency.

This chapter contends that—in keeping with the original thesis of *Capital*—the increasing social reality of “precariousness” or “contingency” of work, while becoming that much scarcer and insecure, remains the major form of social reproduction in contemporary society, necessarily remaining the major means for material subsistence for a majority of its members. Conversely, the notion of “flexibility” is the acceptance of the reality of such indeterminate and insecure conditions, and adaptation to and reconciliation with the existing relations of hierarchical power, domination, and servitude of which they are a composite part. This

---

C. Garland (✉)

Queen Mary University of London, London, UK

© The Author(s) 2020

M. Silver (ed.), *Confronting Capitalism in the 21st Century*,

[https://doi.org/10.1007/978-3-030-13639-0\\_13](https://doi.org/10.1007/978-3-030-13639-0_13)



chapter aims to contribute to a critical theory of “flexibility”/precarity informed by Marx’s own critical theory of the Capital–Labour relation which it also argues is the material expression of an *ideology* aimed at presenting such conditions as their opposite: free human subjects freely choosing the terms of their existence for social reproduction, which according to the same—usually unspoken—ideological account is itself not precarious. A critical theory of “flexibility”/precarity is also a critical theory of production relations, of the Capital–Labour relation, the material expression of the class relation and of the ideology explaining and justifying it, in the late 2010s that being “flexibility” a concept which is used to support the operation of the “Anglo-American model” of “flexible labour markets.”

Indeed, the effort to define and articulate a critical theory of precarious or contingent labor, is best served by *Capital* and the original recognition that the material terms of existence in Modernity and indeed the capitalist economy—work, or employment—remain the primary determinant in social reproduction itself. This chapter in foregrounding the critical theory of the thought of Marx contends that in keeping with the original thesis of *Capital*—and indeed in the twentieth century after capitalism’s post-war Keynesian compromise which lasted around 30 years, and subsequent neoliberal recomposition from the 1970s—in the early twenty-first century, there is the social reality of life itself become “precarious” and “contingent” for a substantial and growing number of the population: both in terms of “work” or “economic activity” and most other aspects of life for those living this social reality.

The other major contention of the chapter, is that although “precarious” or “contingent” work “only affects what is a minority of the total workforce,” this is also a *definite trend* across even “secure” and “permanent” jobs including highly skilled ‘professional occupations’ such as university faculty, an example apparent both in the United States,<sup>1</sup> and our case study the UK.<sup>2</sup> Indeed, it is worth stating with Harry Cleaver, “Capital always seeks to crush, co-opt, and instrumentalize”,

<sup>1</sup>‘Without Tenure or a Home’, Kilgannon, Corey, *New York Times*, March 27, 2014, [https://www.nytimes.com/2014/03/30/nyregion/without-tenure-or-a-home.html?\\_r=1](https://www.nytimes.com/2014/03/30/nyregion/without-tenure-or-a-home.html?_r=1)

<sup>2</sup>‘Academics’ Bin Diving ‘Caused by Zero-Hours Contracts’, Grove, Jack, *Times Higher Education*, June 6, 2013, <https://www.timeshighereducation.com/news/academics-bin-diving-caused-by-zero-hours-contracts/2004381.article>.

and it is the “singular power of work and its endless imposition”<sup>3</sup> (Cleaver 2017) which the chapter seeks to contribute to critically theorizing.

The global crisis begun in 2007 in the United States and first properly become apparent on a global scale in 2008 was of course unlike anything in living memory approaching the Great Depression of the 1930s in terms of severity and scale. In the 150 years since *Capital* was first published, crises have been many, but that of the late 2000s and early 2010s went far beyond any straightforward economic or financial crash and threw the entire existing form of society itself into question. In the late 2010s (post)-political reaction has manifested as the populist backlash of Trump, the “alt-right,” “Brexit,” and indeed an emboldened far-right, the failure of neoliberal globalization being cynically reworked as the failure of attempts to lessen its unwanted effects: the political classes of the USA, UK, and EU remaining largely oblivious to their own part in helping to bring about the reactionary backlash.

Indeed, the ongoing European Sovereign Debt crisis is another “secondary” crisis of what began in the United States as the “subprime crisis” become the “credit crunch” become the Great Recession,<sup>4</sup> states socializing debt from bank bailouts and transferring the cost onto populations in the form of “austerity”: in practice this meaning cuts to all public services, social security and pension provision, mass redundancies, and tax increases: the Troika’s<sup>5</sup> punishment of Greece being perhaps just the most notorious example. What remains ongoing globally is indeed *the crisis of the system itself*, of capitalism and its dominant variant, neoliberalism.<sup>6</sup>

<sup>3</sup>Cleaver, H. (2017). *Keynote, Marx’s Critique of Political Economy and the Global Crisis Today On the 150th Anniversary of the Publication of Karl Marx’s Capital*. Hofstra Cultural Center, Hofstra University, April 6–7, 2017.

<sup>4</sup>BBC News Global recession timeline ‘How Did the Credit Crunch at the End of 2007 Become a Full Financial Meltdown by the Middle of 2008, and Finally Turn into a Global Recession?’, <http://news.bbc.co.uk/1/hi/business/8242825.stm>, and ‘In the Long Shadow of the Great Recession’, Wolf, Martin, *Financial Times*, November 10, 2015, <https://www.ft.com/content/373793a2-86cf-11e5-9f8c-a8d619fa707c>.

<sup>5</sup>The Troika being the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF).

<sup>6</sup>See Harvey, D. (2005). *A Brief History of Neoliberalism* (Oxford: Oxford University Press), and Davies, W. (2015). *Incredible Neoliberalism*, [https://www.academia.edu/29616892/Incredible\\_Neoliberalism](https://www.academia.edu/29616892/Incredible_Neoliberalism), longer pre-print version of article published in *New Left Review* (September–October 2016), <https://newleftreview.org/II/101/william-davies-the-new-neoliberalism>, and Dean, J. (2017). *Neoliberalism and Its*

In the UK, where the “Anglo-American Model” of neoliberalism can be traced back to the historical origins of the term itself the nature of work or “economic activity” has undergone continuous reconfiguration to shift the coordinates of the Capital–Labour relation as far as possible to the advantage of Capital, and the disadvantage of Labour. This can be said to be visible as a distinct trend over the course of the last 35–40 years, but has become intensified and accelerated in the first two decades of the twenty-first century—both prior to the crisis of Capital and its social system and subsequent to it ever since. The crisis in the legitimacy of the system itself has multiple illustrative examples heavy with premonitory foreboding, and it is the contention of this chapter that the Global Crisis Today as the crisis of Global capitalism is also *the crisis of the Capital-Labour relation itself*.

### THE ABSENCE OF DEFINITE NUMBER OF HOURS<sup>7</sup>: ZERO-HOURS CONTRACTS

In our contemporary era, in the UK the proliferation of “Zero-Hours Contracts”<sup>8</sup> in which an employee has a contract—almost always set by a third-party agency, Staff Link<sup>9</sup> being just one of the biggest and most notorious—guaranteeing no set hours of work, and which remain wholly variable according to the whims of the employer,<sup>10</sup> to “find

*Contradictions*, [https://www.academia.edu/1145526/Neoliberalism\\_and\\_its\\_contradictions](https://www.academia.edu/1145526/Neoliberalism_and_its_contradictions), unpublished paper, ‘Chicken Soup for the Neoliberal Soul’ Maisano, Chris, *Jacobin*, January 21, 2014, [https://www.jacobinmag.com/2014/01/chicken-soup-for-the-neoliberal-soul/?utm\\_campaign=shareaholic&utm\\_medium=facebook&utm\\_source=socialnetwork](https://www.jacobinmag.com/2014/01/chicken-soup-for-the-neoliberal-soul/?utm_campaign=shareaholic&utm_medium=facebook&utm_source=socialnetwork).

<sup>7</sup>The Title of This Section Is Paraphrased from Marx, K. (1857). *Capital Vol. 1 Chapter Twenty: Time Wages*, <https://www.marxists.org/archive/marx/works/1867-c1/ch20.htm>.

<sup>8</sup>Maroukis, T., & Carmel, T. (2015). ‘Zero Hours and Temp Jobs Are No Help to “Hardworking People”’, *The Conversation*, <https://theconversation.com/zero-hours-and-temp-jobs-are-no-help-to-hardworking-people-42453>, and ‘Contracts with No Guaranteed Hours: 2015, Office for National Statistics’ (ONS) <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractswithnoguaranteedhours/2015-09-02>.

<sup>9</sup><http://staff-link.co.uk/>.

<sup>10</sup>The employer being the third or fourth party agency, the workplace in which the work is performed not “directly employing” the non-employees whose labour is used, non-employees frequently not even seeing the minimum wage in their pay, that being expended in costs by the third-party agency, so *technically* it is paid, just not to the employee. A

this price, i.e., the money-value of a given quantity of labor”<sup>11</sup> so far as it is needed at all, work becomes an intangible and fluid unknown far beyond any standardized model of Capital and wage labor. Many big employers in the contemporary UK favor Zero-Hours Contracts, sports apparel and equipment retailer Sports Direct in fact until very recently having at least 90% of its workforce on these ultra-precarious contracts.<sup>12</sup> For McDonald’s operations’ in the UK the figure is 80% of its total workforce<sup>13</sup> as for UK pub chain JD Wetherspoon.<sup>14</sup> All three organizations—at least one of which is known to prefer to “not directly employ” its workforce—have made public efforts to offer those on Zero-Hours Contracts “regular hours,” although the reasons for this remain, to say the least, questionable. McDonald’s has been arguably the most aggressively vocal in claiming that those on these contracts “love the flexibility.”<sup>15</sup>

The ultra-precarious nature of Zero-Hours Contracts is defined well by Maroukis and Carmel,

The expectation is for workers to be on call and to take up any assignment offered, which can be as little as a few hours on a given day with a few assignments spread over weeks. (2015)

company featured on the BBC’s *Panorama: What Britain wants: work*, <http://www.bbc.co.uk/programmes/p02ls1g9>, responded to its use of zero-hours contracts featured in the programme, by saying that it “doesn’t directly employ” those same people who work for it who are *employed* by a third party contractor. Ibid.

<sup>11</sup>Ibid.

<sup>12</sup>‘Sports Direct Faces Multimillion-Pound Claim from Zero-Hours Contract Workers’, Butler, Sarah, *The Guardian*, February 3, 2015, <https://www.theguardian.com/business/2015/feb/03/sports-direct-zero-contract-workers-compensation>.

<sup>13</sup>‘McDonald’s Offers Fixed Contracts to 115,000 UK Zero-Hours Workers’, Ruddick, Graham, *The Guardian*, April 25, 2017, <https://www.theguardian.com/business/2017/apr/25/mcdonalds-contracts-uk-zero-hours-workers>.

<sup>14</sup>‘JD Wetherspoon to Offer “Guaranteed Hour Contracts” to Zero Hours Workers’, Sandhu, Serina, *i News: The Essential Daily Briefing*, September 12, 2016, <https://inews.co.uk/essentials/news/uk/jd-wetherspoon-offer-zero-hours-employees-fixed-hours/>.

<sup>15</sup>‘McDonald’s to Offer Fixed Hours Contracts for All Its 115,000 UK Employees’, Rodionova, Zlata, April 26, 2017, <http://www.independent.co.uk/news/business/news/mcdonald-uk-employees-fixed-hour-zero-hour-contracts-gig-economoy-fast-food-chain-job-workers-a7702816.html>.

Capital, it should be remembered, is a social relation that is based on the imperative of always needing to drive down the cost of labor, and in fact as far as possible, to do away with it, even though Capital needs Labour simply to exist. Zero-Hours Contracts make the terms of employment completely variable and in a state of indefinite and continuous flux, this also being termed “flexibility”—for the (non) employer in whose workplace the (non) employee works and the third or fourth party agency who is *technically* their employer, but certainly not for the (non) employee, for whom it amounts to, “Take it or leave it.”

Employment of this kind may be “only a minority of the total UK workforce”—1.8 million in August 2014<sup>16</sup> of “all those in employment”—according to official figures and 1.7 million as of May 2017<sup>17</sup> but in it is observable as a *general trend* for the Capital–Labour relation to be skewed completely to the side of Capital,<sup>18</sup> making Labour *wholly dependent on it* in a state of uncertain and precarious limbo in which the usual privilege of exploitation becomes the illusive and draining individualized struggle for subsistence previously observable in much earlier examples, “casual day labor” being the most obviously apparent.

Marx had an acute critical grasp of the form abstract labour could take, as for the way its value was set and apportioned, “casual day labor” being

<sup>16</sup>Office for National Statistics (ONS), ‘Release: Contracts with No Guaranteed Hours, Zero Hour Contracts’, 2014, February 25, 2015, <http://www.ons.gov.uk/ons/rel/lmac/contracts-with-no-guaranteed-hours/zero-hour-contracts--2014/index.html>.

<sup>17</sup>Office for National Statistics (ONS), ‘Article: Contracts That Do Not Guarantee a Minimum Number of Hours,’ May 2017 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/may2017>, and ‘Number of Zero-Hours Contracts Stalls at ‘Staggering’ 1.7m’, Monaghan, Angela, *The Guardian*, May 11, 2017, <https://www.theguardian.com/uk-news/2017/may/11/number-of-zero-hours-contracts-stalls-at-staggering-1-7-million>.

<sup>18</sup>‘The side of Capital’ can also be understood as institutions in the public sector operating according to its imperatives of cost-cutting, and ‘generating revenue’. In the UK, the public healthcare system, the National Health Service (NHS), which remains free at the point of use, operates under such imperatives, ‘internal markets’ ‘delivering’ what the public sector supposedly can’t, meaning besides hospital closures and pay freezes, a form of privatization is covertly being imposed. In British universities, as recently disclosed by the Autonomy Institute, as recently highlighted by the Autonomy Institute and disclosed by the Universities and Colleges Union (UCU) 53% of all faculty work on ‘fixed-term contracts’, just as job descriptions for ‘permanent’ posts always demand candidates should aim to “secure external income” for the university.

the crudest and most brutish form in the 1850s and indeed right up to the early-mid twentieth century. In the early twenty-first century, Zero-Hours Contracts can be said to assume the same crude and brutish definition of “casual day labor” in modern form, Capital catching a glimpse in their operation of its oldest fantasy: to dispense with Labour altogether. In the UK—and indeed our particular example can also be applied to the United States, a further illustration from Marx in *Capital Vol. I* is apt,

“If the hour’s wage is fixed so that the capitalist does not bind himself to pay a day’s or a week’s wage, but only to pay wages for the hours during which he chooses to employ the labourer, he can employ him for a shorter time than that which is originally the basis of the calculation of the hour-wage, or the unit-measure of the price of labour. Since this unit is determined by the ratio

$$\frac{\text{daily value of labour-power}}{\text{working-day of a given number of hours}}$$

it, of course, loses all meaning as soon as the working-day ceases to contain a definite number of hours.”<sup>19</sup>

To be sure, this *definite trend toward* increased “flexibility”/precarity in employment in the contemporary UK can be seen in its form in the proliferation of Zero-Hours Contracts across different sectors—hospitality including all parts of the workforces of hotels and catering including bar work and cafe chains, to social care—it can indeed be contended that this is itself the most immediately apparent attempt to reconfigure the Capital–Labour relation to Capital’s advantage, further underwriting the structural violence inherent in the Capital–Labour relation itself. This structural violence is one which is always not only unequal and one-sided, but determined utterly *by* one side, that of Capital. Capital being an abstract social relation formed by living labor: once rendered dead, accumulated abstract labor reverses this dependency and in so doing determines the very terms of material existence in a world in which wage labour is the means through which “labor” materially reproduces itself. In such an uncertain, skewed relation the reduction in wages, will also try to be as far as possible symmetrical with the increase in the volume of work.

In Chapter Twenty of *Capital Vol. I*, entitled *Time-Wages*, the one-sided nature of the Capital–Labour relation is explicitly set out,

<sup>19</sup>Ibid.

The sale of labour-power, as will be remembered, takes place for a definite period of time. The converted form under which the daily, weekly, &c., value of labour-power presents itself, is hence that of time-wages, therefore day-wages, &c.<sup>20</sup>

Wages being set at more or less subsistence level, allow nothing but the reproduction of that same labor-power, relative to the remuneration involved and compression of work into a timescale for the production of value or “instead of the extensive amount of labor, its intensive amount increased”.<sup>21</sup> Indeed, the capacity for someone reliant on work or wage labor as their source of income to be able to feasibly exist can be discerned in the crisis of the Capital–Labour relation itself which finds material expression in wage labor that is an increasingly elusive, insecure, and precarious privilege for a substantial and growing number of people.

In the contemporary UK, “Zero-Hour Contracts”<sup>22</sup> effectively shift the onus for employment and the Capital–Labour relation itself wholly onto the employee, and the side of labor. It can be contended that these ultra-precarious work contracts take the “simple transformation of form, into laws of wages”<sup>23</sup> and compress those further into their own form of time-discipline, in which wages are reduced—along with all other employer costs—by the constantly variable demands of Capital. For the worker who is on a Zero-Hours Contract, Marx’s observation on the hourly–daily–weekly determination of wages and the working day is especially prescient,

The sum of money which the labourer receives for his daily or weekly labour, forms the amount of his nominal wages, or of his wages estimated in value. But it is clear that according to the length of the working-day, that is, according to the amount of actual labour daily supplied, the same

<sup>20</sup>Marx, K. (1857). *Capital Vol. 1 Chapter Twenty: Time Wages*, <https://www.marxists.org/archive/marx/works/1867-c1/ch20.htm>.

<sup>21</sup>Ibid.

<sup>22</sup>A contemporary dramatic exposition of Zero-Hours Contracts and ‘welfare conditionality’ and lives lived under their pressures, is the play *Wish List* by Katherine Soper which debuted at London’s Royal Court theatre in January 2017, <https://royalcourttheatre.com/whats-on/wish-list/>.

<sup>23</sup>Ibid.

daily or weekly wage may represent very different prices of labour, i.e., very different sums of money for the same quantity of labour.<sup>24</sup>

Zero-Hours Contracts set this “nominal rate or of wages estimated in value” for the worker whether the work is cleaning or serving drinks in a pub, at a new level of indeterminate contingency, allowing the organization using them “to screw up still further the working-time”<sup>25</sup> of the worker. Further supporting evidential note can be made here of the explicit *class project* and political and legislative manoeuvres made by the Conservative-led coalition government of 2010–2015 and successive Conservative governments since have made and continue to make. The fact that Zero-Hours Contracts can be seen as *the* signature example of underemployment, in which full-time costs must be met with part-time working hours finds structural and legislative legitimacy and indeed reinforcement—for Capital, and elites who do best out of the social relation which this embodies—at the expense of all those who must struggle to make ends meet out of it, which can also be referred to *as class war from above*.

If wages are always the greatest cost to Capital as Marx argued, the individual employer—of whatever size—can view this in the terms of seeking to reduce these while expanding the amount of labor which is compressed in a shorter and narrower timeframe. Zero-Hours Contracts impose the market discipline of increasing the volume of work by compressing it into the smallest and narrowest timeframe without any increase in wages. The agency worker dealing with this reality, finds themself under continuous pressure at the same time as such demands become near-impossible to meet, and if they are not met, a few hours a week will become no hours at all, since labor must be made to work harder, longer, and for less, the better that capital can reproduce surplus value, and extract profit, for “profit and wages remain as before, in inverse proportion.”<sup>26</sup> Indeed, it can be contended in relation to Zero-Hours Contracts, that if wages are set more or less at the level of subsistence paid by the hour, capital—in one sense—can do no better than

<sup>24</sup>Ibid.

<sup>25</sup>Ibid.

<sup>26</sup>Marx, K. (1867). ‘The Interests of Capital and Wage-Labour Are Diametrically Opposed Effect of Growth of Productive Capital on Wages’, *Wage Labour and Capital*, <https://www.marxists.org/archive/marx/works/1847/wage-labour/ch08.htm>.



to reduce the number of hours into which work must be compressed. “The value of labor-power, as dependent on its wear and tear, increases with the duration of its functioning, and in more rapid proportion than the increase of that duration”<sup>27</sup> (Marx). In one sense only, because the compression of work into a smaller and narrower time-space is made with the performative imperatives of value production from which profit is extracted, and the same insistent demand of “more for less,” places unfeasible burdens on labor in producing that same value, to the point where it stops being able to do so, and the arrangement itself becomes unprofitable.

The ultra-precarious nature of this form of work, and indeed the resultant poverty for the worker struggling with it, means that there is also substantial overlap for the working poor having to supplement their earnings with social security “benefits” of some kind. Indeed, as has been well-noted by Maroukis and Carmel “Welfare benefits are a crucial mechanism in helping all temporary agency workers survive in the short term.”<sup>28</sup> Leading into the next section of the chapter, it should also be kept in mind that the *material need* to supplement inadequate earnings with benefits of one kind or another, comes at the exact same time as “welfare conditionality” is being intensified.

### *REDUCTIO AD ABSURDUM*: INCREASED WELFARE “CONDITIONALITY” FOR THE UNDEREMPLOYED POOR

In contemporary Britain—as it was in the 1850s for much of the writing of *Capital*—what Marx originally theorized as the unemployed and underemployed reserve army of labor faces a situation summed up in the title of this section: *reductio ad absurdum*. As has already been noted, by Maroukis and Carmel for the underemployed, supplementing their earnings with welfare benefits of some kind is a material necessity since their employer(s) will not increase pay or hours. For the underemployed worker<sup>29</sup> in a “test area” for “Universal Credit,”<sup>30</sup> the much-delayed flagship “welfare reform”

<sup>27</sup> Ibid.

<sup>28</sup> Maroukis and Carmel, *ibid.*

<sup>29</sup> ‘DWP “Punishing” Low-Paid Full-Time Workers Under New Benefits Rule’, Butler, Patrick, *The Guardian*, April 14, 2016, <https://www.theguardian.com/society/2016/apr/14/dwp-punishing-low-paid-full-time-workers-under-new-benefits-rule>.

<sup>30</sup> <https://www.gov.uk/universal-credit>.

of the Conservative-led coalition government first announced in 2010,<sup>31</sup> and hesitantly rolled out incrementally in pilot or test areas by different Conservative governments ever since, all of the punitive means used against unemployed claimants are used against them as well. Below is an explanatory memorandum accompanying the legislation<sup>32</sup>:

216. Claimants will be subject to work related requirements intended to help them move into work, progress in work or prepare for work in the future.

217. Claimants will fall into one of the following conditionality groups [...]. “All work related requirements: claimants we expect to move into work, more work or better paid work. All Work-Related Requirements Group

[...]

233. This will be the default group for all claimants unless they fall in the work focused interview or work preparation groups.

234. Claimants in this group will be required to look for and be available for work. This will usually be full time (i.e. for their expected hours of work) and of any type.

