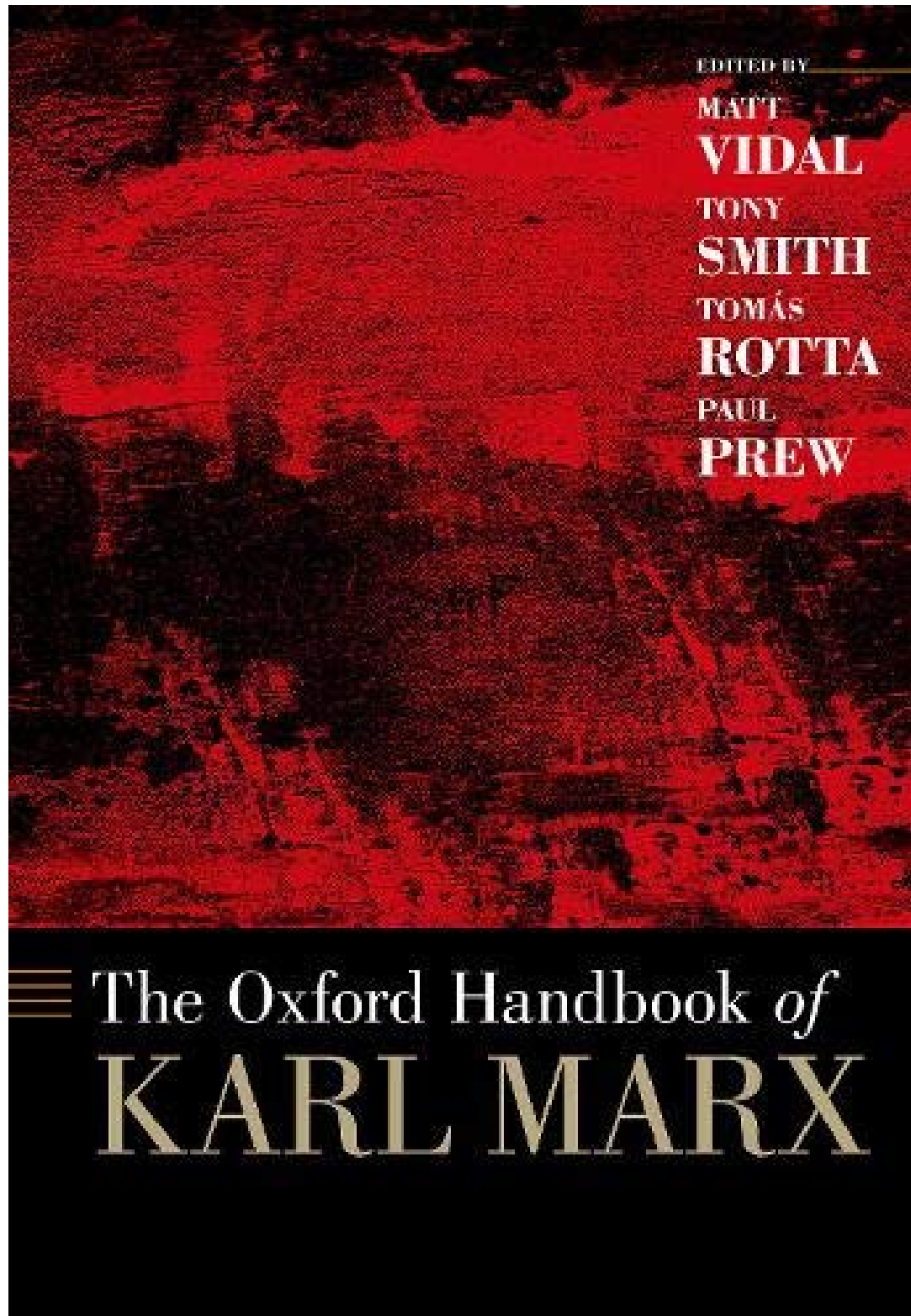


# The Oxford Handbook of Karl Marx

Edited by Matt Vidal, Tony Smith, Tomás Rotta, and Paul Prew

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Paul Prew, Tomás Rotta, Tony Smith, and Matt Vidal

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# Oxford Handbooks Online

## **The Enduring Relevance of Karl Marx**

Paul Prew, Tomás Rotta, Tony Smith, and Matt Vidal

The Oxford Handbook of Karl Marx

*Edited by Matt Vidal, Tony Smith, Tomás Rotta, and Paul Prew*

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### **Abstract and Keywords**

This chapter is the introduction to The Oxford Handbook of Karl Marx. It demonstrates the continuing applicability of Marx's concepts and theories to understanding twenty-first century capitalism, its crises, and the historical development of human society across varying modes of production. It presents an intellectual biography linking the major moments in Marx's life to his ideas and theories. The biography also gives insight into Marx's approach to research by focusing more closely on the method he outlined in the *Grundrisse*. It demonstrates, among other things, that Marx continually revised his ideas in light of new evidence or theoretical understanding. The chapter concludes with brief summaries of the handbook's contributions, paying specific attention to the ongoing relevance of each chapter to societal concerns. While the introduction introduces the reader to the varied chapters in the handbook, it goes beyond mere summary to provide fresh insight into Marx's life, work, and promise.

Keywords: capitalism, class analysis, crisis, historical materialism, institutions, Marxism, Marx biography, modes of production, political economy, social theory

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## **1. The Continuing Relevance of Marx and Marxism**

Karl Marx is one of the most influential writers in history. Despite repeated obituaries proclaiming the death of Marxism, this *Handbook* will demonstrate that in the twenty-first century Marx's ideas and theories remain as relevant as ever. Since his death in 1883, Marx's lasting global impact has been greater and wider than of any other figure in the humanities or social sciences. His theoretical contributions have had profound impacts on politics, sociology, economics, political economy, history, philosophy, geography,

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anthropology, law, ecology, literary studies, media studies, and even management studies (see Vidal's chapter on labor process theory in this volume). In the realms of social theory and in politics, Marx's ideas have spread to virtually every corner of the planet.

Despite the many attempts to bury Marx and Marxism, the strength of his ideas is undeniable. His profound critique of capitalism and of the different modes of production in human history remain, to this day, unparalleled (on modes of production and Marx's materialist theory of history, see the chapters by Blackledge, Heller, and Laibman).

Marxism is capitalism's most radical self-criticism. It critically analyzes the deep roots of our social system. It unveils the structures and the internal logic that organize our economies, cultures, and politics. Once these deeper structures are brought to the fore, Marxism then offers a path to overcome our challenges—both via critique of existing social structures and analysis of ideology and human agency, including a theory of the working class as the necessary agent for transcending capitalism (on Marx's "dialectical" method, see the chapter by Ollman; on transcending capitalism, see the chapters by Hudis, Devine, and Wright).

Marxism is as relevant today as when Marx himself was alive. Reasons for that abound: appalling levels of wealth inequality and exploitation, workplace alienation, and social alienation; the instability of finance, financialization, globalization, and the political turmoil that threatens our fragile parliamentary democracies; gender and racial oppression; climate change and the looming environmental collapse; imperialism; fiscal austerity; immigration crises, unemployment, and job insecurity.

Each major crisis of capitalism rightfully reignites interest in Marx's teachings. Global crises including periods of negative growth and extended recession alongside the large-scale devaluation of capital have occurred in 1857, 1873, 1929, 1973, and 2008. While mainstream economic theory continues to theorize markets as self-regulating and tending toward market-clearing equilibrium, Marx developed the most systematic theory of capitalism as a crisis-prone system, with tendencies toward disequilibrium, overproduction, overaccumulation, and a declining rate of profit (see chapters by Kliman, Murray, Basu, Panitch and Gindin, Vidal, Prew, and Smith).

The 2008 global economic crisis reveals how Marxism offers a convincing explanation of the internal logic of our system. Indeed, it is remarkable that Marx is now featured even in mainstream newspapers and magazines as a theorist of capitalism that should not be ignored. Thus, in the *New York Times*:

[The] educated liberal opinion is today more or less unanimous in its agreement that Marx's basic thesis — that capitalism is driven by a deeply divisive class struggle in which the ruling-class minority appropriates the surplus labor of the working-class majority as profit — is correct. ... Marx's conviction that capitalism has an inbuilt tendency to destroy itself remains as prescient as ever.

(Barker 2018)

In *Time* magazine:

With the global economy in a protracted crisis, and workers around the world burdened by joblessness, debt and stagnant incomes, Marx's biting critique of capitalism — that the system is inherently unjust and self-destructive — cannot be so easily dismissed. ... A growing dossier of evidence suggests that he may have been right. ... That leaves open a scary possibility: that Marx not only diagnosed capitalism's flaws but also the outcome of those flaws. If policymakers don't discover new methods of ensuring fair economic opportunity, the workers of the world may just unite. Marx may yet have his revenge.

(Schuman 2013)

In *The Guardian*:

For Marx and Engels' ... manifesto was a call to action ... Today, a similar dilemma faces young people: conform to an established order that is crumbling and incapable of reproducing itself, or oppose it, at considerable personal cost, in search of new ways of working, playing and living together? Even though communist parties have disappeared almost entirely from the political scene, the spirit of communism driving the manifesto is proving hard to silence.... the problem with capitalism is not that it produces too much technology, or that it is unfair. Capitalism's problem is that it is irrational.