*Reductio ad absurdum* because the underemployed worker faces discipline and punish—to borrow the name of a famous book—*for not working enough* and the “conditionality” of having to both go to work and keep their part-time job(s), and go to the Job Centre whenever it is demanded, in addition to “looking for more or better paid work”

<sup>31</sup>‘Benefits to Be Replaced by “Universal Credit” Scheme’ Press Association, *The Guardian*, October 1, 2010, <https://www.theguardian.com/society/2010/oct/01/benefits-universal-credit-scheme>.

<sup>32</sup>Explanatory Memorandum to  
The Universal Credit Regulations 2013  
2013 No.  
The Universal Credit (Transitional Provisions)  
Regulations 2013  
2013 No.  
The Jobseeker’s Allowance Regulations 2013  
2013 No.  
The Employment and Support Allowance Regulations 2013  
2013 No.  
[http://www.legislation.gov.uk/ukdsi/2013/9780111531938/pdfs/ukdsiem\\_9780111531938\\_en.pdf](http://www.legislation.gov.uk/ukdsi/2013/9780111531938/pdfs/ukdsiem_9780111531938_en.pdf).

under implicit threat of “sanction” aka losing the wage supplement comprised of subsistence benefits. To further clarify for the non-British reader, those in receipt of what the state defines as “subsistence” means the underemployed who under this legislation are held responsible—but not their employers—for underemployment. This thoroughly class-based project targets the unwanted surplus labor of capital specifically that section of surplus (underemployed) labor reduced to negotiating the bureaucratic labyrinth of the Department for Work and Pensions (DWP’s) Job Centres and third or fourth party subcontractors, under the market imperative of “conditionality” thrown into an unending war of attrition to maintain this—very—basic social entitlement under threat of its removal, this usually implicit threat has always been a core foundation of “welfare- to-work” or “active labor market policies,” but is now also directed at a substantial section of the total workforce, not just the unemployed.

In keeping with what can be understood as *class war waged from above* as far as the DWP the state department charged with administering “benefits” and the billion pound welfare-to-work industry this is outsourced to are concerned, anything at all that is done is called “support” both seemingly believing the word to be a generic abstract noun applicable to its diametric opposites compulsion and coercion—which it should be said their activities amount to. In keeping with the war waged against the underemployed poor, this finds *ideological* explanation and justification in the DWP’s new preferred euphemism for conditionality (which it should be remembered amounts to workfare and sanctions) and the class project this is for those *in work*, “in-work progression.” Indeed, it may be agreed with Marx and Engels, that in an advanced economy such as the UK’s where *work itself* is in crisis but must be upheld—including in its unpaid and unfree forms—as essential for social reproduction of the structure of existing society:

If in all ideology men and their circumstances appear upside-down as in a *camera obscura*, this phenomenon arises just as much from their historical life-process as the inversion of objects on the retina does from their physical life-process.<sup>33</sup>

<sup>33</sup>Marx, K., & Engels, F. (1845). *The German Ideology* [The Essence of the Materialist Conception of History: Social Being and Social Consciousness], <https://www.marxists.org/archive/marx/works/1845/german-ideology/ch01a.htm>.

## BOGUS “SELF-EMPLOYMENT” AND THE “GIG ECONOMY”

Another contemporary UK example being used in this chapter to illustrate the ongoing crisis of work<sup>34</sup> underlying the crisis of the Capital–Labour relation itself, is what is known as “bogus self-employment,” “self-employment” being counted as “in employment” in official figures. Indeed bogus “self-employment” has been very pointedly used by the Conservative government of Theresa May, just as it was by that of former prime minister David Cameron in his own short-lived administration of 2015–2016, and the 5 year Conservative-led UK coalition (2010–2015) to help further facilitate in political and legislative form the redrawing of the terms of “work” in the contemporary UK, for the interests of Capital and the employer-investor class.

“Bogus self-employment”<sup>35</sup> it should be stated, takes two forms: big companies avoiding the costs and liabilities of having employees by making those whose labor they use “independent contractors,” and individuals—many of them formerly unemployed—doing what is in practice poorly remunerated piece work of some kind, the DWP signing off claimants who are now “self-employed” by having an eBay account or selling Avon beauty products door-to-door, with or without Tax Credits to supplement earnings.

The different kinds of bogus “self-employment” referred to in this section of the chapter embody the cynical attempt to shift the responsibility for employment onto the individual, when they are to all intents and purposes an employee beholden to an employer, legal technicalities serving to obscure the stark social reality on display. It should be kept in mind that the so-called “gig economy” embodied by Deliveroo and Uber and the legal challenges these “virtual organizations” face from disgruntled “non-employees” who are under imperatives of micro (self) management, can certainly be regarded as versions of “bogus

<sup>34</sup>‘Work in Crisis’ Work, Employment and Society Conference and the British Sociological Association (BSA) 2016 Conference, September 6–8, 2016, Leeds University Business School (LUBS), University of Leeds, took in a paper on a further separate aspect of the crisis of the Capital–Labour relation, specifically unpaid and forced labour, that being what is known as ‘workfare’. Garland, C. (2016). ‘Reductio ad absurdum: Workfare and Bogus “Volunteering” to Discipline the Unwanted Surplus Labour of Capital’, Work in Crisis, Unpaid and Unfree Work Stream, <http://www.britsoc.co.uk/events/wes-conference.aspx>.

<sup>35</sup>ONS, ‘Statistical Bulletin: UK Labour Market: Feb 2017’, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/feb2017>.

self-employment” and certainly evidence of the trend for capital to attempt to realign the co-ordinates of the Capital–Labour relation to its own advantage.

The “independent contractors” of Deliveroo and Uber, are held responsible for their own exploitation, remuneration being frequently less than the minimum wage, because *technically* they are not being paid a wage, just as *technically* they are not employees, so their income level “is up to them.” Two other important recent legal verdicts ruled in favor of “independent contractors” as being due the basic entitlements of employees of the organizations they worked for: Dewhurst vs. CitySprint<sup>36</sup> a courier firm and Smith vs. Pimlico Plumbers. In both cases as for the current legal battles Deliveroo and Uber face, very real material labor is made extensive (and intensive) use of by the organization which circumvents all employer obligations including the minimum wage, by classifying those whose labor is exploited as being “independent contractors.”

The Citizen’s Advice Bureau in its report *Neither one thing nor the other: how reducing bogus self-employment could benefit workers, business, and the exchequer*’ defines “bogus self-employment” thus,

Bogus self-employment occurs when workers are told they are self-employed when the legal tests would likely define them as employees.<sup>37</sup>

This definition of “workers who are told they are self-employed” can be applied to Deliveroo, Hermes and Uber (among others), and gives an effective description of what these “virtual organizations” aim for: the recalibration of the terms of exploitation of labor by individualizing them completely. During the *class struggles* of the 1980s in the UK and indeed elsewhere in Europe in which the employer-investor class aka the capitalist class, as well as its political representatives waged class war from above against the working class as David Harvey has observed, the impersonal social relation of Capital restructured and recomposed itself via what is understood as *neoliberalism*. This concept and term apply as much to the

<sup>36</sup>‘Courier Wins Holiday Pay in Key Tribunal Ruling on Gig Economy’, Butler, S. & Osborne, S. *The Guardian*, January 6, 2017, <https://www.theguardian.com/business/2017/jan/06/courier-wins-holiday-pay-in-latest-key-tribunal-ruling-for-gig-economy>, and ‘Plumber Wins Workers’ Rights Battle Against Pimlico Plumbers’, Peachey, Kevin, *BBC News*, February 10, <http://www.bbc.co.uk/news/business-38931211>.

<sup>37</sup>ONS, *ibid*.

dominant model of capitalism in the UK and globally ever since the end of the 1970s and start of the 1980s, but so too what has constituted parliamentary politics: parties competing with each other for management of the state, all of them more or less dedicated to neoliberal imperatives foremost among these being to fragment “the social” at every cost, all legislative efforts aiming to make any sort of *collective action* near impossible. The recomposition and restructuring of Capital seeing to this, and political and legislative manoeuvres further facilitating this process. This tangential outline of the last 40 or so years of capitalism is insightful for this chapter section since it situates individualized ultra-precarious “self-employment” in its contemporary context in the late 2010s by way of historicizing how it came to be.

The second version of “bogus self-employment” cited here is, as has been said, a comparatively recent example<sup>38</sup> and amounts to what, in practice poorly remunerated piece work of some kind, the DWP administering “subsistence” benefits—with intensified “conditionality” of workfare and sanctions.

Professor Peter Dwyer, of the University of York, who is studying benefit conditionality, told the *Guardian* newspaper: “[This] is political dynamite. Does the government want to be associated with punishing the working poor? When this happened with tax credits they were forced to take a step back.”<sup>39</sup>

This comparatively recent version of bogus “self-employment” as has been stated become a definite tendency over the last 5–6 years for a substantial section of (formerly) sometime employees and/or unemployed surplus labor to register as “self-employed”: 4.6 million,<sup>40</sup> in 2014,<sup>41</sup> now (2017) hovering around 4.5 million. The ONS figures have

<sup>38</sup>Citizens’ Advice Bureau (CAB). (2015). *Neither One Thing Nor the Other: How Reducing Bogus Self-Employment Could Benefit Workers, Business, and the Exchequer*, <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/Neither%20one%20thing%20nor%20the%20other.pdf>.

<sup>39</sup>Quoted in ‘DWP “Punishing the Working Poor” with New Sanctions in Universal Credit System’, Stone, Jon, *The Independent*, April 15, 2016, <http://www.independent.co.uk/news/uk/politics/dwp-punishing-the-working-poor-with-sanctions-in-new-universal-credit-system-a6985461.html>.

<sup>40</sup>‘Borrowing Figures Show Osborne’s Plan Is Off Course’, Inman, P., & Inman, K. *The Guardian*, 2014, January 23, 2016, p. 34.

<sup>41</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2001to2015>.

“director, manager, or senior official” aka “sole trader” as the highest number of occupational groups, the ONS noting, “Due to the nature of self-employment many people manage their own business and will state they are in a managerial role despite the level of responsibility they have.”<sup>42</sup> Although the CAB report is more focused on the first example of “independent contractors” as used by Deliveroo and Uber, it also notes

There have been increases in every occupation, but some of the largest increases have been in occupations where, historically, there have been few self-employed people. Carers, cleaners and cooks are among the self-employed occupations that have been expanding since 2009.

The report also identifies 70% of new “self-employed” roles as being either “elementary occupations” (unskilled) or “customer services.” These formerly low wage or minimum wage employed jobs still make use of the labor of those doing them but now classify those doing them as being “self-employed.”

The state of continuous flux and uncertainty that textures such an insecure existence—now around 15% of the total UK workforce—can also be discerned as the macro-level policy project for veiling the reality of unemployment and precarious underemployment that this is. We might quote Cleaver again, understanding that bogus “self-employment” is the attempt by Capital to redraw the relations of exploitation, “So Capital maintains control” (Cleaver 2017), control over the means of production and the conditions of work which remain the primary form social reproduction takes in Modernity.

## CONCLUSION

In *Capital Vol 1*. Marx developed his critique of political economy into a comprehensive theoretical and critical overview of both “the dismal science” of economics and the social relations of the capitalist economy. The fact that Capital is an abstract social relation based on abstract labor, and the wholly one-sided Capital–Labour relation in which living

<sup>42</sup>ONS, *ibid.*, CAB Report, p. 5. ‘Self-Employed Are Recession’s Hidden Victims’ McSmith, Andy, *i: The Essential Daily Briefing*, May 6, 2014.

labor is enmeshed as a matter of survival—however one in which Capital seeks always to recompose, restructure, and reconfigure that same relation better to its advantage—is inherently precarious and contingent, and becoming that much more so in the last few years of this decade, the second of the twenty-first century.

This chapter has endeavored to sketch some key contemporary examples to illustrate the original critical theory of Capital, and indeed to take Marx's *magnum opus* and give this contemporary context by recourse to these examples, to contribute to the contemporary development of a critical theory of precarious or contingent labor, which it is contended is also a distinct trend across the UK, and indeed the EU and USA: the social reality of navigating the Scylla and Charybdis of precarious work, through the storm of contingency.

## REFERENCES

- BBC. (2008). *How Did the Credit Crunch at the End of 2007 Become a Full Financial Meltdown by the Middle of 2008, and Finally Turn into a Global Recession?* <http://news.bbc.co.uk/1/hi/business/8242825.stm>.
- Butler, S. (2015, February 3). Sports Direct Faces Multimillion-Pound Claim from Zero-Hours Contract Workers. *The Guardian*. <https://www.theguardian.com/business/2015/feb/03/sports-direct-zero-contract-workers-compensation>.
- Butler, P. (2016). DWP 'Punishing' Low-Paid Full-Time Workers Under New Benefits Rule. *The Guardian*, p. 14. <https://www.theguardian.com/society/2016/apr/14/dwp-punishing-low-paid-full-time-workers-under-new-benefits-rule>.
- Butler, S., & Osborne, S. (2017, January 6). Courier Wins Holiday Pay in Key Tribunal Ruling on Gig Economy. *The Guardian*. <https://www.theguardian.com/business/2017/jan/06/courier-wins-holiday-pay-in-latest-key-tribunal-ruling-for-gig-economy>.
- Citizens' Advice Bureau (CAB). (2015). *Neither One Thing Nor the Other: How Reducing Bogus Self-Employment Could Benefit Workers, Business, and the Exchequer*. <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/Neither%20one%20thing%20nor%20the%20other.pdf>.
- Cleaver, H. (2017, April 6–7). *Keynote Address, Marx's Critique of Political Economy and the Global Crisis Today On the 150th Anniversary of the Publication of Karl Marx's Capital*. Hofstra Cultural Center, Hofstra University.
- Davies, W. (2015). *Incredible Neoliberalism*. [https://www.academia.edu/29616892/Incredible\\_Neoliberalism](https://www.academia.edu/29616892/Incredible_Neoliberalism).



- Davies, W. (2016, September–October). *Incredible Neoliberalism in New Left Review*. <https://newleftreview.org/II/101/william-davies-the-new-neoliberalism>.
- Dean, J. (2017). *Neoliberalism and Its Contradictions*. [https://www.academia.edu/1145526/Neoliberalism\\_and\\_its\\_contradictions](https://www.academia.edu/1145526/Neoliberalism_and_its_contradictions).
- Garland, C. (2016, September 6–8). *Reductio ad absurdum: Workfare and Bogus 'Volunteering' to Discipline the Unwanted Surplus Labour of Capital*. Unpaid and Unfree Work Stream 'Work in Crisis' Work, Employment and Society Conference and the British Sociological Association (BSA) 2016 Conference, 6–8 September 2016, University Business School (LUBS), University of Leeds. <http://www.britisoc.co.uk/events/wes-conference.aspx>.
- Grove, J. (2013, June 6). 'Academics' Bin Diving 'Caused by Zero-Hours Contracts'. *Times Higher Education*. <https://www.timeshighereducation.com/news/academics-bin-diving-caused-by-zero-hours-contracts/2004381.article>.
- Harvey, D. (2005). *A Brief History of Neoliberalism*. Oxford: Oxford University Press.
- Kilgannon, C. (2014, March 27). Without Tenure or a Home. *New York Times*. [https://www.nytimes.com/2014/03/30/nyregion/without-tenure-or-a-home.html?\\_r=1](https://www.nytimes.com/2014/03/30/nyregion/without-tenure-or-a-home.html?_r=1).
- Maisano, C. (2014, January 21). Chicken Soup for the Neoliberal Soul. *Jacobin*. [https://www.jacobinmag.com/2014/01/chicken-soup-for-the-neoliberal-soul/?utm\\_campaign=shareaholic&utm\\_medium=facebook&utm\\_source=socialnetwork](https://www.jacobinmag.com/2014/01/chicken-soup-for-the-neoliberal-soul/?utm_campaign=shareaholic&utm_medium=facebook&utm_source=socialnetwork).
- Maroukis, T., & Carmel, T. (2015). Zero Hours and Temp Jobs Are No Help to 'Hardworking People'. *The Conversation* <https://theconversation.com/zero-hours-and-temp-jobs-are-no-help-to-hardworking-people-42453>.
- Marx, K. (1847). *Wage Labour and Capital*. <https://www.marxists.org/archive/marx/works/1847/wage-labour/>.
- Marx, K. (1857). *Capital Vol. 1*. <https://www.marxists.org/archive/marx/works/1867-c1/ch20.htm>.
- Marx, K. (1867). The Interests of Capital and Wage-Labour Are Diametrically Opposed Effect of Growth of Productive Capital on Wages. *Wage Labour and Capital*. <https://www.marxists.org/archive/marx/works/1847/wage-labour/ch08.htm>.
- Marx, K., & Engels, F. (1845). The Essence of the Materialist Conception of History: Social Being and Social Consciousness. *The German Ideology*. <https://www.marxists.org/archive/marx/works/1845/german-ideology/ch01a.htm>.
- McSmith, A. (2014, May 6). Self-Employed Are Recession's Hidden Victims. *The Essential Daily Briefing*.

- Monaghan, A. (2017, May 11). Number of Zero-Hours Contracts Stalls at ‘Staggering’ 1.7m. *The Guardian*. <https://www.theguardian.com/uk-news/2017/may/11/number-of-zero-hours-contracts-stalls-at-staggering-1-7-million>.
- Office for National Statistics (ONS). (2015, February 25). Release: Contracts with No Guaranteed Hours, Zero Hour Contracts. <http://www.ons.gov.uk/ons/rel/lmac/contracts-with-no-guaranteed-hours/zero-hour-contracts-2014/index.html>.
- Office for National Statistics (ONS). (2017, February). *Statistical Bulletin: UK Labour Market*. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/feb2017>.
- Peachy, K. (2017, February 10). ‘Plumber Wins Workers’ Rights Battle Against Pimlico Plumbers. *BBC News*. <http://www.bbc.co.uk/news/business-38931211>.
- Press Association. (2010, October 1). Benefits to Be Replaced by ‘Universal Credit’ Scheme’ Press Association. *The Guardian*. <https://www.theguardian.com/society/2010/oct/01/benefits-universal-credit-scheme>.
- Rodionova, Z. (2017, April 26). McDonald’s to Offer Fixed Hours Contracts for All Its 115,000 UK Employees. *The Independent*. <http://www.independent.co.uk/news/business/news/mcdonald-uk-employees-fixed-hour-zero-hour-contracts-gig-economoy-fast-food-chain-job-workers-a7702816.html>.
- Ruddick, G. (2017, April 25). McDonald’s Offers Fixed Contracts to 115,000 UK Zero-Hours Workers. *The Guardian*. <https://www.theguardian.com/business/2017/apr/25/mcdonalds-contracts-uk-zero-hours-workers>.
- Sandhu, S. (2016, September 12). JD Wetherspoon to Offer ‘Guaranteed Hour Contracts’ to Zero Hours Workers. *News: The Essential Daily Briefing*. <https://inews.co.uk/essentials/news/uk/jd-wetherspoon-offer-zero-hours-employees-fixed-hours/>.
- Soper, K. (2017). *Wish List*. <https://royalcourttheatre.com/whats-on/wish-list/>.
- Stone, J. (2016, April 15). DWP ‘Punishing the Working Poor’ with New Sanctions in Universal Credit System. *The Independent*. <http://www.independent.co.uk/news/uk/politics/dwp-punishing-the-working-poor-with-sanctions-in-new-universal-credit-system-a6985461.html>.
- Wolf, M. (2015, November 10). In the Long Shadow of the Great Recession. *Financial Times*. <https://www.ft.com/content/373793a2-86cf-11e5-9f8c-a8d619fa707c>.

PART V

---

The Past and Present with an Eye  
on the Future



# What If Our Schools Are Working? Base, Superstructure, and Hegemony in Education

*Alan Singer*

In 1985, Supreme Court Justice William Brennan, definitely not a Marxist, delivered a speech at Georgetown University where Brennan argued that “We current Justices read the Constitution in the only way that we can: as Twentieth Century Americans. We look to the history of the time of framing and to the intervening history of interpretation. But the ultimate question must be, what do the words of the text mean in our time” (Goldfarb 2006: 28). As a Marxist, I find Brennan’s dictum especially useful. The ultimate question for contemporary Marxists must be, what do the words of Marx and generations of Marxists “mean in our time”?

In the Facebook era news clearly can be false, but I do not think it is meaningful to talk about false consciousness (Lukács 1972). Consciousness is consciousness, shaped by many factors, including class position and experience, education, ignorance, religious belief, homophobia, gender-bias, and racism. The White working class that voted for

---

A. Singer (✉)  
Hofstra University, Hempstead, NY, USA  
e-mail: [alan.j.singer@hofstra.edu](mailto:alan.j.singer@hofstra.edu)

Donald Trump based their consciousness on a slew of influences, one of which was that the Donald talked about working-class Americans, while Democrats, including Bernie Sanders, and other Republican candidates, described everyone as a member of some amorphous “middle class.”

After struggling with the relationship between base and super-structure in graduate school, as an historian and educator, I just accept that institutions over time adapt, transform, and take on a life of their own that can be somewhat independent of the economic requirements of an economic system (Althusser 1969). All the pieces do not emerge from an economic base and fit together nicely. This relative autonomy is crucial as conflicts between social structures and within dominant classes create space for oppositional forces, both reformist and revolutionary (Poulantzas 1979: 389, Shapiro 1980: 326).

I find anthropologist Marvin Harris’ discussion of cultural materialism extremely useful. According to Harris (1969), cultural practices that contribute to survival of a people and a social and economic system under changing internal and external circumstances—survive. Cultural practices that undermine the ability of a people and a social and economic system to survive—disappear—along with the society if they are not abandoned. Many, if not most, cultural practices are survival neutral. They are elements of style like designs on pottery shards or sneakers, whether you prefer MAC or PC, and are irrelevant to maintaining a social and economic system.

My favorite Marxian theorist is Antonio Gramsci (Hoare and Smith 1971). I think two key concepts in Gramsci’s exploration of history and society are the most relevant for our discussion of education today—hegemony (206–208) and organic intellectuals (12). Hegemony explains why schools as an institution in a hierarchical capitalist society operate the way they do. They are organized based on the ideology of capitalism and they support its existence (26–43). They sort people out, decide who gets what rewards, and convince both the people who fail and people who succeed to different extents that the system is fair and they receive its rewards based on their own individual effort and merit. The purpose of education in a capitalist society, probably any society, is to inculcate people into the system, not to transform it.

Gramsci’s concept of the organic intellectual, however, gives us some hope for transforming the world we live in. Some “organic intellectuals” are the bureaucrats transmitting the hegemonic ideas of the social system. Gramsci includes teachers in this category. But other organic intellectuals are members of marginalized classes and communities with a

broadier vision of possibility and the ability to convey their vision to other community members. These are potential agents for progressive social change. These are the people as a progressive educator I try to reach (Giroux 1988).

The modern public education system in the United States initially developed to serve the managerial needs of industrial capitalism in the first half of the nineteenth century (Spring 2013; Cremin 1961). It reached maturity along with the economic system as the factory-model in the 1920s and has changed very little since; except, perhaps, in style as it has adjusted to the emergence of new educational theories, conflicting political demands, different population groups, and different occupational skill requirements. However, we are probably entering a new phase of capitalism with new contradictions within and between its capitalist institutions as robotic and computer technologies transform the notion of work and replace the need for many, if not most workers.

As former President Barack Obama (2009) maintained, the basic job of education continues to be to prepare students to meet the workforce needs of employers, or what he euphemistically called twenty-first-century careers. Part of my argument in this paper is that contemporary Common Core Standards and high-stakes standardized testing are adaptations to new computer technology that maintain the basic purpose of education in a capitalist society and the function of schools—sort them out and convince them the system is fair.

In *Hard Times* (1973), originally published in 1854, English novelist Charles Dickens introduced us to the modern school, circa 1840. Thomas Gradgrind was an industrialist and the headmaster of a school where the goal was to take “little pitchers” and fill them “full of facts.” Gradgrind’s school was in an English mill town during the industrial revolution of the mid-1800s and his students were destined to become cogs in the machinery of the new society (47).

Teachers, as well as students, were trained in the same way. In the chapter titled “Murdering the Innocents,” Gradgrind demonstrates his scientific method of teaching to a new instructor, Mr. M’Choakumchild. M’Choakumchild, “and some one hundred and forty other schoolmasters, had been lately turned at the same time, in the same factory, on the same principles, like so many pianoforte legs. He had been put through an immense variety of paces, and had answered volumes of headbreaking questions.” Dickens wearily suggests, “If he had only learnt a little less, how infinitely better he might have taught much more!” (12).

Dickens's purpose in the book was to satirize Gradgrind and expose the dreary schools and factories where children and workers were reduced to interchangeable numbers and virtually enslaved to machinery. The scariest thing about Gradgrind's school is how closely the caricature resembles the reality of school in that era—and today. According to historian David Craig, "The first two chapters of the novel are an almost straight copy of the teaching system in schools run by the two societies for educating the poor. In the Manchester Lancasterian School a thousand children were taught in one huge room, controlled by a kind of military drill with monitors and a monitor-general. Groups of facts, mechanically classified, were drummed in by methods that might have been meant to squash forever the children's urge to find out or understand anything for themselves" (22).

This "mechanical system of education" was developed by John Lancaster who also provided an "elaborate code of rewards and punishments" including "'the log,' a piece of wood weighing four to six pounds, which was fixed to the neck of the child guilty of his (or her) first talking offence. More serious offences found their appropriate punishment in the Lancasterian code; handcuffs, the 'caravan,' the pillory and stocks, and 'the cage.' The latter was a sack or basket in which more serious offenders were suspended from the ceiling" (23).

The Lancasterian system as applied in New York City schools in the 1850s was so precise that it even included instruction on how to stand at attention and the proper way to hold and read a book. For attentive listening, "The pupil should stand erect – his heels near together, - toes turned out, - and his eyes directed to the face of the person speaking to him." While reading, "as the eye rises to the top of the right hand page, the right hand is brought to the position seen in Fig. 4; and, with the forefinger under the leaf, the hand is slide down to the lower corner, and retained there during the reading of this page, as seen in Fig. 6. This also is the position in which the book is to be held when about to be closed" (Public School Society of New-York 1850: 97, Reigart 1916: 48). If a young person could survive this oppressive regime, they were prepared for work, whatever specific skills they might have learned.

This system of education was discussed and praised in the British House of Commons and in academic journals and was generally approved of by the broader public. However, Craig also cited an 1847 report by a school inspector who complained that the "elaborate methods for destroying meaning" caused the children's "faculties" to be "stunted in their growth, and they sink into inert listlessness" (Hoppus 1847: 169).

In the early decades of the twentieth-century public education in the United States was systematized using scientific management efficiency concepts developed by Frederick Taylor for assembly line production at the Ford Motor Company and known as Taylorism. It is a system that shapes people to the task rather than the task to individuals (Gray 1993: 370–374).

In *The Principles of Scientific Management* published in 1911 Taylor described how he selected and analyzed the performance of highly effective workers, eliminated all “false movements, slow movements, and useless movements” from the performance of their tasks, and then decided on the most efficient and profitable way to produce products.

Taylorism was brought into education largely through the efforts of John Franklin Bobbitt, who in 1912 published an article on “the Elimination of Waste in Education” (Kleibard 1987: 97) which included the principle that schools should track students into areas better suited to their abilities.

In 1918, almost a century before Common Core, Bobbitt wrote: “Human life ... consists in the performance of specific activities. Education that prepares for life is one that prepares definitely and adequately for these specific activities.” Since activities would differ depending on your “social class,” so should efficient and effective education (Kleibard 1987: 116).

Bobbitt expanded on these ideas in 1927 in the Twenty-Sixth Yearbook of the National Society for the Study of Education. “The school is not an agency of social reform. Its responsibility is to help the growing individual continuously and consistently to hold to the type of living which is the best practical one for him” (Cremin 1961: 200).

As education became more regimented and standardized to meet the workforce needs of industrial capitalism rather than a largely agricultural society factory-like high schools became key areas for indoctrination and sorting, especially for urban immigrant populations.

During this period professional organizations like the National Education Association emerged to add a scientific and humanistic veneer to school curriculum. In 1918, the NEA published *A Report of the Commission on the Reorganization of Secondary Education including its Cardinal Principles of Secondary Education*. It advocated for secondary education that would be “determined by the needs of the society to be served, the character of the individuals to be educated, and the knowledge of educational theory and practice available” (Commission on the



Reorganization of Secondary Education 1918: 7). Principle concerns were the way the United States was changing and the need for schools to change correspondingly.

First—"In many vocations there have come such significant changes as the substitution of the factory system for the domestic system of industry; the use of machinery in place of manual labor, the high specialization of processes with a corresponding subdivision of labor; and the breakdown of the apprentice system" (7).

Second—"The character of the secondary-school population has been modified by the entrance of large numbers of pupils of widely varying capacities, aptitudes, social heredity, and destinies in life ... At present only about one-third of the pupils who enter the first year of the elementary school reach the four-year high school, and only about one in nine is graduated" (8).

To achieve these goals high schools were designed to operate like factories by the clock and bell with students proceeding through standard curriculum at the same rate. In *Future Shock* (1970), Alvin Toffler described the "Industrial Era School" this way:

Mass education was the ingenious machine constructed by industrialism to produce the kind of adults it needed. The problem was inordinately complex. How to pre-adapt children for a new world – a world of repetitive indoor toil, smoke, noise, machines, crowded living conditions, collective discipline, a world in which time was to be regulated not by the cycle of sun and moon, but by the factory whistle and the clock ... [T] the whole idea of assembling masses of students (raw material) to be processed by teachers (workers) in a centrally located school (factory) was a stroke of industrial genius. The whole administrative hierarchy of education, as it grew up, followed the model of industrial bureaucracy. The very organization of knowledge into permanent disciplines was grounded on industrial assumptions. Children marched from place to place and sat in assigned stations. Bells rang to announce changes of time ... The most criticized features of education today – the regimentation, lack of individualization, the rigid systems of seating, grouping, grading and marking, the authoritarian role of the teacher – are precisely those that made mass public education so effective an instrument of adaptation for its place and time. (40)

High schools, especially in urban areas with large immigrant populations, were organized into four distinct tracks: college preparatory, commercial (which prepared young women for office work), vocational

(industrial arts and home economics), and general (which offered diplomas without preparation for either college or skilled work). Why were high schools organized along factory lines with sharp class divisions? G. Stanley Hall, president of Clark University at the time, provides a clue. He denounced proposals to educate all students to the same academic standards because most high-school students were part of a “great army of incapables ... who should be in schools for the dullards or subnormal children” (Mirel 2006: 14–21).

If this kind of classroom and school was a thing of the past, it would be bad enough. Sadly however, many of us have witnessed, or experienced as students, schools in which teachers still use these approaches to teaching, where boredom and humiliation are wielded as weapons to keep students in line. The classic example of this approach to teaching is portrayed in the 1986 movie *Ferris Bueller’s Day Off*:

In the House of Representatives, in an effort to alleviate the effects of ... Anyone? (Pause) The Great Depression. Passed the anyone? (Pause) The Smoot-Hawley Tariff Act. Which raised or lowered? (Pause) Raised tariffs in an effort to collect more government revenue. Did it work? Anyone know the effects? (Pause) It did not work and the United States sank deeper into the Depression. Today, we have a similar debate over this ... Anyone know what this is? (Pause) Anyone seen this before? (Pause) The Laffer Curve. Anyone know what this says? (Pause) It says that at this point on the revenue curve - you will get exactly the same amount of revenue as at this point. Does anyone know what Bush called this ... (Pause) Anyone? (Pause) Something-doo economics. Voodoo economics (1986).

The factory-model is still championed by prominent, more contemporary authors such as William Bennett (Bennett et al. 2000), Chester Finn (Ravitch and Finn 1987), E. D. Hirsch (1987, 1996), as well as by proponents of schooling as a recurrent cycle of test preparation and high-stakes testing. The authors, I hate to call them educators, have written widely promoting lists of facts to be memorized by children at different age levels and in different grades and have received government support for their proposals.

One argument for their Lancaster-Gradgrind approach to teaching (especially in schools for youth from immigrant, non-English-speaking, working class, and poor families) is that the supposed ends, cultural literacy, higher scores on standardized exams, and better-behaved children,

justify the means, oppressive classrooms and the rote learning of decontextualized information. It is difficult to respond to their claims to a miracle cure for what ails education and society other than by saying that, based on my experience as a student and classroom teacher, I know it will not work.

In the last three decades, three new trends have added to the capitalist nature of miseducation in the United States—zero tolerance criminal justice, high-stakes testing, and charter schools. Automation, robotics, and globalization have decreased the need for unskilled and semiskilled labor in advanced capitalist economies making large sections of the former working-class redundant. One solution to mass unrest caused by rising unemployment is the school-to-prison pipeline. Since the 1990s zero tolerance policies in schools have criminalized many normal forms of teenage student behavior. Students, especially Black and Latino male students, are arrested for minor infractions and started down the road to failure and self-blame. Punishment in school and in American society often has a racial dimension. The United States imprisons a larger percentage of its Black population than South Africa did at the height of Apartheid. In Washington, DC, three-fourths of the young African American men are arrested at some point in their lives. Since 1970, the US prison population has grown from about 300,000 people to over two million, even while crime rates have dropped. More than seven million children have a family member who has passed through the prison system (Alexander 2010).

The push for national Common Core Standards and the accompanying high-stakes testing are, as Pink Floyd proclaimed, “just another brick in the wall,” atomizing learning, and sorting, sorting, sorting, boring, boring, boring. Tests and test prep prepare students for the tedious nature of work and your ability to tolerate them determines how you will be tracked (Singer 2014).

Meanwhile school systems are frequently even more rigidly tracked than before. We pretend students are no longer divided into academic, commercial, vocational, and general tracks. Instead, in New York City, students apply for themed supposedly “academic” high schools which essentially divide them the same way. Charter schools add a new layer to the division in urban areas. On the lowest level there are failing public schools, followed by oppressive test prep charter networks, followed increasingly by different levels of selective public schools, topped by elite

public tests schools and private schools. In suburban areas students are tracked into racially, ethnically, and class segregated district schools based on how much parents can afford to buy homes and to pay in school taxes (Oakes 1985).

Since the 1983 report, *A Nation at Risk*, charged that the United States was threatened by a “rising tide of mediocrity” in public schools that would cripple its ability to compete in international markets, there have been six “Education Presidents” and innumerable education governors and mayors in the United States. George W. Bush campaigned on the slogan “Leave No Child Behind.” Barack Obama used the promise of federal grant money to get school districts to sign up for his “Race to the Top” and then abandoned Race to the Top and shifted to Every Student Succeeds Act. Since every student is not succeeding, Donald Trump and Educational Secretary Betsy DeVos are promoting a dismantling of public education and replacing it with market-based capitalist solutions (National Commission on Excellence in Education 1983; Singer 2016).

But what if the fundamental premise of the 1983 report is wrong? What if American schools are working exactly the way they are intended to work? What if every student is not supposed to learn and succeed? Part of the beauty of capitalist education is that in its inconsistencies it contains within itself elements of its own destruction, which I think is another Marxian idea. It is hard to convince people that failure is always their own fault when people who did everything that was asked of them cannot find work or support families in the promised middle-class lifestyle. This has been one of the causes of Donald Trump’s white populism. It is also difficult to control students when you argue that capitalism means freedom and democracy and they experience neither in school as they pass through metal detectors or in a stop-and-frisk society.

This brings us back to Gramsci’s notion of organic intellectuals. According to Gramsci, the role of the official organic intellectual is to enforce and transmit the hegemonic ideas of the state and society to the rest of the population (Hoare and Smith 1971: 26–43). But organic intellectuals can also be members of marginalized classes and communities with a broader vision of possibility and the ability to convey their vision to other community members. These organic intellectuals will be recruited to join the upper echelons of the society, but some will remain within their class and represent their class.

Teachers are not the organic intellectuals of the disposed, they are hired to serve the system, and they are very rarely from the disposed or identify with them. But Herbert Kohl argues that teachers can play a role in social transformation. They can make use of the inconsistencies, the cracks, the seams, in the education system and society to prepare and support organic intellectuals among their students (Kohl 1991).

Kohl calls this strategy maladjustment. Progressive teachers working with inner-city disenfranchised youth have to learn how to break arbitrary or oppressive rules and get away with it. They need to find ways to manipulate the system in order to protect their students from injustice, create safe places for learning, and design lessons that connect with student lives and motivate them to learn and to organize.

Can anything be done to change our schools and society and eliminate some of the gross inequalities short of revolutionary turmoil? I hope so, but I am not sure. But a first step is to admit that schools are not failing. Unfortunately, they are working exactly the way they are designed to work.

## REFERENCES

- Alexander, M. (2010). *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*. New York: New Press.
- Althusser, L. (1969). *For Marx*, Verso.
- Bennett, W., Finn, C., & Cribb, J. (2000). *The Educated Child: A Parents Guide from Preschool Through Eighth Grade*. New York: Touchstone.
- Commission on the Reorganization of Secondary Education. (1918). *Cardinal Principles of Secondary Education, Bulletin, 1918, No. 35*. National Education Association, Department of the Interior Bureau of Education, Government Printing Office.
- Cremin, L. (1961). *The Transformation of the School: Progressivism in American Education, 1876–1957*. New York: Knopf.
- Dickens, C. (1973). *Hard Times*. London: Penguin.
- Ferris Bueller's Day Off Script. (1986). [http://www.script-o-rama.com/movie\\_scripts/f/ferris-buellers-day-off-script.html](http://www.script-o-rama.com/movie_scripts/f/ferris-buellers-day-off-script.html). Accessed Online on April 4, 2017.
- Giroux, H. (1988). *Teachers as Intellectuals: Toward a Critical Pedagogy of Learning*. Santa Barbara: Praeger.
- Goldfarb, D. (2006). *The American Constitution and the Debate Over Originalism*. New York: Cambridge University Press.
- Gray, K. (1993). Why We Will Lose: Taylorism in America's High Schools. *Phi Delta Kappan*, 74(5), 370–374.
- Harris, M. (1969). *Cultural Materialism: The Struggle for a Science of Culture*. Palo Alto: AltaMira Press.

- Hirsch, E. D. (1987). *Cultural Literacy: What Every American Needs to Know*. Boston: Houghton Mifflin.
- Hirsch, E. D. (1996). *The Schools We Need: And Why We Don't Have Them*. New York: Random House.
- Hoare, Q., & Smith G. (Ed.). (1971). *Selections from the Prison Notebooks of Antonio Gramsci*. New York: International Press.
- Hoppus, J. (1847). *The Crisis of Popular Education: Its Historical, Internal, Statistical, Financial, and Political Relations. Including a Consideration of the "Minutes of the Committee of Council on Education", and of the Educational Controversy, in General*. London: J. Snow.
- Kleibard, H. (1987). *The Struggle for the American Curriculum, 1893–1958*. Boston: Routledge.
- Kohl, H. (1991). *I Won't Learn from You: And Other Thoughts on Creative Maladjustment*. New Press: New Press.
- Lukács, G. (1972). *History and Class Consciousness*. Cambridge: MIT Press.
- Mirel, J. (2006, Winter). The Traditional High School: Historical Debates Over Its Nature and Function. *Education Next*, 6(1), 4–21.
- National Commission on Excellence in Education. (1983, April). *A Nation at Risk: The Imperative of Educational Reform*. National Commission on Excellence in Education.
- Oakes, J. (1985). *Keep Tracking: How Schools Structure Inequality*. New Haven: Yale University Press.
- Obama, B. (2009, July 14). President's Remarks in Warren, Michigan. *The White House*. <https://obamawhitehouse.archives.gov/realitycheck/the-press-office/excerpts-presidents-remarks-warren-michigan-and-fact-sheet-american-graduation-init>. Accessed Online on March 27, 2017.
- Poulantzas, N. (1979). The Political Crisis and the Crisis of the State. In J. W. Freiberg (Ed.), *Critical Sociology*. New York: Irvington.
- Public School Society of New-York. (1850). *A Manual of the System of Discipline and Instruction*. New York: Egbert, Hovey & King.
- Ravitch, D., & Finn C. (1987). *What Do our 17-Year Olds Know? A Report on the First National Assessment of History and Literature*. New York: Harper & Row.
- Reigart, J. (1916). *The Lancasterian System of Instruction in the Schools of New York City*, Issue 81. New York City: Teachers College, Columbia University.
- Shapiro, H. S. (1980, August). Education and the State in Capitalist Society: Aspects of the Sociology of Nico Poulantzas. *Harvard Educational Review*, 50(3): 321–331.
- Singer, A. (2014). *Education Flashpoints: Fighting for America's Schools*. Abingdon: Routledge.

- Singer, A. (2016, November 28). Trump Moves to Destroy Public Education. *Huffington Post*. [https://www.huffingtonpost.com/alan-singer/trump-moves-to-destroy-pu\\_b\\_13277736.html](https://www.huffingtonpost.com/alan-singer/trump-moves-to-destroy-pu_b_13277736.html). Accessed Online on March 3, 2018.
- Spring, J. (2013). *American Education*. New York: McGraw-Hill.
- Toffler, A. (1970). *Future Shock*. New York: Random House.



## Demographic Changes, Pension Reforms, and Absolute Surplus Value: Intertemporal Exploitation in Contemporary Capitalism?

*Marcelo Milan*

Capitalist societies have been undergoing a demographic transition that began in 1800 and will be completed, according to some estimates, by 2100, albeit unevenly across regions and countries (Lee 2003).<sup>1</sup> The changes have as their main feature an overall decline in both death rates and birth rates, increases in life expectancy at birth, and a rising proportion of the population over age 65, especially women. The average world life expectancy has doubled, and it should triple according to the estimates reported by Lee. He also examines the possible causes of these

<sup>1</sup>Lee assumes a division of the world into more developed, less developed, and least developed countries, and presumes the maintenance of this current structure for the three centuries of demographic transition analyzed (but today's more developed countries were not developed three centuries ago). Therefore, he takes for granted a permanent global economic inequality. More importantly, the proportion of the population living in poor countries continues to grow, absorbing virtually all the estimated world population growth for the coming decades. If this is valid, then capital can easily find where to look for available pools of labor. And this is likely to change the world economic structure. Witness Asia.

---

M. Milan (✉)

Federal University of Rio Grande do Sul, Porto Alegre, Brazil



transformations, but the general trend presented, of population growth accompanied by increases in life expectancy and an aging population, is what interests this work. This is so because these transformations modify the age composition of the working class (and of the capitalist class for that matter), and the conditions for and duration of labor exploitation and labor power reproduction. Blackburn (2003) also shows that demographic changes have many implications. One of the main problems he identifies is the pressure over existing pension systems. Indeed, the US Social Security Administration estimates that, without reforms, the public pension system of the United States would be exhausted by 2033 (SSA 2012). The issue of financing a pension system for the elderly is important for any social formation or mode of production, given the necessity of distributing the total social labor among the portion of the population that is no longer inserted directly into the productive structure of society. The same provision is necessary for children.

Yet, another aspect related to the proposals for overruling existing retirement rules has not been emphasized by the Marxist literature: It is the raising of the minimum retirement age, justified by the longer life expectancy and the threats to existing pension arrangements. This has two very likely effects. On the one hand, it might change the share of the total social labor received by workers when they quit the labor force, reducing their potential lifetime consumption. On the other hand, that change, as it shrinks the intertemporal bundle of commodities available for consumption out of decommodified retirement earnings, forces the working class to keep being subjected to the wage system and capitalist exploitation for a longer period of time, likely causing the cumulative surplus labor produced to grow. This second effect is the main interest of this chapter. It is necessary to understand how the demographic transition affects the very conditions for the reproduction of the labor power, which directly affects the production and distribution of surplus value and therefore capital accumulation.

I question whether this intertemporal extension of the working-class submission to capital, i.e., the increased “useful life” of the commodity labor power, rather than the intra-temporal increases in the working day discussed 150 years ago by Marx in *Capital*, can be interpreted as a new mechanism of cumulative exploitation made possible by the ongoing demographic transition and associated pension reforms. The preliminary answer is yes. My working hypothesis, emphasizing the temporal dimension of the conflict over the products of social labor, is that this

prolonged working life represents a different mechanism of exploitation, distinct from the traditional “intra-temporal” extraction of absolute and relative surplus value, although intermingled with them and closer to the former. Since the changes are real, although complex, and must be dealt with, an alternative hypothesis, based on a literal reading of Marx, is that the aging of the working class could be understood simply as an extended time under wage-slavery, without any qualitative change in the social relations of production or any relative changes in the ordinary flows of surplus labor.

### DEMOGRAPHIC CHANGES AND PENSION SYSTEM REFORMS: THE NEW DYNAMICS OF CLASS CONFLICTS

My starting point is the complex reality of historical capitalism, emphasizing the main population changes that have occurred since this mode of production became hegemonic. Lee (2003) presents data and projections about the demographic transition that the world population is going through. In short, birth rates and mortality rates have fallen, while life expectancy and the relative size of the elderly population have grown, albeit unevenly, across the world. In the demographic transition projected by Lee (2003) there will be a much larger population, especially in poor countries. This has prompted proposals to overhaul existing pension systems.

An unexplored issue is related to how this larger (and older) population will be distributed in terms of social classes. For instance, a greater proportion of older proletarians spawns a completely different dynamics of class conflict and capital accumulation than a relative increase in the older bourgeoisie or petty bourgeoisie. At the same time, this change could potentially increase the political and economic weight of the workers, but also helping to maintain the circuit of capital with no interruptions in the accumulation of constant and mainly variable capital, that is, by mitigating possible labor shortages.