(Varoufakis 2018)

Sales of *Das Kapital*, Marx's masterpiece of political economy, have soared ever since 2008, as have those of *The Communist Manifesto* and the *Grundrisse*.

(Jeffries 2012)

In *The Atlantic*:

Marx was a keen admirer of that other great Victorian Charles Darwin, and according to Engels he wanted to do for the economic system what the author of *The Origin of Species* had done for the natural order: lay bare its objective laws of motion and thus make it possible at last to dispense with subjective and idealist interpretations.

(Hitchens 2009)

Even in the *Financial Times*:

From the efforts of this lonely scholar, known then only to a narrow circle, would emerge an intellectual tradition that would find its place alongside that of Darwin

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as one of the great legacies of the Victorian age. It would inspire a political movement that spanned the world.

(Tooze 2018)

Critics of Marx declared that Marxism was dead with the implosion of the Soviet Union in 1991 and the further conversion of India and China to globalized capitalism. The irony is, of course, that the capitalist world Marx described—the world market in which every aspect of social life becomes commodified—became even truer exactly when the Soviet Union collapsed, and China joined the global economy.

As far back as in the 1840s, Marx's prescient prediction of the globalized, financialized, and inequality-ridden economy we have in the twenty-first century was the result of his theory of the inner logics of capitalist development, including its immanent contradictions, antagonisms, and crisis tendencies. The social structures and contradictions that he conceptualized are now unfolding on an unprecedented global scale. The commodity form and the profit motive spare nothing and no one (see Rotta and Teixeira's chapter in this volume for an analysis of the commodification of knowledge and information). The capitalist class appropriates an increasingly unequal share of global wealth. And capitalism's drive for infinite growth and accumulation has generated climate change and impending environmental disaster. As capitalism's most profound thinker and radical critic, Marx will be relevant as long as society remains capitalist.

The popular interest in Marx is mirrored by increased academic interest, although the latter predates the 2008 global financial crisis. Data from Google Scholar show that over the last two decades, citations to Marx have undergone a continuous remarkable increase. From 1977, the first year of available data, through 1995, annual citations to Marx hovered between 1,551 and 2,208.<sup>1</sup> From there, citations increased to 7,993 in 2005 and to a staggering 20,136 in 2015. The only decline in citations to Marx during the last twenty years was in 2016 and 2017—slight drops from the towering 2015 peak.

The exceptional growth in citations to Marx provides strong evidence of his continuing relevance and appeal within the academy. In our view, the lull in Marxist research during the 1970s and 1980s was likely driven by a combination of political and intellectual developments. Politically, the radical movements of 1968 were defeated, the working class was fragmented and demoralized by the open class war unleashed by capital in the face of declining profits and stagnation in the 1970s, and the increasingly evident failure of the Soviet and Maoist models of socialism to provide an acceptable alternative. Intellectually, grand theory—of which Marxism is the preeminent model—suffered a one-two punch of Merton's (1968) influential call for mid-range theory and the postmodern critique of grand narratives (Lyotard [1979] 1984).

In any case, even before the recent surge of interest in Marx, there has been a bewildering array of Marxist schools and publications, varying widely in terms of disciplinary focus and approach. Further, Marx developed an entire technical terminology that Marxists have found very useful (e.g., use-value, exchange-value, organic

composition of capital, etc.) and a method of analysis (dialectical materialism), both of which can be difficult for the uninitiated to understand. For those wishing to better understand Marx's work, the historical debates and traditions within Marxism, and the range of ways in which Marxist theory is being used for social science today, finding a point of entry can be daunting.

This *Handbook* provides a comprehensive, if not exhaustive, resource for both those new to Marx and for experts, presenting the state of the art in Marxist theory and research but with an emphasis on accessibility. In line with the inherently interdisciplinary nature of Marx's own intellectual project, this *Handbook* provides roughly equal space to sociologists, economists, and political scientists, with contributions from philosophers and historians.

The *Handbook* has six major sections: Foundations; Labor, Class, and Social Divisions; Capitalist States and Spaces; Accumulation, Crisis and Class struggle in the Core Countries; Accumulation, Crisis and Class Struggle in the Peripheral and Semi-Peripheral Countries; and Alternatives to Capitalism. But before we provide an overview of these sections and the individual chapters, we provide a brief intellectual biography of Marx.

## 2. The Intellectual Biography of Karl Marx

In the following intellectual biography, Marx's major scholarly works are situated in the background of his life.<sup>2</sup> To help provide additional context to the chapters in this handbook, special attention is paid to Marx's method. During his life, he suffered poverty, illness personally and in his beloved family, quarrels with his contemporaries, and sporadic paid employment, mainly from newspaper articles. Despite the hardships, Marx maintained active political engagement and a relentless commitment to research. The style of Marx's research is nearly as crucial as his conclusions. His "Method of Political Economy" establishes the foundation for sound Marxist scholarship, and Marx's approach to research contributed to the longevity and relevance of his work.

Marx was born in Trier on May 5, 1818, during turbulent times. Police surveillance and repression were commonplace (e.g., police raided his school after a local free-speech rally. After finding copies of the rally speeches, police arrested a student and placed the headmaster under surveillance). Once he left for the University of Bonn in 1835, Marx joined discussion groups such as the "Poets Society," which were thinly disguised to discuss politics of the time. Marx's intellectual curiosity was matched by his rowdy nightlife. As one of the co-presidents of the Trier Tavern Club, Marx was prone to drinking and fighting, even engaging in a duel that left him with a small scar over his left eye. His father, hearing of his exploits, moved him to the University of Berlin (Wheen 1999:13, 16–17). There, Marx pursued and became engaged to Jenny von Westphalen,



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whom he would eventually marry and remain with until her death in 1881 (McLellan 1973:18).

While in Berlin, Marx's interests shifted from the study of law to philosophy. He was drawn to ideas of G. W. F. Hegel, the former chair of philosophy who had recently passed away. A group of students known as the "Young Hegelians" critically engaged Hegel's philosophy, embracing the "subversiveness" of his earlier work (Wheen 1999:23-24). In Hegel's philosophy the dialectical method was paramount. For Hegel, knowledge develops through examining and then overcoming the contradictions in theoretical positions.

In the "Afterword to the Second German Edition" of *Capital*, Marx reflected on this earlier period of his life. While joining the criticism of Hegel at the time, Marx felt that Hegel "was the first to present [the dialectic's] general form of working in a conscious and coherent manner." In Marx's view, Hegel's dialectic posited that material reality was the realization of thought, but Marx felt the dialectic must be "turned right side up again" by asserting "the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought" (Marx [1887] 1977a:19). The dialectic is central to Marx's research method. To truly understand social reality, the detailed study of any subject must analyze the inner connections of the object of study before being able to understand the totality. During this period, he developed a habit of making extracts from the books he researched (Wheen 1999:25). Insights into Marx's thought continue to be revealed due to this lifelong habit.

Given the political conditions of the time, the completion of his doctoral thesis ("The Difference Between the Democritean and Epicurean Philosophy of Nature") in 1841 did not guarantee him a position at a university. When his colleague, Bruno Bauer, was dismissed from the University of Bonn for his views, Marx saw his own career path truncated (Rubel and Manale 1975:22). He thus began a career in journalism, submitting articles to the *Rheinische Zeitung* and subsequently becoming its editor. Marx wrote an article defending the right of the public to access dead wood, denouncing laws prosecuting the "theft of timber." He published two articles on the plight of the Mosel wine-farmers before the newspaper was banned in 1843 by the Prussian state. To reinforce their point, the Prussian government issued arrest warrants for Marx and others involved in its publication.

Marx then formed the *Deutsch-Französische Jahrbücher* with Arnold Ruge. After one issue, the paper, based in Paris, collapsed due to problems smuggling the paper into Germany and disagreements between Marx and Ruge. The sole issue of the *Jahrbücher* included Marx's "On the Jewish Question" and articles submitted by one Friedrich Engels, including "Outlines of a Critique of Political Economy." This article impressed Marx, nurturing his interest in economic issues and leading to further correspondence between the two, resulting in their lifelong relationship. Marx would later quote from Engels's essay in *Capital* (McLellan 1973:43, 48-53, 56, 59, 98, 106).

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In Paris in 1844, Marx began his deliberate study of capitalism. Many of the fundamental concepts and his general orientation to the critique of capital were developed in the *Economic and Philosophic Manuscripts of 1844*, but this work is best known for his elaboration of the concept of alienation (Pospelova 1975:xvi). In the *Manuscripts*, Marx outlined the notion of “species being” in contrast to an immutable human nature. For Marx, species being is the result of complex processes of natural evolution, manifested socially in the form of creative human labor. The “conscious life activity” (Marx [1844] 1975:276) is creative, social labor in direct interaction with nature (Marx [1844] 1975:277). Marx argued that the capitalist economy estranges people of this species being (see the chapter by Swain. Wage laborers were alienated in four interrelated ways: from the product of their labor, the process of production, their species being, and each other (Marx [1844] 1975:275, 277). He concluded, “*Private property* is thus the product, the result, the necessary consequence, of *alienated labour*, of the external relation of the worker to nature and to [the self] (Marx [1844] 1975:279 italics in original). For Marx, only through alienating people is it possible to have private property. This important clarification establishes that alienation is no mere consequence of private property in the capitalist economy, but its fundamental operation is contingent on the alienation of workers. Without alienated labor, the capitalist economy does not exist.