These modifications have important consequences for the working class and for the functioning of capitalism. For capital, an increased life expectancy means that workers live longer and therefore are healthier and can afford to work longer hours or more years, causing absolute surplus value to expand intra- and intertemporally (it expands the “useful” lifetime of the commodity labor power). Also, from the perspective of capital, with workers living longer, there could be a lesser need to

provide the same amount of means of subsistence for them today, since those quantities are currently compatible with extended periods in which the labor power is no longer a commodity, reducing the value of the latter and the labor time socially necessary to reproduce it.

The aging of the workforce might have other consequences for capital accumulation. It may change the nature of the industrial reserve army, with a larger number of retirees being held as a form of potential workforce along with the unemployed or the marginally attached to the market for labor power. But this depends on the level of capitalist development of each country or region. In less developed countries, retirement usually does not represent a “regular” withdrawal of the commodity labor power from the circuit of capital. It is usually a way to supplement low wages via publicly funded pension funds, given that workers often start working early and die before they stop working and retire. The pension contributions are thus a form of forced savings on younger workers for the present consumption of older workers who cannot stop selling their labor power. Petty commodity production is important, and formal labor markets, in which multinational companies normally predominate, are thin. There could be no significant change in the industrial reserve army in this case.

Despite the overall tendency of population growth, in the developed countries it presents a steep downward trend, pointing to a potential shortage of labor, coupled with projected shortfalls or deficits in the pension funds. The crisis that began in 2007–2008 has been used to impose austerity measures that shrink the welfare state, including pensions, potentially pointing toward an expansion of the working time of the proletariat in Europe at the same time that the industrial reserve army inflates (Pochet and Degryse 2012). Korpi and Palme (2003) argue, however, that the regression of the social welfare in Europe began in the 1970s. So, one could argue that the recent crisis contributed to deepen a process already occurring. By the same token, illustrating the new dynamics of the class struggle under conditions of demographic change, Tropman and Nicklett (2012) argue that one can balance the budget through greater social exploitation of the elderly, presenting as an example the United States, where the reduction of social protections will lead the working-age population to remain working for a longer period, even at precarious, part-time jobs.

The demographic changes have other consequences for capitalist dynamics. For example, an important result of the falling birth rate is

the reduced amount of time devoted to child rearing by women under the slowly changing sexual division of labor, freeing exploitable labor to capital. This shorter time employed by women for the care of offspring under traditional gender roles can be turned into a longer time alienating their labor power or, on a smaller scale for the capitalist women, exploiting the labor power of other women and men. Nonetheless, the workforce becomes more feminine than would be the case without the changes. As a result, given the gender discrimination in the market for labor power, and the persistence of patriarchal relations, with lower wages being paid for the same socially necessary labor time, the change allows for far greater intra-temporal exploitation of labor.<sup>2</sup> Besides the time issue, there are significant impacts on the production and reproduction of the working class associated with that trend, since births have fallen also for the working families. Another major outcome of these modifications, central to this chapter, is an increase in the dependency ratio, defined as the ratio of the sum of the population above 65 years old and the one below 15 years old (both being, until recently, mostly outside of production relations) to the population aged between 15 and 64 years old (mostly engaged in production relations). A higher dependency ratio tends to create pressures on pay-as-you-go pension schemes, in which the current working population supports the former workers now retired (intergenerational class solidarity). However, the concept of dependency between generations is usually presented as a mere demographic phenomenon, without references to social classes (or gender). Hence, the projected pension system deficits are often interpreted as representing an undue transfer of income from the future to the present retired generation, whose pension systems would be threatened if it were not possible to increase substantially the present contributions to pay for the nonlabor earnings of future generations or to limit “early” retirement (intergenerational conflict).

If this argument is valid, then the class conflict between capital and labor (and the sexual division of labor) should receive the same treatment, emphasizing the intra-temporal transfers of surplus value from labor to capital (and unpaid labor from women to men), because capitalism (patriarchy) is structured so that one class (one gender) “depends”

<sup>2</sup>To what extent these lower wages imply a lower cost of reproduction of the labor power by means of cheaper commodities in the typical consumption basket for workers is an issue that is not discussed in this paper.

on the unpaid labor of the other whose “welfare” is reduced by these transfers. This is the relevant dependence ratio<sup>3</sup> and it is better expressed by the Marxian concept of the rate of exploitation. As life expectancy changes, the former ratio is likely to be modified. It remains the question of whether or not the life expectancy of the commodity labor power itself also changes in some significant way. I argue that the very temporal nature of exploitation is likely to be modified under such circumstances. The issue of “retirement” needs to be redefined in terms of active and inactive work, excluding income earned from accumulated property that does not depend directly on any current activity performed as a “functioning capitalist”. Capitalists do not retire. They simply become money capitalists (rentiers). Workers retire and need a public pension system (and may even become petty money capitalists). Capital does not need intergenerational solidarity. Therefore, as most workers depend on the transfers of pension funds when labor power is no longer a commodity, the class struggle can change the dynamics of dependency, understood not as a mere population division into age groups, but in terms of intertemporal transfers of value and surplus value and the demographic parameters of the social classes themselves.

### PENSION CRISES, LABOR POWER SHORTAGES, AND THE IMPORTANCE OF CLASS CONFLICT FOR UNDERSTANDING REFORMS

The demographic changes, the aging of the population in particular, illustrates the protruded crisis of pensions, particularly in developed countries. Baker (2011, 2012) argues, however, that there is no demographic crisis. The reduction in the proportion of taxpayers (workers and capitalists) does not imply reductions in potential transfers available to retirees or active workers in the United States. This is because there have been strong productivity gains in recent decades. Moreover, eventual declines in the population would bring other benefits, including a strengthening of the bargaining power of workers and the elimination

<sup>3</sup>Arza and Kohli (2008) argue that intergenerational conflict has replaced class conflict, but the former will not be resolved, with the goal of achieving intergenerational equity, without reference to the latter, which remains relevant. On a more general treatment, Pampel (1994) shows the importance of the social division of classes for the determination of social spending.

of precarious, substandard, or poorly paid occupations. More important, Baker argues that there is no intergenerational conflict, and that, to the extent that the productivity gains in recent decades were not absorbed by wages, the bottom line remains the intragenerational conflict, the present capital–labor conflict. The demographic problem appears in so far as it reflects the reduced use of the hierarchical power by companies to reduce wages and benefits. The author also considers the world political consequences of a declining national population for imperial purposes. However, Baker seems to overestimate the ability of capitalism to function without an extensive industrial reserve army.

Like Baker, Blackburn (2003) stresses the exaggerations in the projections on the rhythm of population aging and the need to implement reductions in the disbursements of pensions or to privatize the pension system. The main concern would rather be the difficulty in securing a replacement for the aging and retiring workforce. From a capitalist class perspective, this threat is real. The imperative of surplus value exploitation does not allow sustained periods of a declining active working class (but the latter could minimize the intra-capitalist competition if the population reductions took place among the bourgeoisie, assuming no changes in the concentration and centralization of capital). The possible exhaustion of the industrial reserve army has implications for the class struggle and the accumulation of capital. Blackburn (2003: 18) suggests alternative solutions to the shortage problem without the need to reform existing pension schemes: increases in life expectancy afforded by advances in medicine; immigration; reduction in the birth rates causing a reduction in the number of dependents per worker, offsetting the increase in the population over 60 years old; and technical progress. For him, however, the high unemployment in Europe suggests that there is no labor shortage.

The problem with the first argument is that the increase in life expectancy is not equally distributed. Even before the current demographic discussions, Antonovsky (1967) had shown that changes in life expectancy and death rates follow a clear class division. His data indicate that, prior to the beginning of the demographic transition depicted by Lee (2003), there were no major differences in life expectancy between classes, but from the nineteenth century onwards, it became more pronounced. Baker and Rolsnick (2010) offer additional present-day evidence on this division. Olshansky et al. (2012) provide data that flesh out significant falls in the life expectancy of segments of the US

population based on racial and educational criteria. The study shows a decline in the life expectancy of the male and white population without full secondary education in the period 1990–2008. Given the overlaps between these racial and educational dimensions and class, it would not be entirely wrong to assume that important segments of the working class or the industrial reserve army have a relatively shorter life expectancy than what could be anticipated by the demographic transition, while segments of the bourgeoisie have had a substantial expansion of their life expectancies. Galea et al. (2011) argue along similar lines.

Blackburn's second argument, as the author himself acknowledges, is only possible as long as significant demographic differences persist between countries. Those, however, should not persist, according to Lee (2003). There is a convergence. Blackburn also ignores problems such as racism, nationalism, xenophobia, Trump walls, and borders between poor and rich countries. The third argument points to a reduction in the cost of reproduction of the labor power, since the younger population is generally supported directly on an individual basis by the adult population, and the population over 60 is generally sustained indirectly via the State, with possible economies of scale. This allows an increase in the surplus labor time and in the relative surplus value if capitalists decide to hire the workers, but it does not address the problem of shortage.

By the same token, technical progress increases the generation of relative surplus value. But from the point of view of exploitation, the extension of the intertemporal working life provided by the raising of the minimum retirement age expands the cumulative mass of absolute surplus value. Yet, if technical progress saves labor, then the problem recurs, solving the riddle from the point of view of the labor shortage in the circuit of capital but generating potential problems for the processes of creating new value. The unemployment issue reinforces the continued existence of an industrial reserve army, and given the problem of aging, implies a rising proportion of the older population as part of the reserve army. Finally, the precarious nature of many modern jobs (Standing 2011), with temporary positions and low wages, makes the contributory capacity of large segments of the working class to pensions practically nil. Wage-labor as a permanent situation until death would not be totally unthinkable, just like the situation of workers in many less developed countries. In any case, these demographic trends are used to justify structural changes in pension systems. What are the main features of those reforms?

Sullivan (2004) argues that the pension system is a recent creation, a result of the industrial revolution. In pre-capitalist societies, populations worked until they died or contracted disabling diseases. He stresses the 10-year average gain in life expectancy since modern pension systems were created. Under capitalism, national and regional class struggle shapes the different features of the pension systems in particular and social protection in general (IRES 1999). Marier (2008) and Arza and Kohli (2008) discuss the variety of political processes associated with reforms in Europe. The bargain that conditions them is complicated by the different impacts on the social classes, and the existence of occupational pension schemes attached to concrete labor processes. Kay and Sinha (2008) and Cruz-Saco et al. (1998) present different approaches to the issue of social security (and the health system) reform in the Americas since the privatization of pensions in Chile under Pinochet. The latter authors, focussing on Latin America, contrast the neoliberal vision of the World Bank with the one espoused by the International Labor Organization (ILO) and other agencies. Attac (1999) criticizes the changes proposed by the World Bank to replace the pay-as-you-go system. The proposal is based on three pillars: a mandatory public fund with a low retirement value, a private fund to supplement it with individual savings, and workers' freedom for complementing. The study emphasizes the interest that financial institutions have in those reforms, to centralize and manage pension funds with "casino retirements". Indeed, Toporowski (1999) argues that pension funds help to inflate asset prices and stimulate speculation, leading to financial crises. Khalfa and Chanu (1999) also assess the risks presented by the liberal reforms against the public retirement system. Schludi (2005) shows how unions were instrumental in stemming reforms in Austria, albeit in an undemocratic fashion, while in Italy there was a greater radicalization against reforms.

Mendes and Marques (2001) discuss the main reforms proposed in the advanced capitalist countries and in Brazil. In Europe, the unemployment, the low growth rates, the deceleration of productivity, and the aging of the population all put pressures in favor of dismantling social protection financed through contributions from active workers and capitalists. Given that the contributions are insufficient, governments are called upon to balance the accounts. The authors show a large increase in social security spending as a proportion of GDP in the developed countries. The reforms generally consist of increasing the contribution of workers and reducing the benefits through various mechanisms.



The study shows that the measures involve the creation of barriers to retirement before the age of 65, increases in the minimum age for full retirement benefits, and changes from pay-as-you-go to capitalization regimes.

Considering the main issue of this study, it should be noted that the proposed reforms usually seek to change the age structure of the working population (and, as a consequence, of the retirement system). Hence, they point to, in Blackburn's words (2003: 9), a "war of generations," but ignores the fact that is also an intragenerational class war. For instance, Baker and Rolsnick (2010) show the income-derived differences in the duration of the retirement period, pointing to slow growth for the poorest portion of males and faster growth for the richer portion. The authors emphasize that the minimum retirement age in the United States will expand from 65 to 67 years, a more than enough increase to offset cumulative retirement longevity gains. Those are a little more than one year for lower-paid workers. Most of those retire on average at age 62, when partial retirement becomes available (reinforcing that wage-slavery is a burden). If significant class inequalities in life expectancy continue to widen, the authors estimate, a low-wage worker born in 1973 will have a retirement period similar to that of a low-income worker born in 1941. The situation is likely to become worse if higher minimum age legislation is passed, with the reduction in the retirement period for lower-income workers. That is, one cannot ignore class aspects when social security regimes and demographic changes are discussed. In particular, it is necessary to understand how they could affect the social relations of production and labor exploitation.

Pension reforms that increase the minimum retirement age are an additional element in the continuing exploitation of the labor power and the creation of surplus workers, with high unemployment causing a growing industrial reserve army. The class struggle finds expression in the conflict for the redistribution of the social labor channeled to the state via taxes and pension contributions, but reforms can reframe this dispute. Pension changes may thus contribute to further expand the surplus population to the extent that the decision to withdraw from the process of capital accumulation, exploitation, and production of surplus value is no longer available due to increasingly difficult access to pensions.

## HIGHER MINIMUM RETIREMENT AGE AND EXTENDED WORKING LIVES: INTERTEMPORAL EXPLOITATION

The increase in life expectancy is the most important aspect of the demographic transition mentioned before, given that, even though the gains are unequal along class lines, time is the fundamental variable for the analysis of value and of exploitation. Increased life expectancy potentially postpones the death of the commodity labor power along that of its owner.

Considering the intra-temporal working hours (daily, weekly, monthly, and yearly) of work, and an average rate of exploitation throughout the worker's life, the permanence of the workers in the wage-labor situation for an additional period implies a greater cumulative mass of surplus value over their lifetimes. This expansion of surplus time is a form of intertemporal absolute surplus value exploitation since the increase in unpaid working time occurs without necessarily increasing the intra-temporal workday.

In the proposed pension reforms, the fundamental parameter is the dilated minimum retirement age, which defines the intertemporal separation between the period in which the labor power is an active commodity and the period in which the labor power is only a potential commodity because it has been retired. That is to say, the reforms have as their goal the expropriation of part of the time of retirement, delaying the age of retirement of the labor power from circulation, and hence allowing the continuation of the exploitation of labor. As a consequence, the worker produces more cumulative surplus value for a longer period of toil.

The fundamental issue of labor time, as identified by Marx, remains central to contemporary capitalism, although requiring a different treatment. Actually, this trend of retirement time expropriation can be seen as part of a more general phenomenon of extraction of all the available time of the working class, with more time spent in the production of surplus value. Vega Cantor (2012) discusses the various contemporary modes of expropriation of time, such as shopping, eating fast food, changes in the period of rest, nights without sleep, and even subtraction of memory and history. Yet, the author does not deal with a fundamental expropriation: that of working time, by expanding the intertemporal useful life of labor power.

In the discussion about the duration of working time, Marx relied on an intra-temporal analysis. In *Capital*, he treats workers' lifetime as fixed to draw attention to the determination of the intraday value of the labor power. That is, Marx discusses the production of absolute and relative surplus value by considering fixed the "useful life" of the worker. In the following imaginary dialogue between a worker and a capitalist, he has the former estimating that:

*If the average length of time an average worker can live (while doing a reasonable amount of work) is 30 years, the value of my labor-power, which you pay me from day to day, is  $1/(365 \times 30)$  or  $1/10,950$  of its total value. But if you consume it in 10 years, you pay me daily  $1/10,950$  instead of  $1/3,650$  of its total value, i.e. only one-third of its daily value, and you therefore rob me every day of two-thirds of the value of my commodity.* (Marx 1976 [1867]: 343, italics added)

So, Marx considers an interval equal to 30 years, but it should be considered as endogenously determined by the intensity of intraday work, as Marx himself shows several times. Thus, if the latter increases, the former shrinks. That is, the surplus lifetime (for capital, time not devoted to the production of surplus value is always redundant) is determined by how the working life runs. Marx argues that: "Hence it is self-evident that the *worker is nothing other than labour-power for the duration of his whole life*, and that therefore all his disposable time is by nature and by right labour-time, to be devoted to the self-valorization of capital" (1976 [1867]: 375, italics added). Yet, in other parts of the chapter, Marx assumes a 6-day laboring week, which yields  $52 \times 6 = 312$  days in a year, not 365. In the passages discussing the inspection reports for the Factory Acts, he quoted a document with a work week of six days, and 50 working weeks for the year, considering holidays and stoppages.

Given the demographic transition, if the average worker toils for 40 years, her daily wage, using all the other parameters employed by Marx, is  $1/(365 \times 40)$  or  $1/14,600$ . This means that increased life expectancy can reduce the value of labor power and increase the relative surplus value. At the previous "generous" wage, the workers were living more than necessary for providing the required labor time for capital. On the other hand, class struggle makes sure that instead of 30 days per month and 365 days per year, workers can work 22 days per month and 264 days per year. Indeed, in discussing the establishment of a norm for the working day, Marx claims that it is a collective struggle.

Regarding the intensity of intraday labor, Ioannides and Mavroudeas (2010) discuss the difference between working longer journeys and working more intensively in less time, without dealing with the possibility of working longer by working for an extended period of life and working even more intensively within each day's work for a longer lifetime. From the point of view of individual capitalists, the expansion of the intertemporal working time may not be considered a possible compensation for having to extract relative surplus value instead of a larger absolute surplus value. But since the relative surplus value depends on the competition that drives capital accumulation as well as on the legal constraints on the working day, the absolute surplus value would be the ideal form of surplus from the point of view of centralizing absolute power by capital, without legal restrictions and competitive pressures.

This means that absolute surplus value is always present as a driving force. Thus, the expansion of the useful life of the labor power could benefit the capitalists as a class for a longer time. And yet they may have a short-term view, and in this case, the longer life expectancy does not matter for extra exploitation available for the long run, only the regular period, when labor shortage is avoided. More importantly, these changes redefine the necessary and surplus working lifetime, that is, considering the workers' entire lives, not just the traditional working day. From the workers' perspective, retirement is mandatory. The value of the labor power should consider the means necessary for reproducing the workers for a longer period, including the period for which they cannot alienate their labor power. If it does not, then the extended labor lifetime is similar to an extraction of absolute surplus value. It can be considered a new method of exploitation, an intertemporal one, in which the extension of the intertemporal working period sustains the flow of labor into the circuit of capital, avoiding shortages, and produces a larger cumulative surplus value.

#### LONGEVITY: AVOIDING LABOR POWER SHORTAGE OR ENABLING INTERTEMPORAL EXPLOITATION?

Marx has some important insights regarding the above issues. From the point of view of avoiding a labor power shortage, for the individual capitalist willing to buy labor power, it is indifferent that the workers have an extended life expectancy, assuming that replacement is easy:

A quick succession of unhealthy and short-lived generations will keep the labour market as well supplied as a series of vigorous and long-lived generations. Marx (1975 [1847/1865]: 57)

He argues that, during his time, the replacement of labor power was warranted, with agricultural workers and child labor providing an unlimited supply of labor power:

What experience generally shows to the capitalist is a constant excess of population, i.e. an excess in relation to capital's need for valorization at a given moment, although this throng of people is made up of generations of stunted, *short-lived and rapidly replaced human beings*, plucked, so to speak, before they were ripe. (Marx 1976 [1867]: 380, italics added)

Capitalism's voracious appetite for labor does not discriminate in terms of age, and would-be retirees could make any shortage up. That is, the same replacement that took place using children before seems to be true today for older workers, assuming that child labor, which has not totally disappeared, will remain contained for a while. However, the quick succession is not guaranteed without costs:

By extending the working day, therefore, capitalist production, which is essentially the production of surplus-value, the absorption of surplus labour, not only produces a deterioration of human labour-power by robbing it of its normal moral and physical conditions of development and activity, but also *produces the premature exhaustion and death of this labour-power itself. It extends the worker's production-time within a given period by shortening his life.* But the value of labour-power includes the value of the commodities necessary for the reproduction of the worker, for continuing the existence of the working class. If then the unnatural extension of the working day, which capital necessarily strives for in its unmeasured drive for self-valorization, *shortens the life of the individual worker, and therefore the duration of his labour-power, the forces used up have to be replaced more rapidly, and it will be more expensive to reproduce labor-power (...)* It would seem therefore that the interest of capital itself points in the direction of a normal working day. (Marx 1976 [1867]: 376–377, italics added)

So, for Marx, capital in general, but not individual capitalists, has an interest in a longer life for the workers, since a shorter life implies increased costs for supplying intra-temporally the labor power. On the other hand, the very proposals of shortening the retirement time

provides another source of replacement, reducing the cost of substitution. But the logic of self-valorization pushes capitalists to extend the working day to profit by means of absolute surplus value. This means that the current trend of lengthier life spans could be reversed by an intensification of intraday labor, as it is already happening for a few segments of the working class, as indicated below.

It should be noticed that the discussion about the early exhaustion of the working or useful life of workers is similar to the discussion of slave labor. In the same chapter about the working day in *Capital*, Marx points to the overworking of slaves and the consumption of their entire life in a short period of time, and how this was calculated by the slave-masters.<sup>4</sup> Slavery is all about intra- and intertemporal exploitation of labor. The calculation takes place at the individual level of each agent of the social relations of slave production, while the increase in life expectancy of wage workers, which translates into an increase in the useful life of the working class, is a more general aspect, although a calculation similar to the value of a slave can be made to characterize the potential for producing surplus value of each worker.

Indeed, taking into account the working life of the “free” workers makes the term “wage-slavery” more appealing. Marx compares several times the wage labor with modern slavery. Unlike capitalists, what matters to the slave owners is the useful life of the slave, assuming a constant capacity to work throughout it. Yet, for the individual capitalist, the worker can quit at any time, so, it does not matter if he lives 60, 70, or 80 years. But her productive capacity declines as she ages. The worker is dispensable, as long as there is another one in line to replace her. If the replacement occurs daily, monthly, or yearly, it is not important (there is an issue of training, but this is restricted to a few workers inside the capitalist firm).

Unlike slave labor, Marx argues about wage labor that:

*Capital asks no questions about the length of life of labour-power. What interests it is purely and simply the maximum of labour-power that can be set in motion in a working-day.* (Marx 1976 [1867]: 376, italics added)

<sup>4</sup>Rosenthal (2013) provides further evidence about the similarities between wage labor and slave labor, mainly considering the accounting system of the plantations in Southern U.S., which allows for more accurate control of labor.