Marx’s journalism would again result in his expulsion, this time from France. His ongoing participation in the newspaper *Vorwärts* contributed to officials pressing him to leave Paris. Certainly, with tongue firmly in cheek, Marx was forced to pen assurances he would not engage in seditious activity in Brussels. “To obtain permission to reside in Belgium I agree to pledge myself, on my word of honour, not to publish in Belgium any work on current politics” (Marx [1845] 1975:677; Wheen 1999:90). In Brussels, Marx continued his research and partnered with Engels on *The German Ideology*, which was not published during their lifetimes. The work of Marx and Engels in *The German Ideology* begins to solidify the historical materialist approach and contrasts their approach to Ludwig Feuerbach, Bruno Bauer, and Max Stirner. According to Marx, it helped provide “self-clarification” despite being abandoned to the “gnawing criticism of the mice” (Churbanov 1976:xiii, xv). Also prior to *The German Ideology*, Marx penned the *Theses on Feuerbach*, a brief list of critical reflections. The eleventh thesis, the most famous and most integral to Marx’s emancipatory project, states “The philosophers have only *interpreted* the world, in various ways; the point, however, is to *change* it” (Marx [1845] 1972:109 italics original).

Balancing research and active political engagement, Marx was determined to put ideas into practice. In 1846, Marx formed the Communist Correspondence Committee. Later in 1847, He joined the Communist League, and so impressed the League that he was chosen, along with Engels, to write the manifesto to outline its principles (McLellan 1973: 54, 177). Although Marx put his distinctive stamp on the *Manifesto of the Communist Party*, it was a polemical work intended to focus the energies of the disgruntled masses of the time. The *Manifesto* is an easily digestible length, and unfortunately many commentators have been satisfied repeating the incendiary and polemical rhetoric of the *Manifesto*, ignoring the detailed and lengthy arguments in Marx’s major theoretical

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works. Gross errors of interpretation, such as accusations of a “Promethean” Marx, can be largely traced to researchers who rely too heavily on the intentionally inflammatory rhetoric of the *Manifesto*. However, concepts central to his future work do appear in the *Manifesto* such as the lengthening of the working day, intensification of labor, alienated workers reduced to appendages of the machines, and the tendency of capitalism toward crises of overproduction (Marx and Engels [1848] 1984:490–491).

As the tensions deepened in Europe between workers and the ruling elites, Marx found himself expelled from Belgium after the publication of the *Manifesto*. After moving to Cologne, Marx started *Neue Rheinische Zeitung*, a newspaper focused on the revolutionary activity in Europe from 1848 to 1849. The content of the paper forced Marx from Cologne to France, temporarily, before being pressed to London (McLellan 1973: 190, 194, 198, 221, 225).

After the move to London in 1849, Marx and his family struggled financially and faced considerable health problems. Engels helped support Marx financially, but Marx suffered liver problems, and his wife, Jenny, fell ill with smallpox. Although she recovered, Jenny’s illness not only affected him personally but also slowed his research. Marx relied on Jenny, as his secretary, to transcribe his poor handwriting and manage his daily life. To supplement his income, he wrote short books and newspaper articles. Although helpful financially, Marx begrudgingly contributed articles to the *New York Daily Tribune* but felt they were a distraction and not scientific. During this challenging period, he was able to spend time researching in the British Museum from 1850 to 1851 (McLellan 1973:264–266, 331, 337, 330, 270, 284–285, 280). The ambitiousness of his project cannot be overstated: over the 1850s, Marx read all major political economists up to that time, resulting in what are known as the London Notebooks, “which contain several thousand pages of excerpts and commentaries on economic literature” (Heinrich 2016: 70).

Marx’s vociferous attitude and approach to the critical understanding of capitalism not only generated antagonisms with government officials but also with members of the organizations he joined. One such dispute arose with August Willich, a former military acquaintance of Engels and member of the Communist League. Willich intentionally needled Marx by making inappropriate advances toward his wife, Jenny, and more grandiose gestures of revolutionary action. When tensions rose to a crescendo at a league meeting in 1850, Willich challenged Marx to a duel. In this case, Marx refused based on Willich’s military prowess. In Marx’s stead, Conrad Schramm took up the challenge despite having no experience with a pistol. Marx’s family and friends received word that Schramm was shot in the head. While fondly eulogizing Schramm at a gathering in Marx’s home, the door opened, and Schramm, laughing with a bandaged head, recounted how he received only a glancing blow. His opponent, thinking him dead, left the scene. Despite the good fortune of their friend, the internal tensions proved too great for the Communist League, and it would dissolve just weeks later (Wheen 1999:164–165).

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While in London, Marx would reflect on the 1848 revolution in France through the *Eighteenth Brumaire of Louis Bonaparte*, first published in 1852. His analysis is a concrete application of the historical materialist method and begins with the famous quote describing the conditional nature of revolutionary activity (Marx [1852] 1979: 103).

[People] make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living.

Marx analyzed the class interests in the 1848 revolution to demonstrate that the contest between the two wealthy classes, the capitalist bourgeoisie and the landed aristocracy, provided the opportunity for Napoleon III to form a coalition with peasantry, securing control of the nation.

Marx's work on his magnum opus, *Capital*, began in earnest with his move to London. He produced volumes of notes from 1850 to 1853 in preparation. Between 1857 and 1858, Marx produced a rough draft of *Capital*, again, for "self clarification" – this draft is known as the *Grundrisse* (Vasilyeva 1986:xii, xiv). Within the *Grundrisse*, Marx outlined his "Method of Political Economy." In this section, Marx contrasted his view with seventeenth-century political economists who began with the whole but ended up with a few general relations. Marx ([1857–1858] 1986:37) argued,

If one were to start with population, it would be a chaotic conception of the whole, and through closer definition one would arrive analytically at increasingly simple concepts; from the imagined concrete, one would move to more and more tenuous abstractions until one arrived at the simplest determinations. From there it would be necessary to make a return journey until one finally arrived once more at population, which this time would be not a chaotic conception of the whole, but a rich totality of many determinations and relations.

The method of political economy begins by studying the components of the system so that the relations of these components are clear as specific, concrete relations of the whole.

Likewise, abstract categories must be understood in their historical context and not applied across historical periods. He cautions that terms like money and labor may be general concepts spanning various historical moments, but their specific form should not be applied outside its historically specific context. For example, money existed in earlier societies, but its role "does not penetrate all economic relations" (Marx [1857–1858] 1986:40). The specific role of money in a capitalist economy is different than in prior societies. To be truly empirical and scientific, historically specific analysis of society is essential.

Marx argued his method was a clear improvement over the approach of earlier economic thinkers. To clarify the weaknesses of previous approaches, Marx contrasted his "Method of Political Economy," to Adam Smith. Although Marx praised Smith for successfully

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employing the abstract notion of labor to overcome the limitations of prior political economists, he argued Smith's conceptualization of labor was incorrectly applied to all historical epochs (Marx [1857-1858] 1986:40-41).

The example of labour strikingly demonstrates that even the most abstract categories, despite their being valid—precisely because they are abstractions—for all epochs, are, in the determinateness of their abstraction, just as much a product of historical conditions and retain their full validity only for and within these conditions. Bourgeois society is the most developed and many-faceted historical organisation of production. The categories which express its relations, an understanding of its structure, therefore, provide, at the same time, an insight into the structure and the relations of production of all previous forms of society out the ruins and components of which were used in the creation of bourgeois society. Some of these remains are still dragged along within bourgeois society unassimilated, while elements which previously were barely indicated have developed and attained their full significance, etc. The anatomy of [the person] is a key to the anatomy of the ape. On the other hand, indications of higher forms in the lower species of animals can only be understood when the higher forms themselves are already known. Bourgeois economy thus provides a key to that of antiquity, etc. But by no means in the manner of those economists who obliterate all historical differences and see in all forms of society the bourgeois forms. One can understand tribute, tithe, etc., if one knows rent. But they must not be treated as identical.

(Marx [1857-1858] 1986:42)

Likewise, labor, although an abstract category, must always be understood in the context of its historical epoch. Given the different relations of production, labor in contemporary capitalist society cannot be equated with labor of settled agriculture. Similarly, all general concepts like class, exchange, money, etc. must be understood in their historically specific contexts (Marx [1857-1858] 1986:41-42).

It was Marx's background in philosophy, insatiable quest for knowledge, and meticulous attention to detail that led him to such fine distinctions. His proclivity to devour anything he felt relevant to political economy gave him the opportunity to find similarity in Darwin's *Origin of Species*. Marx noted that Darwin "in the field of natural history, provides the basis for our views" (Marx [1860] 1985:232). Marx's dialectical approach is centered on the understanding that the organization of society is dependent on its metabolism with nature. Also, he found a consonance with Darwin's idea that organisms do not necessarily progress from a simple to a complex form. Although there is no evidence that Darwin paid much attention to Marx (Raddatz 1978:232), Darwin more explicitly addressed the lack of progression in natural selection in later editions of *The Origin of Species*, "natural selection ... does not necessarily include a progressive development—it only takes advantage of such variations as arise and are beneficial to each creature under its complex relations of life" (Darwin [1872] 1979:83). Upon deeper

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inspection however, Marx noted significant reservations regarding certain aspects of Darwin's theory, "I'm amused that Darwin, at whom I've been taking another look, should say that he also applies the 'Malthusian' theory to plants and animals" (Marx [1862] 1985:381). Marx was highly critical of Malthus, who used a flawed, mathematical population model to argue against aid to the poor (Foster 1998). Marx was dismayed that Darwin was incorrectly applying a discredited theory of human population to the natural world.

Marx's critical nature did delay the research and publication of *Capital*. While unnecessary for the larger project of *Capital*, Marx took considerable effort to respond to attacks by Karl Vogt who published a book disparaging him. During 1860, he became mired in a thorough critique of Vogt and fired back with a book of his own, *Herr Vogt*. In the end, documents revealed Napoleon III secretly paid Vogt (McLellan 1973:311-315).

While writing *Capital*, Marx continued his political activity. He joined the Working Men's International Association (The International) (McLellan 1973:360) and was solicited to write the "The Inaugural Address of the International" and its "General Rules" in 1864. It was also in the International that Marx clashed with Mikhail Bakunin. Contrary to Marx's empirical research and theorizing, Bakunin did not value theory as Marx did, and felt revolutionary action should arise out of the moment, unhindered by theory (Thomas 1980: 256, 260-261, 284).

Between 1861 and 1863 Marx produced a manuscript consisting of 23 notebooks, running to 1,472 pages. This manuscript was written as a draft of the work that was to complete the project started with the 1859 *Contribution to the Critique of Political Economy*. It included an outline of six volumes on "Capital," "Landed Property," "Wage-Labour," "The State," "Foreign Trade" and "The World-Market." However, Marx subsequently decided to abandon that analytical plan and start over from the beginning with a different analytical plan, which would result in the three volumes of *Capital*. Parts of the 1861-1863 manuscript were posthumously collected into three volumes of *The Theories of Surplus Value*.

Amidst personal health and financial woes, Marx's work on *Capital* proceeded. He continued to research as he worked to complete the first volume. He would not deliver the final corrections for the first volume of *Capital* until August of 1867 (McLellan 1973: 335, 341). As was his nature, Marx would revise his work in future editions based on new developments in the research he devoured. Despite declining health, he made revisions and clarifications to the second edition of *Capital* (Marx [1887] 1977a:12-13). Before completing the revisions for the third edition and being able to complete Volumes II and III, Marx died March 14, 1883. Engels would take on the task of editing and assembling Marx's notes into the remaining two volumes of *Capital* (Engels [1887] 1977:27-29).

As more of Marx's notebooks are transcribed and published, new insights come to life. His habit of making notations regarding extracts of texts reveals more of his research process and thought. Based on his ongoing interest in agriculture, Marx not only followed the latest research but also actively adjusted and integrated the latest developments of soil science in his latest versions of *Capital*. After publishing Volume I of *Capital*, Marx

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followed the debates in soil science and took notice of recent research documenting the effect of human activity on local climates. In his notebooks, he includes excerpts documenting the effects of deforestation on temperature and precipitation in regional climates (Saito 2017:242-243). He also took note of new breeding practices in animal agriculture. In his notes, Saito quotes Marx, "Characterized by precocity, in entirety sickliness, want of bones, a lot of development of fat and flesh etc. All these are artificial products. Disgusting!" (Saito 2017:209). Marx continues by commenting on the use of confinement for animals and the ill effects on their health. The ongoing publication of Marx's notebooks adds to our understanding and reinforces the meticulous nature of his research method.

Despite his herculean output, Marx was unable to complete the project he set out for himself. Included in his outline was the intention to write books on the state, foreign trade, and the world market (Marx [1859] 1987:261), but he did not get beyond his notes to prepare them for publication. His chapter on classes ends with the editorial note, "Here the manuscript breaks off" (Marx [1894] 1998:871).

No human being could accomplish the scope of research Marx intended to complete, but his voluminous contributions are a testament to his research prowess. The Marx/Engels Collected Works (MECW) is a fifty-volume set containing English translations of all works published by Marx and Engels in their lifetimes along with previously unpublished manuscripts and letters. The Marx-Engels-Gesamtausgabe (MEGA) contains all works published by Marx and Engels in their lifetimes and numerous unpublished manuscripts and letters, edited in the language they were originally written in (mostly in German but some in French and English). There have been sixty-five volumes released so far, and it is anticipated that the total number of volumes needed will be 114.

One fundamental reality of contemporary scholarship, Marxist or otherwise, is the impending "publish or perish" dictate that presses scholarly thought into the limited confines of scholarly journal requirements. The systematic and exhaustive research process characteristic of Marx's work is decidedly rare and produces a much different scholarly product than the research findings easily conveyed in a journal article. Marx's accomplishments are not easily repeatable in the current academic context. Few contemporary academics afford themselves the decades of necessary research, absorption of diverse scientific fields, reflection, and revision that was integral to Marx's method. The contemporary journal article research process is, as C. Wright Mills caustically complained, "Let us accumulate many microscopic studies; slowly and minutely, like ants dragging many small crumbs into a great pile, we shall 'build up a science'" (Mills 1959:127). With much social science seemingly lost in a mire of mid-range theory, accumulating a vast array of empirical findings that are only partially theoretically commensurate, the grand theory of history and capitalism that Marx developed provides a basis for organizing and integrating social science research into a coherent, cumulative theoretical framework (Vidal et al. 2015).

Yet, building on, testing, and refining Marx's grand theory remains challenging, given the range of schools within Marxism. The wide and varied project known as Marxism has a history of contested interpretations. We do not doubt that Marx would, while drinking a beer and puffing on a cigar, derisively criticize some of the ideas and analyses in this volume. But we are also sure such criticism would be in the name of truth, not dogma. Famously, in response to a dogmatic interpretation of his ideas, Marx exclaimed: "I, at least, am not a Marxist" (Engels [1890] 1990). Indeed, when new theoretical arguments or empirical evidence justified it, Marx abandoned ideas he had previously held (as demonstrated in the chapters by Anderson, Blackledge, Jessop, and Lin).

Though surely critical, we also hope Marx would be moved by the examination and extension of his ideas contained in the chapters to follow. As editors, we attempted to present the best possible collection of subjects representative of Marx and his intellectual legacy. But for the sake of breadth, we include contributions that do not align with our understanding of Marx's intent. It is up to the discerning reader to adjudicate the claims herein, their alignment with Marx's historical materialism, their utility for empirical/historical analysis, and ultimately their theoretical persuasiveness.

### 3. Overview of the Handbook

The first section—"Foundations"—includes nineteen chapters that cover foundational concepts and propositions that constitute the core of Marx's theories of history, society, and political economy. These chapters focus on elaborating Marx's own theories by providing exegesis of Marx's own writings and, in most cases, also surveying the major contributions of scholars following Marx. They demonstrate that all of the core elements of Marx's historical materialism and political economy of capitalism continue to provide compelling theoretical frameworks that can be fruitfully applied to empirical social science and historical analysis. This section covers Marx's theories of history, class, method, ideology, value, money, capital, labor, crisis, the state, social reproduction, technology, alienation, and knowledge.

Following the "Foundations" section, which is focused on theory, the remaining sections are mostly focused on applications of Marxist theory to contemporary issues. There are some exceptions to this rule, most notably, Kevin Anderson's analysis of Marx's writings on nationalism and Chun Lin's examination of how Marx's evolving view of Asia led to a remarkable breakthrough in his theory of history.

The second section—"Labor, Class, and Social Divisions"—presents five chapters on how various axes of division interact with class. It covers labor unions, migration, race, nationalism, and hegemony. The chapter we originally commissioned on gender, by Martha Gimenez, ended up providing a close textual reading of Marx and Engels on gender and social reproduction, so we moved it to the "Foundations" section. Readers interested in the Marxist analysis of gender may consult that chapter and also see



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Jimenez (2001). The third section— “Capitalist States and Spaces”—presents a chapter on crises and the state, a chapter on the European Union, and a chapter on the urbanization of capital.

The next two sections present political economic analyses of various regions and states, drawing on the distinction from world-systems theory between the core of the global capitalist economy and its periphery and semi-periphery. The fifth section— “Accumulation, Crisis, and Class Struggle in the Core Countries”—presents five chapters. These cover growth, crisis, and struggle from a number of different perspectives, including social structures of accumulation (McDonough), regulation theory (Vidal), and world-systems theory (Prew). We commissioned an article presenting the Monthly Review school but unfortunately this chapter was not delivered. The sixth section —“Accumulation, Crisis, and Class Struggle in the Peripheral and Semi-Peripheral Countries”—presents five chapters on growth, crisis, and struggle in Latin America, South Asia, Asia, the Middle East, and Russia. We commissioned a chapter on Africa, but unfortunately this chapter was not delivered.

The final section—“Alternatives to Capitalism”—consists of three chapters. We now turn to provide a brief overview of each chapter.

### Part I. Foundations

Paul Blackledge’s chapter “Historical Materialism” amply demonstrates that far from the caricature of being a reductive, mechanical, deterministic, and teleological theory of history, Marx’s historical materialism appreciates historical complexity while avoiding the descriptive eclecticism common to non-Marxist history. The materialist theory of history does not reduce everything to class or technology but does see humanity’s productive engagement with nature as the central factor within a complex, evolving totality of forces and relations.