And again:

*Capital therefore takes no account of the health and the length of life of the worker, unless society forces it to do so.* (Marx 1976 [1867]: 381, italics added)

How could society force capital to take account of the useful life of the workers? The class struggle, reflected in the relatively autonomous state bureaucracy *a la* Poulantzas, can increase the useful life of the commodity labor power. Social legislation, as well as minimum wages and acceptable working conditions forced upon capital, allow the workers to live longer, even if producing more cumulative surplus value. Thus, demographic change itself, by conditioning the class struggle, can affect the reproduction conditions of capitalism. On the other hand, the same bureaucracy, under pressure from capital, is responsible for implementing reforms in social protection to prevent this from happening.

So, for Marx, exploitation is always of living labor for a given, and, unfortunately for capital, not continuous, period, not expected exploitation of living labor over the near or distant future. This means that capitalists have the present working day as the fundamental measure of time for creating new value, in which may be included, against their will, a fraction for assuring the future flow of labor power. This is the alternative hypothesis mentioned above. In the value of the labor force is included the value necessary to replenish the working capacity of a family, not only the worker. This means supporting the elderly when no pension system is available. In this case, the worker has to support the old working generation, the next working generation (his/her breed) and his/her own working capacity (not to mention capitalists and their families). Production and reproduction are intermingled. Over his working life, the worker produces a given cumulative amount of necessary labor and another cumulative amount of surplus labor. Individual capitalists can exploit workers in an intra-temporal manner (that is the basic meaning of living labor). Intertemporal exploitation of labor, on the other hand, is a feature of the capitalist class, considering the reproduction of social relations over the long haul.

With additional workers available at any point of time after the new pension reforms that include dilated minimum retirement ages are implemented, it is possible to increase the intensity of exploitation without fear of the consequences of reducing the labor capacity of workers.

But more intense labor means shorter lives, according to Marx. It is likely therefore that the demographic changes will have a slower rhythm, and even situations of regress due to intraday overwork, just like it happened before and is happening for part of the population in the United States, for example (Galea et al. 2011; Olchansky et al. 2012; Schor 1993). This seems to be a permanent feature of capitalism, since Marx mentions medical reports showing a decline in life expectancy among workers in the pottery and bakery districts in the UK. In one of the reports, a physician reported workers becoming prematurely old and being short-lived. Nonetheless, one can believe that capitalists were lengthening their life expectancies back then, as they are now. So, capitalists as a class need a longer life expectancy for the workers, but individually, via competition, they may contribute to undermine any gains in labor power longevity.

Thus, on the one hand, class struggle reduces the amount of absolute surplus labor by reducing the working day. This changes working-class demographics by improving working and living conditions. But capitalists react and create mechanisms to circumvent norms and regulations, such as pushing for a higher minimum retirement age, and life expectancy and demographics may change again in response. They reason that, if workers live longer, perhaps they can work harder today. And the aging of segments of the working population, at the same rate as the overall population, is not warranted. They age (but not necessarily retire) when victories in the class struggle create improved working conditions and the possibility of retirement. By abolishing or changing requirements, life after work will tend to be shorter. But while it is relatively longer, capitalists enjoy a demographic bonus to replenish their available labor power pools, forcing longer working journeys by competitive pressures. Unconstrained capitalism accelerates aging. It is really a tragedy of the capitalist commons.

But Marx acknowledges that many times the children who work for capital are replaced by other existing children (capital's kindergarten reserve army). What if there is no replacement because work is exhausting and debilitating of all of them? The point here is that capital does not care about who is working, along as there is someone working. With an extended life for the workers, there is assurance that someone will be exploited. If population ages and retirement drains labor power from the existing pool faster than constant capital replaces variable capital, including labor available in the reserve army, at some point capitalists will have



trouble finding new workers. Before *Capital*, Marx assumed that competition among workers explained the overwork and shorter life spans:

*In the first place*, the raising of wages gives rise to overwork among the workers. The more they wish to earn, the more must they sacrifice their time and carry out slave-labour, in the service of avarice completely losing all their freedom, thereby they shorten their lives. This shortening of their life-span is a favourable circumstance for the working class as a whole, for as a result of it an ever-fresh supply of labour becomes necessary. This class has always to sacrifice a part of itself in order not to be wholly destroyed. (Marx 2007 [1844]: 23, italics in the original, underlines added)

Eventually the supply of labor power may fall short of the needs of capital, unless the demographics is such that new births plus immigration exceed the death rate plus retirement of adult workers (but if one assumes a world capitalist system, immigration does not solve the problem).

It should be emphasized that the value of the labor power might include the value necessary for the intergenerational reproduction of the labor force. In an initial moment of transition from agrarian capitalism to industrial economies, social security was provided by family members with a place in the circuit of production. This certainly increased the value of the labor force and the socially necessary labor time to reproduce it. For the following decades, the social struggles that lead to the welfare state, meant that support for family members unable to sell their own labor power, due to age or health conditions, was largely socialized. This arrangement gained momentum with Bismarck in Germany and Lloyd George in Britain and is being reversed in the most recent period with the pension reforms.

These transformations demand rethinking the law of population under the current demographic characteristics of capitalism. Marx argued that each mode of production has its own law of population. In capitalism, the relevant feature is the formation of an industrial reserve army. Thus, it is important to understand how demographic changes, which are also the result of channeling surplus to research and development of productive forces, affect the formation and composition of the reserve army, and thus the distributive conflict between capital and labor. There may be a link between the increasing use of techniques to reduce the socially necessary labor time in the wage good sectors, including advances in social medicine, and the need to increase the amount of

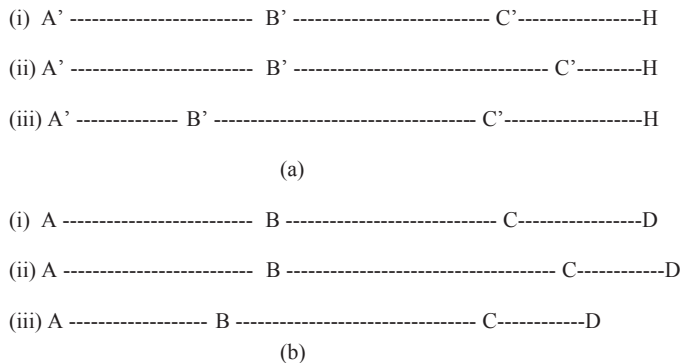
lifetime spent working for capital. The existence of a reserve army implies a potential surplus value, not produced and not realized and therefore lost, although it allows capitalists to exploit the workers employed more intensely by increasing discipline in the workplace. By raising the minimum retirement age, a greater mass of cumulative surplus value is generated throughout the life of the worker.

Thus, in the capitalist mode of production, increases in the life expectancy of the working class represent, in general, increases in the expectation of continuous exploitation, reproduction of wage-slavery for a longer time. And increases in the life expectancy of the capitalist class represent, in general, increases in the expectation of appropriating more surplus value for a longer period, although not necessarily of the same generation of workers (the dynasty of the exploited). If demographic changes are not reversed by capital's appetite and its tendencies of precarious labor relations, and social security reforms are passed, the exploitation will take place more and more on the same generation, increasingly older. In pay-as-you-go schemes, there is an intergenerational but intra-working-class transfer of funds. If profits are taxed and the receipts channeled to the financing of working-class pensions, there is also an interclass transfer, but on the basis of surplus labor produced intra-temporally by workers. In capitalization schemes, each worker transfers part of her own work for use in the future. Yet, pension reforms allow a reversal of the appropriation laws: the workers contribute to the funds that will be used by the capitalists to exploit them and to extract surplus value that will be used to remunerate the pension funds and therefore the workers after the withdrawal of the labor power from the circuit of capital. Pension funds would function here as mechanisms for the false democratization of property.<sup>5</sup>

#### INTRA- VS. INTERTEMPORAL EXPLOITATION OF LABOR: AN EXPOSITION

The previous discussion stresses the importance of time. The following figure illustrates the changes in intra- and intertemporal allocation of labor time, with consequences for the production and appropriation of intra- and intertemporal surplus value. Marx emphasized the first

<sup>5</sup>The Meidner plan in Sweden was a classic example of an utter failure in attempting to socialize surplus value through investment funds under workers' control.



**Fig. 15.1** Necessary and surplus labor time: the intra- and intertemporal dimensions

dimension, assuming the second to be given. However, if the intertemporal dimension changes, the consequences for exploitation might be highlighted.

Panel (a) of Fig. 15.1 illustrates three static situations of varying intra-temporal (intraday) labor time allocation, for a given demographic configuration (working adults), and for a given limit (H) in hours for the astronomical day, determined by the rotation of the earth around itself. Segment A'B' represents the period in which necessary labor is employed to reproduce the value of the labor power, including the elements necessary to keep the labor power flowing in intertemporally (this means that for a particular generation of workers, they will repeat the same circuit for  $AC$  years  $\times n$ , where  $n$  is the average number of days of work over a lifetime). Segment B'C' corresponds to surplus labor time. C'H represents the period of rest or nonworking period. The first case (i) illustrates the typical working day division. The second case (ii) shows the absolute surplus value obtained by increasing the working day (lengthening B'C' and expropriating workers' free time). The third case (iii) presents the relative surplus scenario. In the latter, the working day could even be reduced (shorter segment A'C'), without generating problems for the production of surplus value.

Panel (b) represents the intertemporal division of one's entire life into childhood (segment AB), working lifetime (BC), and retirement (CD). Whereas for the intraday division the maximum time is limited with

certainty, in the intertemporal division the limit exists, but is given as the average life expectancy, and demographics can change it from generation to generation. Thus, it can vary, although it may also reflect the way the intraday is arranged. Situation (i) represents a worker's typical life cycle, from birth (A) to death (D). Situation (ii) shows the impact of longer life expectancies due to low birth and death rates made possible by the class and feminist struggles, with pensions replacing the family care of the elderly included in the value of labor power but without wage cuts. This reduces the probability of a labor shortage, making it possible to extend the average working life (a demographic bonus to the capitalists, obtained by the very victories of workers!). It also shows the effects of pension reforms, by pushing C to the right. Part of the difference between C(i) and C(ii) is used for reproducing the value of the labor power. It can be called extra socially necessary labor for lifetime (ESNLLT). The other part is dedicated to the production of surplus value and can be termed extra surplus labor for lifetime (ESLLT). Situation (iii) can be depicted as representative of Marx's own age, with a shorter childhood (labor power maturing faster), a reduced lifetime, and an extended period under exploitation. It is possible that the C point could not exist, when C and D collapses. This could also be seen as a likely consequence of a longer life expectancy associated with increased working time.

Situation (iii) on panel (b) could then be understood as the end result of a combination of situation (ii) on panel (a) after situation (ii) on panel (b) became the norm in the previous generation. On the other hand, situation (ii) on panel (b) means that the situations (i, ii, and iii) on panel (a) could be repeated more times along the life of a typical worker. That is, intertemporal exploitation allows more circuits of intra-temporal exploitation over the workers' lifetime. It magnifies exploitation over a different dimension. Increased life expectancy reduces the intergenerational rotation of the variable capital (the same generation can be exploited more years). If the longer life expectancy allows elongation of the intraday absolute surplus, it intensifies the exploitation for a mechanism not stressed by Marx. But even if it does not, the cumulative surplus value produced by the workers over their lifetime must necessarily increase. Table 15.1 presents estimates of the ESLLT appropriated by the capitalists under different scenarios of pension system reforms, based on very simple exercises (assuming no changes in the proportion of unproductive labor, in the intraday division of labor time, and in the

**Table 15.1** Effects of increased life expectancy and pension reforms: intertemporal exploitation under different scenarios

<i>Case</i>	<i>Age at which labor power is commodified</i>	<i>Rate of inter-temporal surplus (%)</i>	<i>Life expectancy at birth (in years)</i>	<i>Expected retirement age</i>	<i>Expected working time (in years)</i>	<i>ESNLLT (in years)</i>	<i>ESLLT (in years)</i>
1	10 y.o.	0	50	50	40	0	0
2	10 y.o.	0	55	50	40	5	0
3	15 y.o.	40	65	58	43	5	2
4	20 y.o.	100	75	65	45	5	5
5	18 y.o.	0	69	68	50	1	0

*Source* Elaborated by the author

duration of time belonging to the reserve army. Life expectancy at birth is binding. That is, the simple exercise assumes no changes in the relevant outcomes of the class struggle, assuming that the latter is constant for the entire period).

Situation 1 has child labor and a shorter life, probably typical of Marx's time (and of many least developed countries today). Since workers do not retire, they cannot have family care after retirement. There is no extra lifetime and no extra labor lifetime. Situation 2 adds an increase in life expectancy due to class struggle. The intra-temporal value of labor power includes provision for retirement. The typical worker can afford to decommoditize her labor power for five years. Capitalists do not obtain demographic bonus and may even have a lower surplus value due to increased value of labor power to finance retirement. Situation 3 represent a picture of advanced capitalist countries for the second half of the XXth century. Child labor is restricted, life expectancy increases, and state-provided pension funds allow 7 years of retirement. If pension reforms force the workers to work 2 more years, capitalists will expropriate 2 out of 7 years, with the 5 years for retirement of the previous situation prevailing. Situation 4 allows additional years of training for the youth, postponing the entrance in the market for labor power. Life expectancy is 75 years old, and the workers could work for 45 years and have 10 years for retirement. If pension reforms shift the retirement age to 70, then the workers will have 50% of their extra lifetime

expropriated. In this case, the rate of intertemporal surplus is equal to 100%. Finally, situation 5 shows the effects of a full-fledged capitalist offensive, intra- and intertemporally. The youth enters the market for labor power early, the working day is extended, and life expectancy falls. If workers retired at the expected age (before pension reforms), capitalists will enjoy the shrunk demographic bonus intra-temporally, and nothing remains for the rest of the relatively shorter time of the workers.

The ESNLLT includes the time required to reproduce intertemporally, not only with regard to the length of the extra working days, but also the extra retirement days, the labor power, including therefore provisions for retirement and health services, commodified or not, depending on the expected reduction in work capacity. ESLLT represents the extra surplus value generated after the age when the labor force could cease to be a commodity under pre-reform rules. The reforms aim to increase the ESLLT. Thus workers live a little bit longer, work longer, produce more surplus value for longer, and receive a smaller future value of the social labor time in the form of pensions, reducing social security contributions, and thereby reducing the pressure for wage increases in the present time to pay for contributions. The extra time working is therefore a form of intertemporal absolute surplus value. Without reforms, the working class would live longer and work for a shorter period of their lifetimes, and this additional time is simply retirement time. Table 15.2 shows the cumulative surplus time associated with each situation in Table 15.1 and the changes from each situation to the next.

Situations 1' and 2' have no demographic bonus for the capitalists, because either the workers die too early and have no extra lifetime to be expropriated due to extended intra-temporal exploitation (situation 1), or they retire and have no reason to sell their labor power (situation 2). In situation 5', capitalists decide to use their demographic bonus intra-temporally, exploiting intensively the workers after life expectancy increased, at the cost of a very short retirement period for workers. Situation 3' shows how demographic bonuses increase the cumulative surplus time expropriated by capitalists over the lifetime of workers. Situation 4' just illustrates that the longer the life expectancy and the higher the minimum retirement age, the bigger will be the cumulative surplus labor time and the better will be the capitalist class intertemporally. Hence, there would be an interest of the capitalists as a class in this expansion of the useful lifetime of the commodity labor power. However, there would be a problem in situation 2' if the financing of

**Table 15.2** Demographic changes, pension reforms, and cumulative surplus time

<i>Case</i>	<i>Expected retirement age (pre-reforms)</i>	<i>Effective retirement age (after reforms)</i>	<i>Expected working time (in years)</i>	<i>Effective working time (in years)</i>	<i>Cumulative surplus time (in years-rate of surplus=100%)</i>	<i>Demographic bonus to capitalists (in extra working years)</i>	<i>Change</i>
1'	50	50	40	40	20	0	-
2'	50	50	40	40	20	0	0
3'	58	60	43	45	22.5	2	+2
4'	65	70	45	50	25	5	+3
5'	68	68	50	50	25	0	-5

*Source* Elaborated by the author

pension deficits associated with workers' retirement were to affect profits and capital accumulation, for example when there are high deficits and money capital does not have the strength to impose debt financing on governments, causing taxes on capital to go up.

Situations 3' and 4' therefore illustrate the concept of intertemporal surplus value. Situation 5' shows that intertemporal exploitation depends on the intensity of intra-temporal exploitation. Moreover, situations 4' and 5' support Marx's argument that capitalists are indifferent between exploiting the same generation of the working class for a longer period or different generations of workers for shorter periods. Of course, this is valid only if demographic parameters are given. It depends fundamentally on the characteristics of the class struggle in each generation, such as how the older working population inserts in the class struggle. An increase in life expectancy may reduce the willingness to confront capital if technical progress, considered independent of demography, increases productivity in the sectors producing wage goods and allows higher wage gains. But if technical progress expands the idle population into the reserve army, or pension funds seize a greater current amount of the value of the labor power, or even the profits of the enterprise in the form of dividends, forcing greater exploitation of the employed workers, it can increase the intensity and frequency of conflicts, with seasoned trade unionists. The same is true for intensified exploitation allowed by increased life expectancy.

For the working class, the increase in life expectancy and the consequent prolongation of the period when labor is subsumed into the capital after pension reforms represent the extension of a subordinate position that allows exploitation to be sustained. That is, the increase in the life expectancy of the population in general, and of the working class in particular, allows a greater availability of labor power for the process of labor and valorization, either in the form of active labor or in the form of an industrial reserve army. The coexistence of several working generations facilitates, from an intra-temporal point of view, the replacement of the workforce, and from an intertemporal perspective, the increase of the cumulative surplus value generated individually by each worker. As life expectancy gains are distributed unevenly among social classes, capitalists, living relatively longer, eventually have to exploit different generations of workers living slightly longer, but demographic changes and reforms allow changing that and establishing a long-term relationship of submission of the same generation of workers and capitalists, even when capitalists "retire" earlier.



## CONCLUDING REMARKS

The demographic changes that humankind is undergoing are real and have as fundamental characteristics the growth of the life expectancy, due to falling birth and death rates, and an increase in population. This has led to proposals for changing the existing pension funds and retirement arrangements. From a Marxist perspective, these transformations imply a change in the composition of social classes, with several generations being present actively as capitalists, workers, or in the reserve army at every moment of the intertemporal circuit of industrial capital. For capitalists, the possibility of labor shortages is reduced, despite the existence of a pension system in place. Thus, for the workers, the possibility of a retirement period allows them to increase their intertemporal consumption of social labor for a period of time without the counterpart in the alienation of their labor power. They enter the circuit of capital only during the realization phase. Social security reforms, by pushing the minimum retirement age up, can be seen as a way to increase the amount of time available for exploitation during the production phase, creating an extra working lifetime, distinct from Marx's intraday overtime, since extra working lifetime is intertemporal. Thus, demographic changes plus pension reforms redound to a new form of exploitation, the exploitation of extra surplus labor lifetime. It seems that our main hypothesis should be taken into account.

These changes also create opportunities for the working class. Alternatives should include attempts to use pension funds for the social control of collaborative enterprises by the working class, with employees having majority control and other external working-class members a minority control. Another measure involves demands for the reduction of the intra-temporal working day, in this case no longer due to the increase in productivity, but rather through the "compensation" of the greater intertemporal working life or extra socially necessary labor lifetime. This second proposal is conservative, since it maintains the reality of the exploitation of the working class and the submission to capital. But it can be advanced in the case of a less favorable correlation of forces.

On a different issue, the changing composition of the working class and the reality of a prolonged period of exploitation also impose necessary modifications on the workers' organizations themselves, especially with regard to the problem of retirement. In addition to resistance actions against pension reforms where they are not yet complete, and to

reverse the reforms where they have already occurred, unions, political parties, and other civil society organizations will have to work out the conflicts that arise from this division of the working class between active workers, aspiring retirees, and inactive workers (retirees, who might become active if they are part of the reserve army). More importantly, it is necessary to address the problem of how to provide for members of society who can no longer (nor should) contribute to total social labor. Beyond capitalism, increases in life expectancy are desirable insofar as meaningful activities can be developed, improving the living conditions of the former workers. However, a fundamental question remains. How could society raise the standards of living of former workers, who have a lower contributory capacity for total social labor, by means of pensions? The answer comes from Marx: To each according to their needs, socially determined, and from each according to their possibilities, transformed by the social and demographic evolutions themselves. And this requires society to socialize the means that amplify the results of social labor.

## REFERENCES

- Antonovsky, A. (1967, April). Social Class, Life Expectancy and Overall Mortality. *The Milbank Memorial Fund Quarterly*, 45(2), 31–73. Part 1.
- Arza, C., & Kohli, M. (Eds.). (2008). *Pension Reform in Europe: Politics, Policies and Outcomes*. New York: Routledge.
- Attac. (1999). La Finance Contre les Retraites. *Attac Conseil Scientifique*. Available on <https://france.attac.org/archives/spip.php?article256>. Accessed on April 2016.
- Baker, D. (2011, January 20). The ‘Demographic Timebomb’ Defused. *The Guardian*.
- Baker, D. (2012). *The Nonsense About a Demographic Crisis*. Center for Economic and Policy Research. Disponível em <http://www.cepr.net/index.php/blogs/cepr-blog/the-nonsense-about-a-demographic-crisis>. Accessed on April 2016.
- Baker, D., & Rosnick, D. (2010, October 1–5). *The Impact of Income Distribution on the Length of Retirement* (CEPR Issue Brief). Center for Economic and Policy Research.
- Blackburn, R. (2003). *Banking on Death: Or, Investing in Life—The History and Future of Pensions*. London: Verso.
- Cruz-Saco, M. A., & Mesa-Lago, C. (1998). *Do Options Exist? The Reform of Pension and Health Care Systems in Latin America*. Pittsburgh: University of Pittsburgh Press.