The forces of production (labor power, raw materials, instruments, and machines) define what is possible at a given stage of development. The relations of production (relations of ownership and control of private property) do not mechanically and unidirectionally determine legal, political, and ideological forms but rather frame material interests and thus shape the parameters of social struggles. In a dialectical fashion, human behavior is constrained by these forces and relations, but humans remain the active agents of social change. The resulting analytical framework was never meant to be a mechanical and teleological theory of the inevitable and unilinear progression of all societies through a small set of modes of production (tribal, slave, feudal, capitalist) but a map for understanding revolutionary politics.

Henry Heller’s chapter “Class and Class Struggle” shows that class struggle has driven historical change from the Bronze Age to the present. Marx theorized primitive communism (tribes) and various class-based, precapitalist modes of production: slave,

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Asiatic, and feudal. While his general outline of transitions between modes of production based in historically evolving class structures has been broadly vindicated by historical evidence, subsequent scholarship has revised his theorization of modes of production.

The most important development has been Samir Amin's (1985) concept of the tributary mode of production, in which surplus is extracted from peasant communities in the form of rent or taxes by the state. This mode, the most common and longest-lasting precapitalist mode, has existed since the Bronze Age in both European and non-European societies at times in combination with extensive slavery. There are ongoing debates about whether medieval European feudalism is a variant of the tributary mode. Both the tributary and feudal modes were characterized by ongoing peasant revolts against the landlord class. Within European feudalism, the emergent capitalist class waged a two-sided war, against the feudal aristocracy and absolutist state, and against the peasantry through primitive accumulation.

David Laibman's chapter "Forces of Production and Relations of Production" defends Marx's theory of history as a scientific analysis of social evolution. The development of productive forces (the way human beings are connected to the external world through use of tools and machinery, as well as the human capabilities developed in their use) plays a crucial role in this evolution, shaping the sorts of production relations among social agents that are possible and not possible. In this sense the productive forces have a certain "social-functional primacy" in social evolution, even if equal weight must be given to the changing requirements for reproducible systems of exploitation—incentive, coercion, and control.

Laibman develops and defends a reconstruction of the main theoretical stages in world history—primitive communal, slave, feudal, capitalist, and socialist/communist. Each earlier stage in this sequence is the precondition for those that follow. Each is beset by a contradiction the succeeding stage must resolve. Laibman emphasizes that this is not descriptive history. In empirical history transitions to succeeding stages are not inevitable. Nonetheless, Laibman concludes, it is possible to discern a long march of humanity toward non-antagonistic and principled social systems opening up pathways toward ever-greater individuality, equality, creativity, cooperation, community, and fulfillment of human potential.

Bertell Ollman's chapter "The Eight Steps in Marx's Dialectical Method" presents an analysis and reconstruction of Marx's dialectical method. He notes that Marx never wrote a systematic presentation of this method, despite its centrality to his work and his unwavering commitment to it. Indeed, Ollman demonstrates that Marx avoided or downplayed the explicit discussion of dialectics in *Capital* (1867) at the urging of Engels and their confidant, Dr. Kugelmann, both of whom noted the commercial failure of Marx's *Contribution to a Critique of Political Economy* (1859). However, the core insights of *Capital* were arrived at via the dialectical analysis Marx deployed in the 1844

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*Manuscripts* and the *Grundrisse*, both of which Marx wrote for his own “self-clarification,” not for publication.

According to Ollman, the first two critical steps in Marx’s dialectics are the philosophy of internal relations and the process of abstraction. The former sees all processes are internally related, either directly or indirectly. The second holds central the need to single out and focus on particular, fundamental elements of these internally related processes and social relations. Marx abstracted totalities of the human condition, class society, and capitalism. The third step is the analysis of dialectical laws, most importantly appearance/essence, identify/difference, quantity/quality, and contradiction. The fourth step is inquiry, the fifth self-clarification, and the sixth presentation. The seventh is the relation between theory and practice. The final step is return to Step 1 and repeat again. Ollman sees this sequence of steps, each building on the last, as the key “that enabled Marx to obtain his unparalleled understanding of capitalism.”

Jan Rehmann’s chapter “Ideology as Alienated Socialization” argues that Marx and Engels theorized ideology as the ensemble of discourses and practices in class-based societies that socialize individuals in an alienated way. Workers and capitalists alike are dominated by the capitalist market, ceding their collective agency in the face of the ostensible naturalness of capitalist social relations and forms. Thus, against interpretations that see Marx and Engels’s theory of ideology as referring to false consciousness or, more broadly, as the medium of consciousness in general, Rehmann provides textual evidence for a reading of ideology as the “inverted” consciousness, or “distorted conception,” that results from living in a class society, private property, and the state. In short, ideology is not merely false consciousness regarding one’s class position, but is the general mystification produced by the discourses, practices, and divisions of labor within class society. These material practices and divisions give rise to particular “objective thought forms”—an ideological superstructure—that conceal the true nature of society. Like the state, ideology would thus “wither away” in a classless society.

Geert Reuten’s contribution, “Marx’s Conceptualization of Value in *Capital*,” distinguishes three conceptual stages in Marx’s theory of the determination of value. In Part 1 of Volume I the value of commodities is statically determined by the average socially necessary labor time required to produce them. In Part 4 a more dynamic process is examined, taking into account both changes in the intensity of labor and changes in the productive power at labor’s disposal. As these determinants are introduced, the idea of measuring value in terms of clock time no longer makes any sense. Money, Reuten insists, is the only possible measure of value, even if labor time is crucial to the explanation of what value is. It is also the case that divergent rates of surplus value between sectors must now be theoretically acknowledged, since there is no mechanism for productive powers to be generalized across sectors of production. A third stage of value theory is found in the unpublished manuscripts that Engels edited as Volume III, where Marx posed the problem of how values could be transformed into prices of production prices. In

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these calculations values and prices of production are both taken in static (average) terms, with equal rates of surplus-value across sectors presupposed.

Reuten argues that the accounts of value determination in section 4 of Volume I and Volume III are only compatible if we assume that productive powers and compositions of capital are equalized across sectors. All empirical evidence points against this assumption. In this context it is important to recall that the manuscripts that became Volume III were written before the publication of Volume I. Reuten concludes that had Marx lived to revise the Volume III manuscripts, he most likely would have realized that his new emphasis on how technology increases productive power made his earlier discussion of the transformation problem in Volume III irrelevant.

Alan Freeman's chapter "Value and Class" studies Marx's theory of class, with particular reference to Volume III of *Capital*, often misunderstood as a narrowly "economic" work, where the full power of Marx's theory of value becomes apparent as he applies it to merchants, money owners, and landowners. A class, for Marx, is defined by a type of property, in contrast to modern social theory, which defines classes by income or status. Each special type of property generates a type of revenue such as interest or rent. In contrast to neoclassical economics, this revenue does not "naturally" arise from the productive contribution of a factor of production. It is an entitlement, conferred on a property owner by the rights which society grants, and drawn from the general pool of surplus value created by labor. These classes, notably finance, are thus neither distortions of capitalism nor pre-capitalist survivals; they are the product of capitalism itself, and the site therefore of its most explosive contradictions.

Leda Maria Paulani's chapter "Money" explains Marx's concept of money and how it is fundamentally different from other concepts of money in the social sciences. Money is a contradictory object that can be fully understood only through a dialectical approach. Failure to acknowledge the contradictory constitution of money leads to a theoretical misunderstanding of what money in capitalism is. In this regard, the Neoclassical and Keynesian approaches to money are incomplete and inadequate. But the Marxist theory of money also faces its challenges today, among them two in particular: the determination of the value of money and how inconvertible money can function as a measure of value. The last part of the chapter explains how inconvertible money operates in our contemporary international monetary system and how it relates to the existence of fictitious capital.

Andrew Kliman's chapter "Capital" explicates Marx's concept of capital and argues that *Capital* is specifically about capital, not all of capitalist society. In Marx's conception, capital has two forms, money and means of production, but capital itself is the process of self-expansion of value, or valorization. The commodity fetish and subsumption of labor under capital are explored in relation to this. Employing Marx's concept of the circuit of capital, the chapter considers his theory that value self-expands by extracting surplus labor and his understanding of the reproduction and accumulation of capital. It also argues that failure to rigorously respect the difference between constant capital and the

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value of means of production is one source of allegations that Marx's value theory and falling-rate-of-profit theory are logically inconsistent or incorrect. Finally, his theory of surplus-value is compared to the view that interest is a "return to capital."

Patrick Murray's chapter "Capital: A Revolutionary Social Form" examines how capital, the specific social form of production, is invisible within the "bourgeois horizon" characterizing non-Marxian social thought as well as much traditional Marxism. As a result, it becomes impossible within that horizon to understand the purpose of production in capitalism, the endless accumulation of surplus value. The heart of Murray's paper is a comprehensive account of how capital shapes and subsumes human life to its alien purpose. Merely formal subsumption brings production under capital's oversight without transforming its production materially or technically. The real subsumption of labor under capital, in contrast, goes beyond formal subsumption by materially or technically transforming production for the sake of surplus value.