- Galea, S., Tracy, M., Hoggatt, K. J., DiMaggio, C., & Karpati, A. (2011). Estimated Deaths Attributable to Social Factors in the United States. *American Journal of Public Health, 101*(8), 1456–1465.
- Institut de Recherches Economiques et Sociales (IRES). (1999). *La Revue de L'IREs*, No. 30. Special Issue About Social Protection.
- Ioannides, A., & Mavroudeas, S. (2010). Work More or Work Harder? The Duration and Intensity of Work in Marx's Capital. *Science & Society, 74*(1), 85–102.
- Kay, S. J., & Sinha, T. (2008). *Lessons from Pension Reforms in the Americas*. Oxford: Oxford University Press.
- Khalifa, P., & Chanu, P.-Y. (1999). *Les Retraites au Pêril du Libéralisme*. Paris: Editions Syllepse.
- Korpi, W., & Palme, J. (2003). New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries, 1975–95. *American Political Science Review, 90*(3), 425–446.
- Lee, R. (2003). The Demographic Transition: Three Centuries of Fundamental Change. *Journal of Economic Perspectives, 17*(4), 167–190.
- Marier, P. (2008). *Pension Politics: Consensus and Social Conflict in Ageing Societies*. New York: Routledge.
- Marx, K. (1975 [1847/1865]). *Wage Labour and Capital & Value, Price and Profit*. New York: International Publishers.
- Marx, K. (1976 [1867]). *Capital: Critique of Political Economy* (Vol. I). London: Penguin Books/New Left Review.
- Marx, K. (2007 [1844]). *Economic and Philosophic Manuscripts of 1844*. Mineola, NY: Dover Publications.
- Mendes, Á. N., & Marques, R. M. (2001). A Proteção Social no Primeiro Quartel do Século XXI: Brincando com Cenários. *Análise Econômica, Porto Alegre, 19*(36), 165–193.
- Olshansky, S. J., Antonucci, T., Berkman, L., Binstock, R. H., Boersch-Supan, A., Cacioppo, J. T., et al. (2012). Differences in Life Expectancy Due to Race and Educational Differences Are Widening, and Many May Not Catch Up. *Health Affairs, 31*(8), 1803–1813.
- Pampel, F. C. (1994). Population Aging, Class Context, and Age Inequality in Public Spending. *American Journal of Sociology, 100*(1), 153–195.
- Pochet, P., & Degryse, C. (2012). The Programmed Dismantling of the 'European Social Model': Forum on the Welfare State After the Great Recession. *Intereconomics: Review of European Economic Policy, 47*(4), 212–217.
- Rosenthal, C. C. (2013). From Memory to Mastery: Accounting for Control in America, 1750–1880. *Enterprise & Society, 14*(4), 732–748.
- Schludi, M. (2005). *The Reform of the Bismarckian Pension Systems: A Comparison of Pension Politics in Austria, France, Germany, Italy and Sweden*. Amsterdam: Amsterdam University Press.

- Schor, J. B. (1993). *The Overworked American: The Unexpected Decline of Leisure*. New York: Basic Books.
- Social Security Administration (SSA). (2012). *Fast Facts & Figures About Social Security* (SSA Publication No. 13-11785). Available at [https://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2012/fast\\_facts12.pdf](https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2012/fast_facts12.pdf). Access on June 2016.
- Standing, G. (2011). *The Precariat*. London: Bloomsbury Academic.
- Sullivan, M. (2004). *Understanding Pensions*. London: Routledge.
- Toporowski, J. (1999). *The End of Finance: Capital Market Inflation, Financial Derivatives and Pension Fund Capitalism*. London: Routledge.
- Tropman, J., & Nicklett, E. (2012). Balancing the Budget Through Social Exploitation: Why Hard Times Are Even Harder for Some. *Advances in Applied Sociology*, 2(2), 111–119.
- Vega Cantor, R. (2012). La Expropiación del Tiempo en el Capitalismo Actual. *Revista Herramienta*, No. 51. Available at <https://www.herramienta.com.ar/articulo.php?id=1785>. Accessed on August 2016.



## Readings of *Capital*: A Starting Point for Reinventing Socialist Politics?

*Ingo Schmidt*

Spectres are haunting the left. The 150th anniversary of the publication of *Capital* triggers intellectual curiosity and fascination but hardly anyone sees it as a compass through the storms of shallows of class struggle. The link between Marxist theory and practice is, perhaps irreparably, broken (Therborn 2008). To be sure, Marxist practice went astray as early as 1917 when revolution broke out in Russia, a vast agricultural territory uncharted by Capital. Fifty years later, hopes that the detour of anti-colonial revolution would eventually bring revolutionary fervor back to the capitalist centers were running high. Yet, workers seemed less interested in Marx's playbook than the capitalists whose counter-reforms and counter-revolution against anything the left had achieved since 1917 could have been inspired by Marx and some of his followers—just in reverse. The failures and defeats the left in all its varieties suffered since 1917 represent an uncomfortable experience, lending itself more to psychological repression than self-critical analyses, that leave *Capital* isolated from Marxist socialism, past or present. More precisely, different interpretations of *Capital* live on while the political projects once carved

---

I. Schmidt (✉)  
Athabasca University, Athabasca, AB, Canada  
e-mail: [ingos@athabascau.ca](mailto:ingos@athabascau.ca)

© The Author(s) 2020  
M. Silver (ed.), *Confronting Capitalism in the 21st Century*,  
[https://doi.org/10.1007/978-3-030-13639-0\\_16](https://doi.org/10.1007/978-3-030-13639-0_16)

out around these interpretations are gone. At the same time, left politics is often inflicted with nostalgia and melancholia that stands in the way of reclaiming its own history in such a way that might contribute to an understanding of the present and chart socialist futures (Schmidt 2017; Traverso 2017).

Isolated from each other, theoretical debates lack the impulses from discontented groups seeking to understand, to paraphrase Marx and Engels' *German Ideology* (1845–1846), the present state of things with a perspective of abolishing it. At the same time, political practice lacks the capacity to translate discontent into a real movement capable of abolishing the present state of things. Such translation requires a proper understanding of this state and the formulation of commonalities around which individuals, based on their experiences, might congeal into a real movement. In other words, Marx's famous dictum that capitalism produces its own gravediggers was at least impetuous, maybe entirely wrong. Looking back at movements that did struggle under the banner of Marxism, it seems more appropriate to say that theory can become a material force if it grips the masses. If there is no theory, or a bundle of corresponding theories, around which masses can rally, they are trapped in their discontent but unable to imagine a way out. The desire to restore the past grows as long as the road to a better world seems locked.

Unlocking that road requires three steps: First, nostalgic yearnings to restore the past and concomitant repression of left failures and defeats need to be replaced by critical efforts to reclaim our own history; to understand why things went wrong but also because the present bears the marks of past struggles. Second, understanding the present through reclaimed history is the basis to reinvent theory that speaks to the present and could therefore serve as a rallying point for political practice. This kind of theoretical reinvention, third, is the basis to reconnect theory and practice. In this chapter, I try to show how past readings of *Capital* might contribute to reclaim left history, to reinvent theory, through a new reading of *Capital*, and link such theoretical efforts with the making of a new socialist project. In doing so, I loosely follow Marx's critique of political economy in the *Theories of Surplus Value* (1863). Marx used that critique to come to terms with the transition from feudalism to capitalism and as the basis for his own theory of development in a purely capitalist economy. In the *Theories of Surplus Value*, he reconstructs the formation of classical liberalism out of its own

critique of physiocratic and mercantilist political economy and ends with its apologetic turn in response to the socialist implications some critics dissected in the classical school.

By analogy with Marx's outline in the *Theories of Surplus Value*, I will use different readings of *Capital* to reconstruct the formation of Marxism following the publication of *Capital*, the high-point of Marxism's appeal after the Russian revolution and its disintegration into "a thousand Marxisms" in the face of the neoliberal counterattack on socialisms of any kind. Of course, the analogy between Marx's critique of political economy and a critique of Marxist political economy can only go so far. The former was intended to contribute to a socialist alternative to capitalism, the latter is meant to reinvent socialism after twentieth-century socialisms have failed or were defeated. Classical liberalism triumphed on its own terrain, signaling the hegemony of industrial capitalism, which then forged new forms of imperialist world domination. Socialism, thought by Marx and his earlier followers as the heir of industrial capitalism, came to power only in the peripheries. Not surprisingly, then, the actual socialisms in the peripheries looked very different from the visions that working-class activists struggling for change originally had in mind. At the time, socialism, or however one wants to call the regimes coming to power in the name of socialism, in the peripheries did represent a challenge to capitalist rule and, for this reason, triggered a modernization of capitalism that its Marxist critiques saw in its death-throes. By now, the capitalist revival also seems past its due date but a new socialist challenge is still unfinished business. The detour of Marxian socialism from Western Europe to the East and South also caused Marxism to be more diverse than classical liberalism. Differences between Western welfare state, Soviet communism, and Southern developmentalism were reflected in different Marxisms whereas one-size-fits-all liberalism was good enough for the self-image of capitalist classes that ruled the world from its centers.

### 1867: FORMATION OF MARXISM

It all started with Marx's critique of political economy, of course, which was part of the larger project of the making of independent working-class politics. This project took shape philosophically through the (self-)critique of Hegel and his followers and politically through a critique of then-existing socialisms, journalistic works and participation

in the Communist League. The defeat of the 1848 revolutions in Europe reinforced Marx and Engels' conviction that the working class, to improve their conditions, needed to build an independent movement rather than tailing the bourgeoisie in their struggles with feudal landowners. This, they figured, required a clear understanding of the relations between the latter two and, of course, a positioning of the working-class vis-à-vis capitalists and landowners.

Following the historical trajectory from feudalism to capitalism, the *Theories of Surplus Value* start with a critique of physiocracy, which Marx saw as a theoretical expression of landowners' class interest. He credits the physiocrats for recognizing labor instead of market exchanges as the source of value but rejects their limited focus on labor in agriculture as the only kind of productive labor. He then discusses the liberal understanding of productive labor as that which furthers the accumulation of capital. This broader conception reflects the subordination of a growing share of society's total labor to capitalist rule. Apart from a few hints in *Capital II*, Marx returns to the relations between capitalists and landowners only at the end of *Capital III*. There, ground-rent earning landowners appear as just another fraction of the capitalist class, alongside commercial-interest-earning merchants, interest-earning financiers, and profit-earning industrial enterprises. Whatever quarrels about the division of surplus value these factions are engaged in, against the workers they represent a single-class interest. Most of *Capital*, then, is spent on uncovering the relations between workers and capitalists behind the principles of equality that govern market exchange, including the exchange between labor power and wages. Once the source of surplus value is located in the process of capitalist production, Marx demonstrates the crisis-ridden twists and turns through which the logic of *Capital* unfolds. He shows why capital gets ever more concentrated and centralized, how it changes its forms circulating through various markets and production processes and above all how capitalist power gets more and more embodied in the products of past, now dead, labor over living labor. The logic of capital is driven by the competitive pressures from other capitalists and workers' quest for higher wages, shorter hours, and better working conditions. These double pressures lead to periodic alterations between underconsumption, caused by efforts to expand market share at the expense of workers, and a profit squeeze, caused by workers' increasing bargaining power after capitalists' success in rolling workers back led to increasing investment and, consequentially, employment.



Yet, cyclical ups and downs can push the accumulation of capital only so far. Eventually, Marx maintains, the weight of dead over living labor grows so heavy, as is indicated by a falling rate of profit, that the sole purpose of investment, making more money, is not worth the effort. After developing his famous, and highly controversial, Law of the Tendency of the Rate of Profit to Fall, Marx turns to the divisions within the capitalist class thereby implying that conflict among them will intensify as more and more surplus value is absorbed just to keep the already accumulated wealth afloat instead of paying additional profit, interest, and ground-rent. Capital accumulation reaches its final limits—but by that time it will have created a working class strong enough to topple capitalist rule. And it will have developed the forces of production to allow workers, who will cease to be a class after the overcoming of their common capitalist enemy, to escape the abject poverty to which they were condemned under capitalist rule and spend increasing amounts of time away from the production of life necessities.

As much as *Capital* represents a theoretical analysis, developed out of the critique of the political economy of liberalism and its predecessors, it also draws on workers' experiences that Marx knew about through contacts from the days of the Communist League, his involvement in the 1st International and, of course, through Engels who occupied a crucial place in the making of *Capital*. As a practicing capitalist, Engels could supply first-hand information about the capitalist production process, seen, of course, through the boss's eyes. But as a communist, he was also Marx's closest discussion partner and later editor of *Capital II & III*.

The reliance on workers' experiences points at the other, the practical side of *Capital*. Though a highly abstract work that not too many workers read, its ideas permeated Europe's emerging workers' movement where it contributed to the development of shared identities and an outlook into the future. Marx contributed to this permeation in multiple ways (Pelz 2017). Possibly best known is the 1865 presentation, published in 1898 as *Value, Price and Profit*, he made to the leaders of the 1st International. But he also contributed a chapter to Engels' *Anti-Dühring* (1877) and revised, with Engels, the second edition of Johann Most's (1876 [1972]) introduction to *Capital I*. These texts were much more widely read than *Capital*. Only Kautsky's *Economic Doctrines of Karl Marx* surpassed them; after its first publication in 1887, it reached 14 editions until 1912. The focus of all of these works is very much on the contents of *Capital I*. Of course, there are practical reasons for this

with *Capital II* only coming out in 1885 and *Capital III* in 1894. Yet, Kautsky didn't change the focus of his Economic Doctrines even after the publication of all three volumes of *Capital* or while working on the publication of the *Theories of Surplus Value* that came out between 1905 and 1910. For the purposes of rallying workers around the socialist cause it seems that it was enough to focus on the sources of surplus value, the labor process and the prospect that all the hardships endured through cycles of accumulation and crises would eventually lead to workers' emancipation (Gronow 2016: Chapters 3–5, Kössler 2017).

This “activist narrative,” without a doubt present in *Capital I*, had little use for different forms of value and fetishism, the subject of in-depth analysis in the first part of the book, nor the origins of capitalist relations of production that Marx addresses in the last part. It also had little use for *Capital II & III*, which served more as stockpile of arguments to bolster the activist narrative but hardly as logical continuation of the theoretical project started in *Capital I*. The period of slow growth from 1873 to 1896, labeled as the Great Depression until the 1930s depression, seemed to confirm everything Marx said or, more precisely, what socialists had found in his then-published writings. Immiseration of the working class went hand in hand with a growing working-class movement, or so it seemed (Abendroth 1972: Chapters 2 and 3). However, even during the depression, segments of the working class enjoyed rising wages. The onset of the long boom by the late 1890s became the background of the revisionist argument that Marx's theory, understood as a doctrine of capitalist breakdown, was proven wrong and that, therefore, his revolutionary strategy no longer applied (Bernstein 1899). It didn't take long until social democrats of different persuasions discovered imperialism as the possible source of the unexpected boom (Day and Gaido 2012). Some began embracing imperialism thinking that it would fuel accumulation sufficiently to reconcile social reforms for the workers movement with the continuing amassing of profits on the side of the capitalists. Against this current, which Lenin later labeled social imperialism, the left around Luxemburg sought to show that the colonial expansion of the late nineteenth century would give capitalism only a temporary lease of life but also that socialist strategy had to expand its scope beyond social and political reforms. Opposition to imperialist expansion and war, seen as imperialism's corollary, increasingly became the defining characteristic of the 2nd Internationals left wing. Its most significant theoretician was, of course, Rosa Luxemburg. With regards to

future readings of *Capital*, she set three precedents: First, she drew heavily on the schemes of reproduction in *Capital II* for her analysis, which became, with selective additions from other parts of the three volumes of *Capital*, the framework for most Marxist analysis of imperialism, many analyses of crises and for economic planning following the Russian revolution. Second, she recognized *Capital* as an unfinished project that left a lot of room for theoretical exploration beyond Marx's own writing. Third, she took the unfinished state of *Capital* as her starting point to explore the historical development of capitalism within non-capitalist societies.

From *Capital*, she derived the need for capitalists to expand into non-capitalist societies regardless of the latter's concrete forms of organization. Most Marxist theories of imperialism, no matter how much they differed from Luxemburg (2003 [1913]) in their interpretation of *Capital* on more specific issues, followed this basic premise. It was later also used to understand the contributions of unpaid household labor to social reproduction and the commodification of nature (Schmidt 2014). In point of fact, Luxemburg's work overlaps with Marx's own but she couldn't know this because the latter's notebooks on non-capitalist societies weren't published at the time (Hudis 2010). In his response to Vera Zasulich, who had asked Marx what he thinks about the applicability of *Capital* under economic conditions in Russia, he made it clear, which Luxemburg also couldn't know, that he considered *Capital* to be specifically about the development of industrial capitalism in Western Europe (Marx 1881). In his last years, he devoted a lot of time to anthropological studies and, in order to do so, more or less abandoned his work on *Capital*. More precisely, he worked on new, including French and Russian, editions of *Capital I* but not much on the manuscripts that Engels and Kautsky would publish posthumously as *Capital II & III* and *Theories of Surplus Value*, respectively. It is impossible to know whether Marx thought his studies of non-capitalist societies outside Western Europe made a complete overhaul or just minor adjustments of his theoretical project necessary. This is true today—after all of Marx's manuscripts on political economy have been published—and was even truer during the days of Luxemburg when only a small portion of this oeuvre was accessible.

Contrary to the prevalent reading of *Capital* in the 2nd International, which saw it as an analysis of historical capitalism, Luxemburg read it as an analysis of how a pure capitalist society might gravitate toward

historical capitalism without ever reaching it. For this ideal-type analysis, Marx, according to Luxemburg, made some simplifying assumptions, most notably that there would be sufficient demand to buy everything produced in a certain period. Based on her analysis of the schemes of reproduction in *Capital II*, she maintained that this assumption, actually the acceptance of Say's law, is logically inconsistent and does not hold in the real world. Historical capitalism, she argues, had to expand into non-capitalist societies to overcome its internal demand-constraints. Credit and military force are the means making such societies ready for capitalist accumulation. The logical implication of this argument is clear: Once non-capitalist societies are fully absorbed into capitalism, i.e., once the real world would look like the ideal-type portrayed in *Capital* but without Say's law applying, accumulation would come to its final stop.

Yet, she argues that class struggles would overcome capitalist rule, and with it the tendency to economic breakdown, before this logical endpoint would be reached. Luxemburg used this analysis to understand the colonial expansion of capitalism that unfolded right before her eyes. She was fully aware that the conquest of overseas territories didn't lead to a deepening of capitalist relations of production, at least not in her days, and that a lot of non-capitalist economic activity continued to exist within societies in which, to use Marx's opening line in *Capital*, the capitalist mode of production prevails. She, like any other Marxist, took it for granted that this mode did prevail in Western Europe, indeed.

The question how much of it was needed to constitute the prevalence of capitalism over non-capitalist milieus became a hotly debated issue in Russia. Zaslitch's request to Marx to comment on this question was just the prelude to major controversies among Russian Marxists and the Russian left more broadly. Luxemburg, possibly in fear she could be seen as a supporter of Say's law like the so-called legal Marxists, argued that capitalism inside Russia had already reached its apex (Luxemburg 2003 [1913]: Chapters 18–24). As a latecomer to the colonial game, i.e., outward expansion, she didn't see much prospect for the further development of Russian capitalism either. Lenin, on the other hand, was more concerned proving the Narodniki wrong who argued capitalism didn't have any basis in Russia. Consequently, peasant communities, not industrial working classes would be the flag bearers of revolution. Lenin, of course, followed the opposite strategy. To demonstrate the centrality of industrial workers for the Russian revolutionary movement he

used an interpretation of *Capital* that pretty much accepted Say's law. He interpreted empirical developments in agriculture and industry within this theoretical framework and concluded that capitalism, precisely because it had sunk its teeth into agriculture, had already become the prevailing mode of production in Russia (Brangsch 2017; Seongjin 2011).

Whether one agrees with Lenin's Ricardian reading of *Capital* or not, recognizing the existence of agricultural capitalism was a major step toward a fuller understanding of historical capitalism, which, before Lenin, had been mostly identified with industrial capitalism. But Lenin's wider focus was still based on the understanding, prevalent in 2nd International Marxism, of *Capital* as a historical, not a logical, analysis. The capitulation of the 2nd International in the face of war led Lenin not only to work toward organizing a decidedly anti-imperialist socialism but also to theoretical reorientations. In his pamphlet on imperialism (Lenin 2010 [1916]), he dropped Say's law. Unlike Luxemburg, who arrived at her rejection of this law from a critique of *Capital II*, Lenin blended Hobson's proto-Keynesianism (2011 [1902]) with Hilferding's analysis of *Finance Capital* (2006 [1911]). From Hobson he adopted the idea that a lack of domestic demand led capital to colonial expansion and from Hilferding the idea that industry and banks had merged into dominant power bloc: finance capital. Theoretically, this was incoherent as Hilferding considers only temporary crises of disproportionality between Marx's two departments of production but rules out a systemic lack of effective demand, which, of course, is a key premise of Hobson's analysis.

Hilferding's interpretation of Marx's analysis of the circuits of capital was just one part of his larger project of presenting an up-to-date analysis of capitalism. While Luxemburg read *Capital* logically and then developed an analysis of the historical unfolding of capitalism in its non-capitalist surroundings, Hilferding (2006 [1911]) read *Capital* historically. To him, many of the concepts Marx had developed were specific to the capitalism of Marx's days and, consequently, needed updating and refinement to account for the changes capitalism had gone through since those days. The main change he saw was, as the title of his magnum opus makes clear, the merger of industry and banks into finance capital. To explain this merger, Hilferding used and sometimes modified concepts from all three volumes of *Capital*. He drew on the analyses

of money and the concentration and centralization of capital in volume I, analyses of the circulation process in volume II and credit, fictitious capital and the equalization of the general rate of profit through competition in volume III. From his interpretation of these concepts in conjunction with empirical analyses of financial markets and the formation of trusts and cartels he arrived at the crucial distinction between capitalists operating under competitive conditions and monopolies. The latter can keep prices high enough to appropriate parts of the surplus value produced in the competitive sectors of the economy and thereby ward off the tendential fall in the rate of profit. In other words, finance capital is able to escape the “law of motion in modern society” that Marx set out to lay bare in *Capital*. In Hilferding’s perspective, wilful masters of trusts, big money, and governments have replaced the “character masks” blindly executing the law of value that we encounter in *Capital*. Arguably, this perspective became politically more influential than any other reading of *Capital*. Lenin saw monopolies and governments submissive to them caught in self-destructive imperialist rivalries pushing the weakest link of the imperialist chain to its revolutionary breaking point. Hilferding thought the submissiveness of social democratic parties and unions to the state-monopoly bloc during WWI could be turned into an organized capitalism, in which these same workers organizations could advance to countervailing powers and maybe even turn the state into an instrument of economic democracy. After it turned out that the breaking of the weakest link of the imperialist chain, i.e., the Russian revolution, didn’t trigger workers’ revolutions in the West, at least not successful ones, anti-colonial revolutionaries in the South embarked on encircling the centers of monopoly capitalism with the ultimate goal of conquering them.

The focus on the labor process that had absorbed so much of Marx’s analytical and 2nd International activists’ organizing capacities had entirely shifted to the relations between private businesses and the state within countries and the structures of the capitalist world system. Marx’s analyses of commodity, money, and fetishism fell into oblivion. In a world where a handful of leaders of businesses, states and, possibly, unions, could stick their heads together to strike a deal there was no room for a theory saying that the power of these great men might be limited by the very system these men seemingly represented.

## 1917: REVOLUTION AGAINST CAPITAL

Lenin's diverse readings of *Capital* may have been pretty eclectic by the standards of Marx's own work and Luxemburg's very systematic development of her theory of capital accumulation, maybe even by the standards of Hilferding's updating of *Capital*. But the strategic conclusions he drew from these readings were more to the point than anyone else's. Finding themselves at the bottom of a military hierarchy whose hierarchies mirrored the class structures of Tsarist Russia, workers and peasants forged the alliance that Lenin had theorized in the *Development of Capitalism in Russia* (2004 [1899]). Their revolt against officers, triggering the collapse of the Tsarist regime and the beginning of a full-scale revolution, also confirmed Lenin's argument, derived from his Hobson–Hilferding blend, that Russia was the weakest link in the imperialist chain. The breaking of this link posed the question, of course, whether the revolution would spread to Western Europe, as Lenin expected, and how the existence of the Soviet regime could be secured until this would happen. With hindsight, it's easy to see that this was the determining question for much of the twentieth century. Recurrent hopes that revolutions in the periphery or economic crises in the center would eventually bring the revolution to the place where, according to Marx and his first generation of followers, it should have started in the first place finally disappeared along with the Soviet Union. During its entire existence, readings of *Capital* were very much occupied with the dual question of revolutionary prospects and the development of Soviet communism.