Ideal subsumption under capital expresses its power over our imaginations. Production that is not formally subsumed under capital is thought of as if it were, as when we think of someone as "self-employed," or treat separate departments within firms as if they were independent "profit centers." Marx also mentions hybrid forms, where a precapitalist kind of capital exercises power over production that is not formally subsumed. Examples include the case of producers who do not work under the direct control of capital, but borrow from a capitalist lender, or producers who sell to a capitalist merchant. The rise of the so-called gig economy signifies the increasing importance of hybrid subsumption in contemporary capitalism.

John Holloway's chapter "The Grammar of *Capital*: Wealth In-Against-and-Beyond Value" distinguishes two dimensions of Marx's masterwork. One begins with the commodity form of products, which proves to be an alien force dominating the flow of human life. Marx then proceeds to other alien forms: value, abstract labor, money capital, profit, interest, rent, and so on. Together they constitute a totality of social relations so coherent that one form can be derived from another in a sequence that can be extended beyond where Marx left off to include the state form. If we focus purely on these alien social forms, we end up understanding capitalism as a total system of domination from which there is no escape.

The other dimension of *Capital* begins with wealth. Wealth is a more fundamental category than the commodity, since commodities are merely a historically specific form in which wealth appears. Use-value and concrete labor (understood in the broadest possible terms as conscious life activity in general) belong to this dimension as well. Holloway insists that we must think of wealth, use value, and conscious life activity as simultaneously in, against, and beyond the social forms of capital. Doing so opens a space for struggle against capital's fetishizing and totalizing power. These subversive categories express the absolute movement of becoming in all its restlessness, against the totalizing

cohesion of the first series. It is from the standpoint of wealth, Holloway asserts, that Marx launches his critique of the commodity form and all that follows from it.

Matt Vidal's chapter "Work and Exploitation in Capitalism: The Labor Process and the Valorization Process" provides a critical assessment of labor process theory. Vidal notes the important typologies of managerial control and the rich body of empirical case studies that have been produced by researchers in this area. He believes, however, that most labor process theorists have underestimated the possibility of genuine cases of upskilling and worker empowerment. Marx theorized economic development, technological change and the capitalist labor process as contradictory processes evolving across distinct stages. While deskilling was dominant in the earliest stages of capitalism, Marx theorized tendencies for continual technical change to create new skills in the labor process, along with rising living standards and the education of the working class. His theory suggests that as capitalism continues to develop, these contradictory tendencies toward deskilling and upskilling would increasingly come into conflict. In Vidal's view, the central contradiction within the labor process between management-as-coordination and management-as-discipline has been intensified in contemporary post-Fordism. To the extent that capitalist managements fail to empower workers to engage in decision making and problem solving—the dominant trend in the empirical literature—they are fettering the growth of the forces of production.

Awareness of this sharpening contradiction prevents Vidal from accepting Michael Burawoy's thesis that workers' consent to the organization of the labor process in contemporary capitalism. It is true that education, tradition, habit, ideology, fetishism, material dependence on a wage, the production of consciousness in the labor process, and the human desire to express creativity all help obstruct the realization of working class consciousness. Nonetheless, active class struggle—including an active labor movement organizing around an anti-capitalist agenda—can change worker consciousness.

The title of Fred Moseley's essay, "Capital in General and Competition: The Production and Distribution of Surplus Value," captures its main thesis perfectly. In Moseley's reading there are two main levels of abstraction in *Capital*, capital in general (Volumes I and II, part of Volume III) and competition (most of Volume III). The former develops the theory of the production of total surplus value. The latter provides Marx's account of how this total surplus value is distributed to many capitals, first through the equalization of rates of profit across industries, and then through its division into commercial profit, interest, and rent. Moseley traces these themes from Marx's first attempt at a systematic critique of political economy in *The Grundrisse, the Manuscript of 1861-63, the Economic Manuscript of 1864-65* (the basis of Volume III), through the first Volume of *Capital* and its revisions. While his terminology changes, Moseley finds that the methodological framework of Marx's theory remained constant, reflecting the influence of Hegel's dialectical understanding of universality and particularity.

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In Moseley's reading, the total quantity of surplus value determined at the level of abstraction of capital in general is taken as given in Marx's account of the division of the total surplus value into individual parts at the level of abstraction of competition. With this understanding of the basic logical structure of Marx's theory, the so-called transformation problem that has vexed Marxian economics for so long immediately dissipates.

Deepankar Basu's chapter "Reproduction and Crisis in Capitalist Economies" offers a synthetic and synoptic account of the Marxist literature on capitalist crisis. An economic crisis in capitalism is a deep and prolonged interruption of the economy-wide circuit of capital. Crises emerge from within the logic of capitalism's operation and are manifestations of the inherently contradictory process of capital accumulation. The Marxist tradition conceptualizes two types of crisis tendencies in capitalism: a crisis of deficient surplus value and a crisis of excess surplus value. Two mechanisms that become important in crises of deficient surplus value are the rising organic composition of capital and the profit squeeze; two mechanisms that are salient in crises of excess surplus value are problems of insufficient aggregate demand and increased financial fragility.

Bob Jessop's chapter "The Capitalist State and State Power" surveys Marx's writings on the state and provides a critical introduction to theories of major Marxist state theorists: Gramsci, Althusser, and Poulantzas. Marx intended to write a book on the state but never finished it. However, he wrote extensively on the state and state in capitalist society from multiple angles. Unfortunately, the wide-ranging yet fragmented character of Marx's analyses of the state has led to a range of oversimplified interpretations that, in Jessop's words, "reduce a sophisticated corpus to formulaic accounts," leading to "spurious debates" that neglect the nuance in Marx's accounts. It has been common for scholars to see two distinct theories of the state in Marx: an instrumentalist view in which a fraction of the capitalist class controls the state; and a view in which the state is relatively autonomous from the interests of any class or class fraction. In the latter view, the state may represent its own interests against any particular class or may regulate class struggle in the public interest.

Jessop offers a third view, in which private property relations bifurcate society into civil society (the realm of the *bourgeois* and private profit) and the political sphere (the realm of the *citoyen* and national interest). The state corresponds to the (value) form of the capitalist economy and provides extra-economic supports for it. Relations of formal equality in both spheres (the freedom of market exchange and the freedom of individual citizens) render opaque class domination in both. Underneath such formal freedoms, substantive inequalities between classes allow the capitalist class to organize its rule and contribute to the disorganization of the working class. But this does not mean that capitalists instrumentally control the state. Rather, as Jessop writes, Marx "took great pains to decipher the 'class bases' and/or 'class relevance' of different political forces, for example, political factions, political parties, the army, paramilitary forces, political mobs, intellectuals, journalists, and so on." At the same time, due to a structural dependence of the state on taxes, it defends the interest of capital in general when they are threatened.

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Finally, Marx discussed how a capitalist tendency toward the establishment of a world market exists alongside a world of states existing in a hierarchy, both of which shape international capital accumulation but neither of which is reducible to the other.

Martha E. Gimenez's chapter, "Capitalist Social Reproduction: The Contradiction between Production and Social Reproduction under Capitalism," summarizes the literature of social reproduction theory and illuminates the concept of reproduction in Marx and Engels. Her chapter clearly describes the distinction between the abstract notion of reproduction that occurs over historical time and the specific operation of reproduction under capitalism. Beginning with the historical materialist approach, Gimenez identifies reproduction as the fundamental precondition for society in Marx and Engels.

Reproduction in the abstract is necessary in all societies but assumes specific forms in distinct eras of human production. Within capitalism, Gimenez, through Marx, outlines the role reproduction plays in the determination of the working day, especially necessary labor. The challenge of workers is to be able to, during the workday, retain the value in wages necessary to reproduce the household. Gimenez connects the struggles over the workday to the necessary reproduction of the household. After outlining reproduction in Marx and Engels, Gimenez turns her attention to social reproduction theory, deftly summarizing and critically evaluating its contributions. Contrasting with approaches that divide social reproduction and economic reproduction, Gimenez concludes there is a capitalist social reproduction, a totality of social and economic relations. Reproduction in the household of the worker and the family cannot be separated from the operation of the capitalist economy. The two are bound in the contradiction between labor and capital. Gimenez's chapter becomes increasingly relevant as workers' wages stagnate and reproduction becomes increasingly difficult for the working classes. With the incorporation of rural workers into burgeoning capitalist enterprises globally, the nature of reproduction in the household is changing.

Tony Smith's chapter "Marx, Technology, and the Pathological Future of Capitalism" begins with a summary of the almost universally accepted "standard view" of technological change in capitalism. Marx's alternative account of the role of technology in capitalist society is then presented, followed by a survey of essential tendencies regarding technological change associated with each phase in the circuit of capital. The chapter concludes with an examination of four long-term consequences of technological change during the course of capitalism's historical development: environmental crises, limits to wage labor as a social form, severe global inequality, and persisting overaccumulation difficulties. Together they establish that more than ever the fundamental question confronting our historical moment is the stark alternative, "Socialism or barbarism?"

Dan Swain's chapter, "Alienation, or Why Capitalism is Bad for Us," notes that Marx saw alienation as rooted in the structural denial of fulfilling and creative work under capitalism. For Marx, labor—engagement with and transformation of nature—provides a *potential* basis for human beings to realize their full potential. Under capitalist production, instead of labor being a source of self-expression and freedom, it becomes



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objectified and confronts the worker as an external, hostile activity. Workers thus become alienated from the process and product of their work. As a result of these forms of alienation, workers become alienated from their “species being,” their human essence as creative beings. Under the capitalist division of labor, work becomes a denial rather than a realization of humanity.

Swain reviews debates over whether Marx’s notion of species being is based on a transhistorical conception of human nature. He suggests that alienation does not necessarily rely on a “substantive idea of human nature or of the fully realized human.” Species being may be conceived not as specific core or kind of human activity but more broadly as self-directed activity. Alienation may thus be conceived as a pathological relation to a given activity that limits autonomy. Thus, disempowerment at work or in other social relations can be shown to be physically and psychologically detrimental for individuals and for society.

Tomás Rotta and Rodrigo Teixeira’s chapter presents an analysis of “The Commodification of Knowledge and Information” in contemporary capitalism, rejecting claims that “cognitive capitalism” invalidates Marx’s value theory. That claim is based on the idea that immaterial labor creates immaterial commodities whose values cannot be measured by the labor time required for their production (examples include commodified data, computer software, chemical formulas, patented information, recorded music, copyrighted compositions and movies, and monopolized scientific knowledge). As technological progress continues, the valorization of value depends less on unpaid labor time and more on the scientific knowledge and skills developed by the “general intellect” during non-labor time.

Rotta and Teixeira’s strong disagreement with this hypothesis rests on the distinction between the time it initially took to produce a commodity and the time it takes to reproduce it at the present moment. For Marx, value is determined by the reproduction time. Commodified knowledge that can be costlessly reproduced therefore fits easily into Marx’s framework: it has zero value. Any return appropriated by producers of knowledge commodities can be satisfactorily comprehended as rents, with unproductive labor enabling firms to appropriate value they did not themselves create. The fact that present-day capitalism is becoming more dependent on the existence of rents confirms, rather than refutes, Marx’s expectations regarding the development of capitalism.

## Part II. Labor, Class, and Social Divisions

Barry Eidlin’s chapter “Labor Unions and Movements” notes that while Marx and Engels saw labor as the unique, historical agent of revolutionary change within capitalism, they saw labor unions playing a contradictory role: they are necessary for worker organization but are insufficient for ensuring the development of a revolutionary, class-conscious working class. In their concrete analyses of union movements during their lifetime, Marx and Engels noted the many challenges facing unions and obstacles to the development of

a united, revolutionary working class. By focusing on wages and working conditions, even militant unions often end up reinforcing rather than challenging capitalism as a system. Further, the same focus means that unions often end up organizing along existing divisions, hence fragmenting the working class. Such sober analyses were often at odds with their more confident theoretical pronouncements regarding the inevitability of working-class unity.

The problems Marx and Engels identified informed subsequent analyses. The problem of weak unions and working-class conservatism preoccupied many key writers. Bernstein advocated the social democratic route of evolutionary socialism, combining union organizing with parliamentary socialism. Luxemburg emphasized the need for worker self-organization and mass strikes while Lenin insisted on the importance of party intellectuals in complementing mass action. Gramsci emphasized the need for unions, factory councils, and parties to foment the development of revolutionary class consciousness. Subsequent debates concerned whether the working class remains the revolutionary actor under the rise of the service sector and the decline of unions, especially since the 1970s. While some have abandoned the working class as the revolutionary agent, others have cautioned against confusing union defeat and class decomposition as the demise of class.

Nicholas de Genova's chapter, "Migration and the Mobility of Labor," focuses on the branding of people of color from slavery to migration. As in Oliver Cox (1959) and Marx ([1887] 1977b), de Genova traces the creation of a race doctrine to the very origin of capitalism in primitive accumulation, but de Genova focuses more specifically on the act of African slavery as the ultimate limit of exploitation and brutality. Once slave labor is racialized and branded, a generalized notion of blackness becomes the very definition of subjugation. Due to their branding, people of color find themselves among the most exploited of laborers. Branding now includes illegality and deportability. Given the increasing pressures for migration due to economic and ecological disasters, the relevance of migration research will only increase.

Walda Katz-Fishman and Jerome Scott's chapter "Race, Class, and Revolution in the Twenty-First Century: Lessons from the League of Revolutionary Black Workers," situates the praxis of the League of Revolutionary Black Workers in the context of Marx's theoretical contributions. Insights from members of the League are woven throughout with relevant concepts and insights from Marx's body of work. Interviews with the League's members highlight the formation of class consciousness as workers are exploited by class and race. Incidents on the shop floor lead directly to action as the contradictions between labor and capital manifest themselves. The exploitation as a class of workers is made ever more poignant through the overt discrimination of limiting black workers to the worst jobs. Katz-Fishman and Scott document the incorporation of Marxism in the understanding and action of League members. Workers identify growing trends, including the diminishing purchasing power of the workers who remain as firms contract their workforces. Their chapter documents the possibility for workers and, more importantly, workers of color to develop a revolutionary consciousness at the point of

production. League workers continue to challenge their exploitation and engage in praxis in the Trump era of polarization. As exploitation becomes more overt with stagnating wages and the incorporation of more workers around the world, Katz-Fishman and Scott's chapter give hope to the possibility of Marxism to inform global worker movements.

Kevin B. Anderson's chapter, "Nationalism, Class, and Revolution," shows that despite writing in the *Manifesto* that national differences would increasingly vanish, Marx did not hold a class reductionist position on nationalism, as demonstrated in his journalism, speeches, letters, and private notebooks. Marx showed acute awareness to the concrete issues shaping the working class and hindering its solidarity. He saw nation, race, and gender as shaping concrete social existence along with class, paying close attention to how nationalism and class interact in supporting or hindering revolutionary movements. Indeed, Marx supported the nationalist liberation movements of oppressed peoples, especially Polish and Irish independence but also anticolonial movements in India and China. He advocated alliances between class-based movements and progressive nationalist movements.

Mark McNally's chapter, "Hegemony: A Theory of National-Popular Class Politics," delves into Antonio Gramsci's concept of hegemony. For McNally, hegemony is a concept focused on national-popular class politics. In an era of surging nationalist and fascist ideologies, gaining a deeper understanding of the process of mass mobilization is imperative. McNally summarizes Gramsci's approach by elaborating three dimensions: the conditions of hegemonic struggle, the apparatus of hegemony, and the politics of hegemony. Relevant to the conditions, Gramsci emphasizes the interplay of the base and superstructure pointing to limits of action based on structural conditions but highlighting the role of political consciousness. When discussing structural conditions, Gramsci cautions against viewing short-term crisis as a fundamental crisis of the system. Gramsci's distinction mirrors Wallerstein's concepts of cyclical rhythms and secular trends discussed in Paul Prew's chapter on crisis in the world-economy. For Gramsci, knowing the difference is crucial to understanding the mobilization strategies to be employed. With respect to the apparatus of hegemony, Gramsci emphasizes the importance of leadership to nurture and incorporate contributions from the rank and file. Considering the politics of hegemony, an important element of mobilization is to press the transition from "common sense" to "good sense."

In our contemporary era, we can recognize the importance of Gramsci's insights. With the destabilizing contributions of climate change, cyclical, short-term crises become more acute. The mobilization strategies must adapt to these changing structural conditions. Based on Gramsci, authoritarian alternatives to capitalism directly contradict mobilization strategies to maintain and facilitate a dynamic interaction of ideas and strategies between the leadership and the rank and file. Lastly, the second decade of the twenty-first century makes it clear that it is necessary to challenge commonsense notions that are fundamentally erroneous. McNally's chapter provides an introduction to

Gramsci's thought helpful to understanding our contemporary circumstances but also to inform mobilization strategies.

### Part III. Capitalist States and Spaces

Leo Panitch and Sam Gindin's chapter "Capitalist Crises and the State" develops a Marxian account of structural crises in capitalism that does not appeal to mechanically unfolding economic laws. They insist that structural crises can only be comprehended in terms of the specific class and state configurations of their particular historical conjunctures, including profits and wages, credit and interest rates, trade and capital flows, state policies, and so on. The myriad contingencies affecting both the duration and the resolution of crises must be fully acknowledged. And theorists of crises must trace how the resolution of one crisis sets the stage for a subsequent crisis exhibiting a different pattern.

Panitch and Gindin identify four structural crises in modern capitalism: the long depression of the last quarter of the nineteenth century, the "Great Depression" of the 1930s, the decade-long "stagflation" of the 1970s, and the period that began with the Great Recession of 2007–2008 and continues today. In the first three cases they sketch the specific historical conjuncture of the particular crisis, the contingent factors determining its duration and resolution, and the way that resolution set the stage for a different sort of crisis to occur at a later point. The central role of the state is a recurrent theme in their account. Regarding the ongoing structural crisis in the early twenty-first century, it remains to be seen whether American state institutions such as the Treasury and Federal Reserve retain the motivation and capacity to coordinate with other states to maintain capitalist economic integration across the globe. A renewal of socialist internationalism is urgently required to provide an alternative to both capitalist integration and hyper-nationalism that now threatens it.