This question was linked to the possibility that capital accumulation, which had come to a crushing halt in the immediate aftermath of WWI, would resume. Jenő Varga produced the basic framework within which Soviet Marxists assessed these possibilities. Beginning in 1921, Varga (1921, 1922–1939) published a whole string of articles, pamphlets, and books on the general crisis of capitalism (Mommen 2011: Chapters 3 and 7). In *Imperialism—The Highest Stage of Capitalism*, Lenin (2010 [1916]) argued that the internal unfolding of the logic of *Capital* had led capitalism into decay as monopolies lacked the sting of competition, which pushed capitalists to further develop the forces of production in the competitive stage of capitalism. Varga maintain this idea and complemented it with a more Luxemburgian argument according to which the emergence

of the Soviet Union would limit the size of the world market. The internal contradictions of capitalism were thus worsened through external constraints. This was all the worse as capitalists weren't inclined to further develop domestic markets through a turn to the sort of mass consumer capitalism advocated by revisionist social democrats since the days of Eduard Bernstein and finally adopted in the post-WWII-era. Varga, in this regard following Hilferding and Lenin, drew eclectically on concepts developed in the Marxist tradition up to that point, and presented an enormous amount of empirical material to support his arguments.

Henryk Grossmann (1929) presented a more systematic approach to the general crisis of capitalism or, in his words *The Law of Accumulation and the Breakdown of the Capitalist System*. Methodologically, he was closer to Marx and Luxemburg than to the more empirically oriented approaches of Lenin and Varga even though his work was explicitly written as a rebuttal to Luxemburg's *Accumulation of Capital*. He systematically distinguished cyclical crises from the long-term trend toward the breakdown of capitalism. For the latter, he drew on Marx's Law of the Tendency to Fall in the Rate of Profit that he located as the central logic of capitalism. Marx claimed that a number of Counteracting Factors might interrupt or even turn this fall around periodically but were too weak to stop it in the long run. Grossmann sought to corroborate this claim by arguing that the counteracting factors were operating on a more concrete historical level unable to suspend the underlying law of accumulation and breakdown indefinitely. He could claim that his analysis followed Marx's method of rising from the abstract to the concrete but it remains unclear why the factors working toward a falling rate of profit should be more essential determinants compared to the more concrete appearances of counteracting factors.

By the time Grossmann's book came out, though, Marxists had no time for such theoretical nitpicking. The Great Depression was just starting. Much deeper and more prolonged than any previous crisis of capitalism, Marxist predictions of capitalist breakdown, no matter how they were deduced theoretically, seemed to be validated. Not only Marxists and other socialists were convinced that the Great Depression was a general crisis, irreversibly sounding the death-knell of capitalism.

For a few years, between the end of revolutionary stirrings in the West and the onset of the Great Depression, the Bolsheviks had to find a way of securing the existence of a revolutionary regime of which they had thought it could only exist if the more industrialized West would come



to its aid quickly. During those years, the Soviets retreated from strict state-controlled War Communism to the New Economic Policies with their market liberalizations and debated how—in near-complete isolation from the rest of the world—they could develop their own industrial capacities. Once the Great Depression began, though, they began advocating their Five-Year-Plans as economic alternative to an obviously perishing capitalism. The Soviet Industrialization Debate (Erich 1967) and subsequent economic planning turned *Capital* from a critique of the political economy of capitalism into a roadmap to state-managed industrialization. This industrialization would create the industrial working class that Marx and his followers in the 2nd International had seen as the social basis of socialist revolution. In pre-WWI Russia, this class had existed only in embryonic forms and was almost completely wiped out by the war and civil war. The making of a new large-scale industrial working class under the auspices of five-year planning and forced collectivization of agriculture destroyed the alliance between the working-class minority and the peasant majority that had carried out the revolution and won the civil war. Marx’s analysis of so-called primitive accumulation became the model for primitive socialist accumulation (Preobrazhensky 1926).

Though there was considerable controversy about the speed with which industrialization should be pushed forward, there also was a basic consensus that peasants had to tighten their belts in order to free up the resources needed to build up industrial production capacities. The same is true for the workers in whose name the whole project was undertaken. Those who would build production capacities wouldn’t be the same who would consume everything that could be produced with the help of these capacities later. The question how much labor should be allocated toward the production of investment and consumer goods, respectively, was discussed in the framework Marx had developed to analyze the circulation of *Capital* in *Capital II*. Throughout *Capital*, Marx scattered hints at the anarchy of capitalist production. In *Anti-Dühring*, Engels put this idea at the center of his explanation of crises. Without social control, he suggested, imbalances between various sectors of the economy, if not total production and effective demand, were inevitable. Managed by the state, the Soviets, following Engels, thought, such imbalances, and the waste of resources they imply, could be avoided.

However, this also meant that the entire Soviet economy was turned into “one big factory” and subjected to a factory regime akin to that Marx had portrayed in *Capital I*. Instead of withering away, the state

grew to proportions unimaginable by capitalist ruling classes. Soviet bureaucracy stifled any attempt at workers self-emancipation. But the speedy industrialization that the bureaucracy enforced, though by no means in such an efficient way that Soviet propaganda about the superiority of state planning over anarchic markets proclaimed, did turn the Soviet Union into a model for post-colonial regimes who sought to escape the development of underdevelopment to which they had been condemned under imperialist rule. Moreover, Soviet Marxism thought of non-capitalist development in the South as part of the continuing general crisis of capitalism. If unfolding under non-capitalist relations of production, industrialization of the post-colonial South would diminish the capitalist world market further and further, deepen the crisis in the center, increase pressures on wages and working conditions, and eventually reawaken workers revolutionary spirits that had been dormant since the post-WWI-wave of revolution and counter-revolution.

The idea of a continued general crisis of capitalism had also shaped Soviet Marxist expectations about developments after WWII. It assumed that the armaments boom induced by WWII would end once the forces of the Anti-Hitler-Coalition had defeated the Nazis and their Japanese allies. This turned out to be wrong in two respects. First, the Cold War kept military spending high, notably in the United States that had emerged as the unchallenged leader of the capitalist world out of two world wars. Second, the expansion of Soviet communism into Eastern Europe, the Chinese revolution and leapfrogging technological developments in the Soviet Union sent more than the Sputnik shock down the spines of Western leaders. The double challenge of communist expansion in the East and anti-colonial, partially anti-capitalist, revolution in the South forced ruling classes in the West to find new markets to compensate for the overseas markets they lost in the East and the South and ensure social support at home.

Ironically, Hilferding's organized capitalism came to the rescue. During the interwar years, when Hilferding advocated this idea, capitalists were still trying to restore the liberal order where liberalism meant politically unrestrained freedom of capitalist management. Social democrats were lacking the power to force capitalists to turn the martial-law backed "WWI corporatism" into the kind of welfare state corporatism Hilferding envisioned. However, geopolitical changes after WWII tipped the balance of power in the imperialist centers toward the working classes (Schmidt 2016: Chapter 1).

Much of the credit for the stabilization of capitalist economies after the war went to Keynes. Social democratic parties cut remaining ties to Marxist thinking during the post-WWII-era but it seems safe to say that Keynes's (1965 [1936]) core arguments in the *General Theory* are already present in Hilferding's *Finance Capital*. Both have an analytical focus on money, credit, and circulation processes and both consider it possible to manage the process of capital accumulation politically. Considering these parallels, it is quite ironic, if not tragic, that Hilferding, during his second stint as finance minister in Germany in the early phase of the Great Depression, was fiercely opposed to the fiscal stimulus proposals put forward by some union economists. At that point, Hilferding abandoned the idea that the state had any influence on economic development and retreated into the fatalistic expectation of capitalist breakdown without sharing the revolutionary hopes expressed by the communists at that time.

During the post-WWII-era, there was no doubt, though, that the state had permanently acquired a major role in running capitalist economies. In the tracks of Lenin's interpretation of Hilferding, Soviet Marxists saw capitalism still mired in a general crisis but somehow manipulated into another lease of life through state-intervention (Marcuse 1958). At the same time, though, they pondered the possibility of forming anti-monopolistic coalitions to enforce social reforms against opposition from the capitalist monopolies. To the Chinese communists, arguing in the same theoretically tradition, this was an outright turn to social democratic reformism. Many of these debates in the East were heavily concerned with empirical material to understand the connections between state officials and the bourgeoisie and with the relations of different factions of the bourgeoisie, too (Goldberg 2017).

A theoretically more systematic analysis of post-WWII-capitalism came from Western Marxists Baran and Sweezy (1966). They dropped Marx's insistence on the inevitability of economic crises, if not, as Marxists in the 2nd and 3rd International had argued, a complete breakdown or prolonged general crisis. Identifying, in this regard very much following Luxemburg, a permanent, not just a cyclical, lack of effective demand as capitalism's economic Achilles' heel, they went on to assign monopoly capitalists and governments, in this regard following the Hilferding–Lenin-tradition, the ability to create sufficient demand through increased sales efforts, civilian spending, and militarism. Much of the additional demand necessary to keep accumulation going and employment levels

high they considered as waste and concluded that, instead of economic crises, there would be political conflict between monopoly capitalists and their allies in the state apparatuses and popular movements over the allocation of increased government spending.

These domestic conflicts over the balance between warfare and welfare were closely related to the *Imperialism Without Colonies* (Magdoff 2003) that took shape during the post-WWII-era. The more the joint forces of monopoly capital and repressive state apparatuses got the upper hand within the capitalist centers, the more aggressively they fought post-colonial regimes who tried to carve out ways of non-capitalist development. Marxists who didn't think prosperity, which hardly anybody expected by the end of WWII, had rendered socialism obsolete, began to wonder how much the new imperialism actually contributed to this prosperity. Through the lenses of the general crisis of capitalism with its focus on the spatial size of the world market, capitalists suffered a serious setback from the expansion of Soviet communism and communist revolutions in East Asia. However, parallel to the colonization of private households in the centers, arguably a key stimulus of prosperity (Schmidt 2012), developmentalism brought first steps of industrialization to the post-colonial South, which was meant to deepen capitalist relations of production and create anti-communist social blocs.

Various theories of unequal exchange (Amin 1974; Arghiri 1972; Mandel 1972: Chapter 11) tried to explain imperialist exploitation and estimate the extent to which it fostered accumulation in the centers to the detriment of economic development in the peripheries. Earlier generations of Marxists, including Marx himself, commented on exploitation of capitalist peripheries only in passing but made no effort to explain how it exactly fits into Marx's basic framework of capitalist exploitation of wage labor. Theorists of unequal exchange pursued different routes to apply Marx's theory of surplus labor to a world split into centers and peripheries. Arguing within the framework of the labor theory of value, they looked at the reasons wages and labor productivity wouldn't equalize across the center-periphery divide. But they would also follow the Hilferding-Lenin theory of monopoly capitalism and identify the power of multinational corporations, headquartered in the imperialist centers, as a means to extract surplus value from smaller firms operating under competitive conditions in the periphery.

Contemporaries of Hilferding, Luxemburg, and Lenin would have had a hard time recognizing the world that developed after WWII.

Revolutions did happen, but they happened in the South while the West, the designated center of socialist revolution, saw the development of prosperous organized capitalism in which even Hilferding had lost faith by the end of the 1920s. Lenin had some glimpse of revolution shifting East rather than West and Varga eventually sensed that capitalism may not be as moribund as he had written countless times before. Such inklings aside, post-WWII-developments were pretty much outside the comprehension of Marxists, and many others, who had lived through the age of world wars, revolutions, counter-revolutions, and depression from 1914 to 1945. Ironically, Marxists who stuck to their beliefs in a rapidly changing post-WWII-world and tried to make sense of these unexpected changes stuck, by and large, to the Marxism developed by Hilferding, Lenin, and Luxemburg. They shared their focus on imperialism and monopoly capitalism and continued in the theoretical tracks laid out just before the age of catastrophe began.

### 1967: UNFINISHED REVOLUTION

However, some on the left felt that more was needed than just piecemeal updates of a body of theories developed against the background of colonization, imperialist rivalries, and depression. In fact, Baran-Sweezy's approach, sometimes dubbed Neomarxism (Mattick 1974) or Keynesian Marxism (O'Connor 1987), already took a big step beyond the legacies of Soviet and 2nd International Marxism. The concept of monopoly capitalism is firmly grounded in the Hilferding–Lenin tradition and their focus on insufficient demand is clearly influenced by Luxemburg. Yet, their argument big government could suspend economic crises, even though at the risk of generating political crises by doing so, has more in common with the Kalecki–Keynesian tradition that had theorized the coming of big government and demand management from the 1930s onwards. And it was clearly at odds with Marx's Law of the Tendential Fall in the Rate of Profit, at least with the version published in *Capital III*. Consequentially, Baran–Sweezy developed their own argument about a rising economic surplus out of an explicit rejection of Marx's law. For many Marxists, this was unacceptable heresy. But at the same time, the sense that the theories developed from the 1910s to the 1930s could not be endlessly updated also grew and eventually triggered a back to Marx movement. For one of its currents, the Frankfurt School, this meant shifting attention from the critique of political economy to a

philosophical critique of alienation. Apparently, the arguments developed out of the former, notably those predicting capitalist breakdown, were historically suspended by the Keynesian state.

Back in the 1930s and early 1940s, Friedrich Pollock (1932, 1941a) had already considered the possibilities of state intervention as a means to stabilize capitalist economies. Focussing on Nazi-Germany specifically, he concluded that it was a new order (Pollock 1941b) that wouldn't be destroyed by the kind of internal economic contradictions that Marx had identified as capitalism's Achilles' Heel. Without saying that Western capitalist countries were fascist, Frankfurt School theorists generalized Pollock's conclusions after the war. The assumption of a politically stabilized economy became part of their, in Habermas' words, "hidden orthodoxy," on which analyses of alienation in late capitalism rested. The search for the breaking point of capitalist rule that had occupied Marx and his followers in the 2nd and 3rd Internationals, including the latter's dissident currents, was replaced by the question why the subordinate classes made their peace with a social system that still exploited them. The Frankfurt School's answer was that the alienation, philosophically derived by Marx as early as 1844, that isolated individuals from each other and thus made class organizing impossible had reached unprecedented heights under the reign of post-WWII-consumerism. Once reading *Capital* had become popular in the late 1960s, these arguments were amended by Marx's analyses of different forms of fetishism in *Capital*. This way to go back to Marx owes, of course, to Althusser (1965) and his collaborators who argued that historical readings of *Capital* had produced a deepening rift between theoretical predictions about the future and actual developments.

As an alternative they suggested to focus strictly on Marx's text in order to explicate Marx's scientific breakthrough in distinguishing the structures of the capitalist mode of production from historical developments and human agency. Althusser's approach explicitly rejected the Frankfurt School's fascination with Marx's early writings and the open Hegelianism they show. His conclusions, though, weren't very different from those of the Frankfurt School: Neither left much, if any, room for human agency. Previous conceptions of socialism that considered working classes as conscious agents of history, possibly educated or led by consciousness spreading parties, were dismissed. Considering the collapse of the 2nd International in 1914, the Stalinist turn of the Russian revolution, the Nazi-victory over social democratic and communist parties

and the inability to define a new strategy in the face of unprecedented capitalist prosperity, the skepticism about the link between Marxist theory and socialist practice was more than understandable. However, Althusser's *Reading Capital* (1965) or, for that matter, Herbert Marcuse's *One-Dimensional Man* (1964), had barely come off the press when an unexpected wave of worker militancy, women's liberation, and environmental movements shook the capitalist centers.

This unexpected turn of events didn't stop a new generation of leftists to read *Capital*. With little taste for the historical readings associated with the 2nd and 3rd Internationals and little use for Althusser's structuralist reading, they decided it was time to *Read(ing) Capital Politically*, as Harry Cleaver (1979) would label this approach at a time the outburst of workers' and other social movements was already receding. This reading was inspired by rank-and-file struggles, many of them spontaneous and without union support, sometimes even against the will of union leaders. This new reading, correspondingly, focussed very much on Marx's analysis of the production processes in *Capital I* and the *Grundrisse* (Marx 1857–1858). In a way, this was a return to the focus of Marxists in the 2nd International, who, of course, didn't know the *Grundrisse*, after the “monopoly-imperialism”—detour that had started with Hilferding's, Luxemburg's, and Lenin's rereading of *Capital*. In contrast to the party-focussed strategies that Marxists in the 2nd and 3rd International derived from their respective readings of *Capital*, the political reading in the late 1960s turned the understanding of class relations on its head; adherents of this new reading would probably have said: on its feet. All other differences between the Marxisms of the 2nd and 3rd Internationals apart, both aimed at explaining workers their subordinate role to rally support for their respective party-building strategies. The political reading of *Capital* in the late 1960s, understandable enough against the background of rising workers' militancy, saw workers' struggles in the drivers' seat (Frings 2017; Wright 2002). Confronted by assertive workers, capitalists are under pressure, sometimes more, sometimes less, to reorganize the production process in order to outflank existing pockets of workers' power on the shop floor. The reversed understanding of class relations also led to new interpretations of crisis, which were no longer considered the consequences of the internal contradictions of the capitalist mode of production, leading to a lack of effective demand or a technologically induced fall in the rate of profit. Rather, workers' quest for higher wages and better conditions squeezed

profit out of the capitalist system and thereby made society ready for a workers' takeover.

Sharing the focus on workers in the production process with 2nd International Marxism, the new political reading of *Capital* also had the same problems organizing around issues beyond the shop floor. In the case of the 2nd International, these problems contributed to the failure of effectively mobilizing against imperialist conquest and war. In the case of the new political reading of *Capital*, it contributed to the failure of various left movements converging into a more united front. Feminists and ecologists did engage with Marxism but found the work-erism that came with this new reading of *Capital* and neo-communist organizing efforts hard to stomach (Federici 2017; Holleman 2017). If the capitalist intrusion into private households and every corner of the natural environment could be explained in Marxist terms, it was not with a focus on the capitalist production process but the need for expansion triggered by the relations between production and circulation processes (Mies et al. 1988; Foster 2000). Theoreticians of the movements of ethnic minorities, immigrants, and native peoples', in a similar vain, would be more inspired by the anti-imperialist Marxism of Lenin, Mao or Guevara than by the newly emerged "shop floor Marxism" (Elbaum 2002).

The litmus test for the political reading of *Capital* came with the world economic crisis in the mid-1970s and the subsequent return of mass unemployment in the capitalist centers. Marxists hotly debated whether the reason for the crisis was a profit squeeze, as this reading suggests, or a lack of demand or an increase in the organic composition of *Capital* that wasn't compensated by an increasing rate of surplus value. Whatever it was, the crises broke the wave of rank-and-file militancy. Neo-communist groups hoping they could continue the struggle under conditions of crises where its communist predecessors had lost out to the Nazis weren't more successful than new social movements cutting the always conflicted ties to the socialist or communist left. What started as a crisis of capitalism soon turned into a crisis of the left and, on a theoretical plane, a crisis of Marxism.

Socialist strategies derived from particular readings of *Capital* and other writings by Marx and Engels had failed before, caused crises of then-dominant Marxisms and eventually led to strategic reorientation: This was the case from the late nineteenth-century expectation that economic crises would instigate an immiserated working class to overthrow



capitalism to the search for the weakest link in the imperialist chain, first in Russia, later in the post-colonial South. But this time was different. The upsurge of social movements in the South, East, and West from the late 1960s onwards convinced leftists of different persuasions that the workers and wretched of the earth would finally continue the world march toward socialism that had been blocked by more or less repressive apparatuses of welfare, developmentalist, and communist states for a while. However, the war of manoeuvre that the left waged on many fronts from the jungles of East Asia and Latin America to the streets of Prague and Warsaw and factories in Turin and Paris didn't lead to socialist victory. It was just enough to trigger a flexible response on the side of the capitalists of the world. This response ranged from armed to pre-emptive counter-revolution to financial strangulation of welfare states and large-scale reorganization of production processes. The blend of military counter-revolution and economic and social counter-reform was ideologically wrapped in the banner of human liberation through market deregulation. To this capitalist offensive, later dubbed neoliberalism, the left found no answer, or more precisely: it found so many different answers that remaining hopes to open a left umbrella for diverse causes soon faded. The multitude of Marxisms that flourished alongside the upsurge of left mobilization from the late 1960s to the mid-1970s can be seen as part of the search for left convergence. During the downturn of these mobilizations, the same multitude retreated into more or less isolated Marxist circles whose members spent more time talking about each other than with each other. Marxists of different kinds also produced a wealth of analyses of capitalist developments since the collapse of Soviet communism (Keucheyan 2013) but the project of linking the critique of political economy to socialist practice was abandoned. The old debates may have been revisited over and over again but none of that produced a new theoretical compass for socialist politics.

Past readings of *Capital* might help to fix the old or create a new compass, as they are intellectual keys to the left history whose defeat produced the current capitalist conditions. More to the point, historical readings with their different foci allow the understanding of transformation in production processes from the transatlantic cotton trade and English textile mills during Marx's days to today's global supply chains with their combination of computer-aided and assembly line production, informal sector activities, and resource extraction. Readings that produced the notion of monopoly capitalism are starting points to

understand today's form of finance capitalism merging central banks, finance ministries, international organizations and private finance. Of course, a deeper understanding of transformations of production, finance, and states also requires consideration of current forms of imperialism for which classical Marxist theories of imperialism offer a starting point. The analysis of capitalist penetration of non-capitalist milieus contained in these theories also allows an understanding of ongoing processes of primitive accumulation, trying to commodify every inch of nature, culture, and social reproduction. The philosophical readings of *Capital* that emerged when socialist politics built around historical readings were at an impasse can help to connect historical readings with their respective foci. Capitalism as a totality, not to speak of its relations to non-capitalist environments, is too complex to be understood by one particular reading of *Capital*. Yet, overcoming the condition of post-modernism in which various Marxisms co-exist rather than engage with each other, does require a more abstract and logical understanding of the relations between capitalist processes of production, circulation, and reproduction and their respective interactions with non-capitalist environments. Establishing these relations in a systematic way, through a new reading of *Capital*, might also help to build a socialist movement that unifies various forms of discontent.

## REFERENCES

- Abendroth, W. (1972). *A Short History of the European Working Class*. New York: Monthly Review Press.
- Althusser, L. (1965 [2009]). *Reading Capital*. London & New York: Verso Books.
- Amin, S. (1974). *Accumulation on a World Scale*. New York: Monthly Review Press.
- Arhiri, E. (1972). *Unequal Exchange: A Study of the Imperialism of Trade*. New York: Monthly Review Press.
- Baran, P., & Sweezy, P. (1966). *Monopoly Capital*. New York: Monthly Review Press.
- Bernstein, E. (1899 [1993]). *The Preconditions of Socialism*. Cambridge University Press.
- Brangsch, L. (2017). Marxismus im Zeitalter der Hoffnungen und Katastrophen – Lenin. In I. Schmidt (Ed.), *Das Kapital@150, Russische Revolution@100 – ‘Das Kapital’ und die Revolutionen gegen ‘Das Kapital’* (pp. 79–101). Hamburg: VSA Verlag.

- Cleaver, H. (1979). *Reading Capital Politically*. Austin: University of Texas Press.
- Day, R., & Gaido, D. (2012). *Discovering Imperialism: Social Democracy to World War I*. Chicago: Haymarket Books.
- Elbaum, M. (2002). *Revolution in the Air: Sixties Radicals Turn to Lenin, Mao and Che*. London & New York: Verso Books.
- Engels, F. (1877). *Anti-Dühring: Herr Eugen Dühring's Revolution in Science*. <https://www.marxists.org/archive/marx/works/1877/anti-duhring/index.htm>.
- Erlich, A. (1967). *The Soviet Industrialization Debate, 1924–1928*. Harvard University Press.
- Federici, S. (2017). 'Capital' and Gender'. In I. Schmidt & C. Fanelli (Eds.), *Reading 'Capital' Today* (pp. 79–96). London: Pluto Press.
- Foster, J. B. (2000). *Marx's Ecology: Materialism and Nature*. New York: Monthly Review Press.
- Frings, C. (2017). Der verborgene Klassenkampf im 'Kapital' von Marx. In I. Schmidt (Ed.), *Das Kapital@150, Russische Revolution@100 – 'Das Kapital' und die Revolutionen gegen 'Das Kapital'* (pp. 263–290). Hamburg: VSA Verlag.
- Goldberg, J. (2017). Formwandel der kapitalistischen Produktionsweise und die Theorie des Staatsmonopolistischen Kapitalismus. In I. Schmidt (Ed.), *Das Kapital@150, Russische Revolution@100 – 'Das Kapital' und die Revolutionen gegen 'Das Kapital'* (pp. 153–176). Hamburg: VSA Verlag.
- Gronow, J. (2016). *On the Formation of Marxism*. Chicago: Haymarket Books.
- Grossman, H. (1929 [1992]). *The Law of Accumulation and the Breakdown of the Capitalist System*. London: Pluto Press.
- Hilferding, R. (2006 [1911]). *Finance Capital: A Study in the Latest Phase of Capitalism*. London & New York: Routledge.
- Hobson, J. (2011 [1902]). *Imperialism: A Study*. Cambridge: Cambridge University Press.
- Holleman, H. (2017). 'Capital' and Ecology'. In I. Schmidt & C. Fanelli (Eds.), *Reading 'Capital' Today* (pp. 160–180). London: Pluto Press.
- Hudis, P. (2010). Accumulation, Imperialism, and Pre-capitalist Formations. *Socialist Studies*, 6(2), 75–91.
- Keucheyan, R. (2013). *The Left Hemisphere: Mapping Critical Theory Today*. London & New York: Verso Books.
- Keynes, J. M. (1965 [1936]). *The General Theory of Employment, Interest, and Money*. New York: Harcourt.
- Kössler, R. (2017). Karl Kautsky zwischen Marx-Orthodoxie und Oktoberrevolution. In I. Schmidt (Ed.), *Das Kapital@150, Russische Revolution@100 – 'Das Kapital' und die Revolutionen gegen 'Das Kapital'* (pp. 59–78). Hamburg: VSA Verlag.

- Lenin, V.I. (2004 [1899]). *The Development of Capitalism in Russia*. Honolulu: University Press of the Pacific.
- Lenin, V.I. (2010 [1916]). *Imperialism, the Highest Stage of Capitalism*. London et al.: Penguin.
- Luxemburg, R. (2003 [1913]). *The Accumulation of Capital*. London & New York: Routledge.
- Magdoff, H. (2003). *Imperialism Without Colonies*. New York: Monthly Review Press.
- Mandel, E. (1972). *Der Spätkapitalismus*. Frankfurt: Suhrkamp Verlag.
- Marcuse, H. (1958). *Soviet Marxism: A Critical Analysis*. New York: Columbia University Press.
- Marcuse, H. (1964). *One-Dimensional Man*. Boston: Beacon Press.
- Marx, K. (1980 [1844]). *Economic and Philosophical Manuscripts*. New York: International Publishers.
- Marx, K. (1993 [1857–1858]). *Grundrisse*. London et al.: Penguin.
- Marx, K. (1863). *Theories of Surplus Value*. <https://www.marxists.org/archive/marx/works/1863/theories-surplus-value/>.
- Marx, K. (1865). *Value, Price, and Profit*. <https://www.marxists.org/archive/marx/works/1865/value-price-profit/index.htm>.
- Marx, K. (1976 [1867]). *Capital I*. London et al.: Penguin.
- Marx, K. (1881). *Letter to Vera Zasulich*. <https://www.marxists.org/history/ctol/newspape/ni/vol08/no10/marx-zas.htm>
- Marx, K. (1978 [1885]). *Capital II*. London et al.: Penguin.
- Marx, K. (1981 [1894]). *Capital III*. London et al.: Penguin.
- Marx, K., & Engels, F. (1845–1846). *The German Ideology*. <https://www.marxists.org/archive/marx/works/1845/german-ideology/>.
- Mattick, P. (1974). *Kritik der Neomarxisten*. Frankfurt: Fischer Verlag.
- Mies, M., et al. (1988). *Women: The Last Colony*. Zed Books.
- Mommen, A. (2011). *Stalin's Economist: The Economic Contributions of Jenő Varga*. London & New York: Routledge.
- Most, J. (1876 [1972]). *Kapital und Arbeit – 'Das Kapital' in einer handlichen Zusammenfassung*. Frankfurt: Suhrkamp Verlag.
- O'Connor, J. (1987). *The Meaning of Crisis: A Theoretical Introduction*. Oxford: Basil Blackwell.
- Pelz, W. (2017). 'Capital' and the First International. In I. Schmidt & C. Fanelli (Eds.), *Reading 'Capital' Today* (pp. 36–47). London: Pluto Press.
- Pollock, F. (1932). Die gegenwärtige Lage des Kapitalismus und die Aussichten einer planwirtschaftlichen Neuordnung. *Zeitschrift für Sozialforschung*, 1, 8–27.
- Pollock, F. (1941a). State Capitalism: Its Possibilities and Limitations. *Studies in Philosophy and Social Science*, 9(1), 200–225.

- Pollock, F. (1941b). Is National Socialism a New Order? *Studies in Philosophy and Social Science*, 9(2), 440–455.
- Preobrazhensky, Y. (1926 [1965]). *The New Economics*. Oxford University Press.
- Schmidt, I. (2012). Rosa Luxemburg's Accumulation of Capital: A Centennial Update with Additions from Long Wave Theory and Karl Polanyi's Great Transformation. *Critique: Journal of Socialist Theory*, 40(3), 337–356.
- Schmidt, I. (2014). Capital Accumulation and Class Struggles from the 'Long 19th Century' to the Present: A Luxemburgian Interpretation. *International Critical Thought*, 4(4), 457–473.
- Schmidt, I. (2016). *The Three Worlds of Social Democracy: A Global View*. London: Pluto Press.
- Schmidt, I. (2017, April 24). *In the Shadow of Social Democracy: Right-Wing Challenges and Left Alternatives* (The Bullet: Socialist Project E-Bulletin, No. 1400). <https://www.socialistproject.ca/bullet/1400.php>.
- Seongjin, J. (2011). Lenin's Economics: A Marxian Critique. *Research in Political Economy*, 27, 223–254.
- Therborn, G. (2008). *From Marxism to Post-Marxism*. London & New York: Verso Books.
- Traverso, E. (2017). *Left-Wing Melancholia: Marxism—History, and Memory*. New York: Columbia University Press.
- Varga, E. (1921). *Die Krise der kapitalistischen Weltwirtschaft*. Hamburg: Verlag der Kommunistischen Internationale.
- Varga, E. (1922–1939). *Wirtschaft und Wirtschaftspolitik – Vierteljahresberichte 1922–1939*. Berlin: Verlag das Europäische Buch.
- Wright, S. (2002). *Storming Heaven: Class Composition and Struggle in Italian Autonomist Marxism*. London: Pluto Press.

## POSTSCRIPT

A few brief comments in conclusion seem to be in order. As a whole the contributions to this volume demonstrate the relevance of Marx's analysis in *Capital*: his understanding of capitalism as an economic system generally and its manifestations in the beginning of the twenty-first century. They also point to the need to rethink specific aspects of his approach to maintain that relevancy. At the same time, the volume does not speak to all aspects of the contemporary crises of capitalism that we now confront.

That shortcoming, as I noted in the introduction, is related in part to the fact that the three volumes of *Capital*, in focussing on the foundational economic relations structuring the nature of capitalism, cannot stand alone as a reflection of what Marxist theory and practice has to offer. Rather, they must be contextualized within Marx's broader oeuvre, as well as the critiques, extensions and re-imaginings that have occurred between 1867 and today (see Schmidt in Chapter 15 in the latter context). Thus, the direct "lessons from Marx's *Capital*" are themselves somewhat limited and circumscribed.

In that context, I would like to conclude with a couple of observations. At their heart is Marx's own observation that,

...a distinction should always be made between the material transformation of the economic conditions of production, which can be determined with the precision of natural science, and the legal, political, religious, aesthetic or philosophic – in short, ideological forms in which men become conscious of this conflict and fight it out. (1978: 5)

To the extent that *Capital* focused primarily on the economic conditions of production its lessons speak only indirectly to the social forms in which they are fought out. And the latter are often conditioned by and specific to particular times and places. Thus, the conflicts generated by the imperatives of capitalist relations manifest themselves in different forms that go beyond a narrow understanding of class position. For example, in the United States, the legacy of centuries of slavery, a hundred years of *de jure* racial segregation and discrimination, and now more than half a century of discrimination and *de facto* segregation must be incorporated into an understanding of class oppression and the consequences of the capitalist imperative. Similarly, the gendered division of labor tied to patriarchal relations as noted early on by Engels cannot be overlooked or ignored. That of course pertains to both circuits of production and reproduction. But just as salient is how the gendered division of labor impacts the experienced lives of the working class and their own sense of what needs to be attended to socially and politically. And third, Marx certainly understood the dialectic relationship between human production and the environment. However, we now are confronting a point at which a century-long blindness to how the imperatives of industrial capitalist accumulation run counter to the symbiotic relationship between nature and human activity has brought us to the brink of an existential ecological crisis. While these elements may go beyond Marx's focus in *Capital* they do not extend beyond the purview of Marxist theory and practice. The challenge, of course, is to bring them into a unified *praxis*.

All the indications suggest that we are living in perilous and precarious times as this volume goes to press. Marx saw an international solidarity among the working class in the second half of the nineteenth century as the necessary force to confront capitalism. Yet today in the early twenty-first century, and possibly in reaction to the contradictions of a globalized world capitalist system, we see a dramatic rise in

nationalism, neo-fascism, religious fundamentalism, and xenophobia. The United States is presently debating the necessity of building a physical wall between itself and its Mexican neighbor to the south. Its President rants about the crime, depravity, and threat posed by darker skinned immigrants. Great Britain, in the name of nationalist protectionism and anti-immigration, is debating how to leave the European Union. European nations within the EU are blocking their borders against desperate refugees from war-torn and economically depressed regions in the global south seeking a measure of security for themselves and their families. Right-wing populists have played upon the fears and insecurities of people and have successfully won and consolidated governmental control in Europe, the Middle East, Africa, and South America. Instead of an internationalist working class response to the tensions and inequalities of capitalism that Marx argued for in the nineteenth century, we are seeing defensive, protectionist, nationalist, racist, and reactionary responses to global capitalism in the twenty-first century. The dialectics of capitalist relations follow a serpentine rather than linear path.

The challenge of confronting capitalism today is no less and likely even more important than it was 150 years ago when *Capital* was first published. We must fashion an awareness of circumstances that goes beyond merely seeking the best possible outcome within a capitalist reality. We require a consciousness of the necessity to transcend the system itself. Forging perceptions of and beliefs in the possibility of a better future that the present reality, in all its contradictions, actually lays at our doorstep are difficult tasks indeed. The key questions are how do we get that done and where do we go from here?

Marc Silver  
January 25, 2019

#### REFERENCE

Marx, K., & Engels, F. (1978). *The Marx-Engels Reader* (2nd ed., R. C. Tucker, Ed.). New York: W. W. Norton.



# INDEX

## A

accumulation of capital. *See* capital, accumulation of  
agrarian production, 210, 219, 298  
agricultural, 1, 4, 145, 195–198, 200, 201, 203–207, 209–211, 273, 294, 311, 319  
collective, 195, 209, 211  
production, 4, 198, 209, 211, 319  
workers, 4, 198, 201, 204, 294  
alienated labor, 285, 293, 306  
alienation, 4, 16, 22, 23, 40, 306, 328  
Althusser, Louis, 48, 62, 63, 76, 270, 328, 329

## B

Bernstein, Eduard, 316, 322  
Bolshevism, 57, 322  
bourgeois  
mode of production, 70, 71, 106, 283  
political economy, 31, 40, 41  
society, 4, 62, 107

bourgeoisie, 4, 188, 283, 287, 288, 314, 325

## C

capital  
accumulation of, 47–50, 53–56, 58, 61–63, 126, 129, 147, 149, 159, 167, 174, 182–184, 194–196, 205, 211, 219, 237, 239, 283, 287, 314, 315, 322  
circuits of, 163–165, 167, 169, 174, 180, 185, 301, 319, 338  
circulation of, 40, 51, 180, 183–185, 199, 237, 323  
composition of, 53, 56, 94, 98, 117, 181, 185, 224, 282, 298, 306, 330  
constant, 2, 4, 48, 53, 56, 96, 98, 101, 107, 111, 182, 194, 240, 254, 294, 295, 297  
fictitious, 6, 159, 163, 164, 180–184, 186–188, 232, 233, 237–240, 243, 320

- finance, 127, 128, 159, 180–182, 188, 189, 221, 232, 239, 240, 242, 243, 289, 302, 319, 320, 325, 332  
 industrial, 1, 16, 162, 180–184, 195, 271, 273, 287, 289, 290, 298, 306, 313, 314, 317–319, 323, 338  
 logic of, 49, 205, 211, 232, 239, 243, 295, 314, 321, 322  
 organic composition of, 224, 330  
 primitive accumulation of, 54  
 variable, 2, 53, 56, 96, 101, 107, 127, 180, 250, 254, 283, 297, 301  
 capitalism, 1–5, 7, 8, 10, 16–23, 28, 34, 36–39, 48, 51, 54, 55, 59, 60, 62, 69, 71, 75, 79, 81–83, 85, 125–129, 143, 144, 149, 158–161, 163, 180, 189, 194, 196, 198, 202, 208, 209, 211, 217, 222, 225, 227, 228, 232, 236, 239, 240, 243, 248, 249, 261, 270, 271, 273, 277, 283, 285, 287, 289, 291, 294, 296–298, 307, 312–314, 316–328, 330–332, 337, 339  
 finance, 180, 189, 232, 239, 240, 242, 243, 319, 332  
 industrial, 1, 16, 273, 287, 289, 298, 313, 317–319, 323  
 state, 16, 83, 163, 195, 296, 312, 313, 317, 320, 325, 326, 328  
 class  
 capitalist, 8, 49, 50, 52, 53, 180, 188, 189, 217–219, 221, 260, 276, 282, 287, 296, 299, 303, 314–316, 318, 338  
 conflict, 4, 8, 185, 218, 283, 285, 286, 290, 315  
 relations, 188, 189, 248, 255, 260  
 struggles, 8, 9, 219, 260, 301, 314, 318, 329  
 commodity  
 fetish, 31  
 fetishism, 115  
 fetishism of the, 6, 25–27, 30, 31, 33–35, 38, 320  
 markets, 3, 6, 36, 71, 128, 155, 284  
 communism, 55, 61, 313, 321, 323, 324, 326, 331  
 Credit Suisse, 146, 147, 242  
 credit system, 154, 158, 159, 161–176  
 crisis, 7, 9, 10, 79, 84, 85, 153–159, 161, 163–176, 180, 182, 186, 188, 189, 200, 206, 211, 215–217, 221, 224, 226–228, 232, 236–238, 240, 241, 243, 249, 250, 254, 258, 259, 284, 286, 321, 322, 324–326, 329, 330, 338  
 debt, 157, 168, 169, 174, 182, 186, 188, 189, 249  
 financial, 7, 85, 153, 159, 166–168, 173, 175, 182, 186, 188, 206, 211, 231, 236, 237, 240, 241  
 crisis theory, 97, 175  
**D**  
 debt crisis. *See* crisis, debt  
 dialectic, 3, 19–23, 26, 34, 35, 38–41, 43, 44, 77, 80, 81, 83, 226, 338  
 division of labor. *See* labor, division of  
**E**  
 ecological, 216, 228, 338  
 elderly, 211, 282–284, 296, 301  
 Engels, Friedrich, 8, 9, 20–22, 27–29, 31, 36, 38, 40–43, 49, 52, 53, 61, 92, 97, 100, 153, 175, 258, 312, 314, 315, 317, 323, 330, 338  
 exchange value, 6, 7, 31, 32, 82, 83, 95, 108, 237, 238

exploitation of labor, 189, 219, 285, 291, 295, 296  
 expropriation, 291

## F

fetishism of the commodity. *See* commodity, fetishism of the  
 finance capital. *See* capital, finance  
 financial crisis. *See* crisis, financial  
 forces of production, 315, 321

## G

gender, 225, 226, 285, 338  
 Gramsci, Antonio, 25, 74, 78, 270, 277  
*Grundrisse*, 20–22, 27, 28, 44, 49, 51, 62, 95, 118, 180, 329

## H

Hegel, Georg Wilhelm Friedrich, 20, 35, 36, 38, 39, 41, 42, 44, 313  
 hegemony, 74, 77, 78, 84, 216, 221, 222, 225, 270, 313  
 higher education, 197, 276  
 Hilferding, Rudolf, 319–322, 324–327, 329

## I

ideology, 16, 23, 72, 76, 206, 207, 248, 258, 270, 312  
 industrial capitalism. *See* capitalism, industrial  
 industrialization, 179, 195, 223, 323, 324, 326

## K

Kant, Emmanuel, 26, 41, 42, 44  
 Kautsky, Karl, 25, 57, 196, 198, 315–317

Keynesian, 140, 146, 147, 180, 188, 248, 327, 328  
 Keynes, John Maynard, 128, 180, 181, 325

## L

labor  
 abstract, 5, 6, 59–61, 93, 97, 102, 108, 109, 114, 115, 136  
 concrete, 5, 6, 32, 59, 108, 111, 114, 117, 118, 289  
 division of, 51, 103, 110, 111, 201, 202, 209, 223, 274, 281, 285, 301, 338  
 labor power, 21, 48, 50, 53, 54, 56, 116, 197, 198, 205, 208, 209, 236, 238, 282, 284–286, 288, 290–294, 296–303, 305  
 labor theory of value, 8, 113, 238  
 Lenin, V.I., 25, 48, 56, 57, 59, 198, 316, 318–322, 325–327, 329, 330  
 Luxemburg, Rosa, 47, 48, 52, 54–59, 61, 194, 222, 316–319, 321, 322, 325–327

## M

means of production, 37, 47–49, 53, 55, 56, 96, 102–104, 149, 193, 194, 203, 209, 210, 262  
 mode of production, 16, 30, 39, 55, 59, 61, 63, 70–72, 107, 110, 117, 119, 120, 149, 162, 173, 193, 194, 196, 211, 282, 283, 298, 299, 318, 319, 328, 329  
 monopoly, 7, 159, 162, 187, 320, 325–327, 331

## O

oppression, 9, 225, 228, 338

organic composition of capital. *See*  
 capital, organic composition of  
 organic intellectuals, 270, 277, 278  
 ownership, 127, 145, 183, 193–196,  
 199, 209, 210, 212

## P

primitive accumulation of capital. *See*  
 capital, primitive accumulation of  
 private property, 149, 187, 196, 211  
 profit rate, 18, 94, 98, 103, 104, 107,  
 126, 163, 219, 315, 320, 322,  
 327, 329  
 proletariat, 4, 49, 198, 284

## R

rate of profit. *See* profit rate  
 relations of production, 48, 69, 199,  
 283, 290, 316, 318, 324, 326  
 reproduction, 29, 51–54, 56, 59, 80,  
 159, 164, 167, 173, 174, 185,  
 199, 201, 202, 205, 208, 211,  
 216, 222–225, 227, 228, 237,  
 247, 248, 254, 258, 262, 282,  
 285, 288, 294, 296, 298, 299,  
 317, 318, 332, 338  
 process, 29, 49, 53, 54, 95, 117,  
 164, 173, 228, 332  
 schemes, 52–54, 56, 92, 93, 96,  
 100–102, 104, 117, 317, 318  
 social. *See* social reproduction  
 Ricardians, 57–59, 61, 92, 93, 102,  
 112, 118, 119, 141, 319  
 Ricardo, David, 59, 93  
 Russia, 51–53, 198, 311, 317–319,  
 321, 323, 331

## S

Say's Law, 318, 319  
 slavery, 30, 283, 290, 295, 299, 338

socialism, 78, 180, 187, 188, 195,  
 311, 313, 319, 326, 328, 331  
 socially necessary labor time, 59,  
 108–110, 113, 114, 117, 118,  
 285, 298  
 social reproduction, 227, 247, 248,  
 258, 262, 317, 332  
 surplus value, 4, 9, 29, 37, 40, 49, 53,  
 54, 56–58, 61, 96–98, 100, 103,  
 107, 111–113, 117, 126, 129,  
 142, 154, 161, 180, 183, 184,  
 188, 194, 195, 199, 205, 207,  
 208, 210, 220, 222, 237–239,  
 243, 255, 282, 283, 285–288,  
 291–293, 295, 296, 299–303,  
 305, 312–317, 320, 326, 330

## T

transformation problem, 28, 91–93,  
 97, 104–107, 112, 119, 120,  
 136, 215, 227, 278, 282, 298

## U

use value, 60, 80, 82, 101–103, 108,  
 236

## V

value-form, 5, 7, 27, 31–34, 38, 39,  
 71, 72, 92, 108, 115, 118–120,  
 136, 148, 149

## W

working class, 4, 52, 75, 79, 93, 185,  
 187, 188, 218, 222, 226, 260,  
 276, 282, 283, 285, 287, 288,  
 291, 294, 295, 297–299, 303,  
 305–307, 314–316, 318, 323,  
 324, 328, 330, 338, 339