Magnus Ryner's chapter "European 'Integration'" surveys different Marxist analyses of the European Union. In an early account, Ernest Mandel argued that the EU is an attempt by European capital to amalgamate in order to challenge US dominance in an inter-imperialist rivalry. In contrast, Nicos Poulantzas saw the EU as part and parcel of the structural subordination of Europe to American hegemony. More recently, the open Marxist school has argued that the EU as an instrument of the capitalist class to maintain labor market discipline and enshrine a neoliberal market order. Regulation theorists saw integration as potentially developing an EU mode of regulation based on negotiated involvement with organized labor but warned—presciently and correctly—that negative integration and monetary union without EU-level fiscal and welfare policy would lead to stagnation and deep regional divisions.

Ryner builds on elements of each analysis in articulating his own approach. He stresses the transition from a Fordist phase of integration based on oligopolistic competition and Keynesian policies to a post-Fordist phase of neoliberal, finance-led accumulation, which

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has exacerbated uneven development and core-periphery divisions. Ryner also agrees with Poulantzas's analysis that the construction of the EU under American dominance has resulted in the "interiorization" of European capital into American hegemony, rather than increasing inter-imperialist rivalry.

Erik Swyngedouw's chapter "The Urbanization of Capital and the Production of Capitalist Natures" addresses the theoretical and political importance of space, urbanization, and socio-ecological processes. He documents how cities have been crucial sites for anti-capitalist struggles and conflicts over the environment, as well as places for experiments pointing toward new forms of social interactions. Swyngedouw argues strongly for the contemporary relevance of Marx's complex account of land rent, emphasizing how different plots of land have differing abilities to sustain the production of value when mobilized in specific capital circulation processes. As a result, capitalists are forced to make trade-offs between investing in technologies and investments in spaces, due in good part to the legacies of previous investment in specific spaces. The result is a dynamic mosaic of uneven geographical development.

Rent accrues to the landowner by virtue of the monopoly ownership of land. As such it is inherently parasitic and contradictory, pitting landed capital against productive and interest-bearing capital as well as pressing social needs. One of the main roles of the capitalist state is to adjudicate conflicts arising from demands for land for reproductive use (housing, for example), land for resource exploitation (or ecological reserve or park), land as a form of capital investment (for landowners), land as a productive asset (comparable to other means of production), and land as form of fictitious capital that circulates as a purely financial asset (for financial capital). In all the twists and turns of land policy, however, one inescapable fact remains constant: the capitalist form of planetary urbanization remains a key driver of anthropogenic climate change and other socio-environmental ills (biodiversity loss, soil erosion, large eco-infrastructure such as dams, deforestation, resource extraction and deep-geological mining, pollution, and the galloping commodification of all manner of natures).

## Part IV. Accumulation, Crisis, and Class Struggle in the Core Countries

Terrence McDonough's chapter "Stages of Capitalism and Social Structures of Accumulation: A Long View" explains how the Marxian theory of stages of capitalism emerged in two waves. The first wave, at the turn of the twentieth century, was rooted in the Marxist response to the recovery of capitalism from its late nineteenth-century crisis. Conversely, the second wave in the 1970s grew out of the faltering of the relatively unproblematic accumulation associated with the post-World War II capitalist order. One wave was concerned with the beginning of a period of long-run accumulation. The second wave was concerned with the advent of a downturn in capitalist accumulation and a period of crisis. These turning points marked the inauguration of a period of relatively unproblematic reproduction of capitalist social relations and, symmetrically, the

beginning of a period of stagnation and crisis. This chapter examines the Marxist concept of a stage of capitalism and concludes with an application to the contemporary crisis at a global, regional, and national level.

Matt Vidal's chapter, "Geriatric Capitalism: Stagnation and Crisis in the Atlantic Post-Fordist Accumulation Regime," traces the historical unfolding of Atlantic capitalism from the early twentieth century to the present. Vidal begins with Marx's discussion of the tendency of the rate of profit to fall and the tendencies toward overproduction and underconsumption. He then contrasts accumulation regimes as "functional" (if stagnation tendencies are offset) or "dysfunctional" (if one or more stagnation tendencies arise). Vidal analyzes the similarities and differences of the postwar Fordist regimes in the United States, Germany, and the United Kingdom. As the Fordist regime entered crisis, it gave way to what he terms the geriatric stage of post-Fordist Atlantic capitalism. The growth of neoliberalism and financialization did not successfully address stagnation tendencies in the post-Fordist era. In the chapter, he documents the effects of declining profit rates, a declining labor share of income, and rising household debt. Vidal argues that the post-Fordist Atlantic accumulation regime is inherently dysfunctional and stagnationist.

Paul Prew's chapter, "Sociopoiesis: Understanding Crisis in the Capitalist World-System Through Complexity Sciences," addresses the ecological, economic, and political instabilities in the world-system that characterize the beginning of the twenty-first century. The chapter integrates Marxist theory, Immanuel Wallerstein's approach to world-systems, and the new developments in complexity sciences. The notion of crisis in Marx bears similarities with the notions of bifurcations, strange attractors, and chaotic behavior in complexity theory. Paul Prew introduces a new concept, sociopoiesis, to integrate the complexity sciences with Wallerstein's approach to crisis and Karl Marx's understanding of metabolism and metabolic rift. Immanuel Wallerstein, based on Ilya Prigogine's concepts, has argued the capitalist world-system is in its crisis phase and now faces its inevitable transition to a new state. Based on these ideas, the chapter demonstrates that capitalism cannot be ecologically sustainable due to how it organizes its relationship with nature, its sociopoiesis. The ecological rifts created by the capitalist sociopoiesis will eventually put pressure on the crisis phase Wallerstein describes in the capitalist world-system.

Jeff Powell's chapter "Financialized Capitalism" reviews the growing literature on financialization, highlighting characteristic empirical features at the macroeconomic level and their variegation across different institutional contexts, then turning to meso- and micro-level multidisciplinary studies of how processes of financialization have manifest in the transformed behavior of firms, states, and households, as well as in the changing mode of provision of public services and the appropriation of the commons. Marxist attempts to theorize the essences of financialization are examined and found wanting. Two proposals are made in the spirit of advancing this project. First, financialization as cyclical process must be disentangled from financialized capitalism as secular stage.

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Second, it is argued that the emergence of financialized capitalism as a new stage within mature capitalism is linked with the central role played by finance in the internationalization of the circuit of production.

The chapter by Brett Clark, John Bellamy Foster, and Stefano B. Longo on “Metabolic Rifts and the Ecological Crisis,” summarizes the resurgence in interest related to Marx’s analysis of social metabolism (the process of material and energetic exchange between humans and nature) and the concept of the metabolic rift. The authors traced Marx’s understanding of metabolism to his materialist conception of history and his research into the natural sciences. By drawing on authors such as Justus von Liebig, Marx was able to demonstrate the inherently deleterious effect of capitalism to the soil and the resultant town and country “rift.” Applications of Marx’s concepts of metabolism and metabolic rift since the 1990’s have expanded the analysis to climate, water, and forest systems. Efficiency gains resulting from new technology only worsen the ecological degradation. The authors conclude that a revolutionary transformation is necessary to avoid the worst of the coming ecological crises. Marx’s analysis of metabolism contributes greatly to our twenty-first-century understanding of the causes of the ongoing ecological rifts. Comprehending the unavoidable fact that capitalism is, at its core, contrary to global ecological health is the first step toward identifying a path to a sustainable future.

## Part V. Accumulation, Crisis, and Class Struggle in the Peripheral and Semi-Peripheral Countries

Guido Starosta’s chapter, “Global Capital Accumulation and the Specificity of Latin America,” offers an overview of passages where Marx comments on Latin America, a critical review of the major controversies around Marx’s references to this region, and a discussion of Latin American authors (Iñigo Carrera in particular) who examine the specificity of capital accumulation in Latin America based on the worldwide uneven development of the “law of value.” The core idea of these authors is that the greater productivity of agricultural and mining labor in Latin America generated a major contradiction: while total social capital enhanced its valorization by reducing the value of labor power, there was simultaneously a significant drain on surplus value available for capital’s appropriation due to the ground rent claimed by domestic landowners. Global industrial capital has needed to recover a share of this ground rent. This was accomplished through the political mediation of the national state. In different periods different policy mechanisms (overvalued exchange rates, export and import taxes, direct state regulation of staple food and raw material prices, etc.) enabled individual capitals in these regions to obtain the average rate of profit, even though limited domestic markets prevented them from reaching the scale of operation needed for the profitable utilization of advanced technologies.

In Starosta’s view, the sharp oscillations in Latin America between nationalistic populist and/or developmentalist regimes, on the one hand, and neoliberal ones, on the other, is explained by the cycles in the magnitude of the ground rent available for appropriation.

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The lack of dynamism of capital accumulation in the region since the mid-to late 1970s can be explained in the same terms; the mass of ground rent has been, on average, growing at a slower pace than industrial capital requires. As a consequence, national processes of capital accumulation have resorted to other sources of extraordinary social wealth, such as the payment of labor power below its value and the massive inflow of global fictitious capital in the form of mounting foreign debts.

Debarshi Das's chapter "The Unresolved Agrarian Question in South Asia" analyzes the historical evolution of the agrarian question in South Asia and presents a Marxist interpretation of an agrarian economy dominated by petty peasants. South Asian agriculture is stuck in a state of lack of accumulation because of the extraction of surplus value in the sphere of circulation. Asymmetry of market power in the agrarian produce market and state policies are key factors in explaining why the agrarian question remains unresolved in South Asia.

Lin Chun's chapter "Asia and the Shift in Marx's Conception of Revolution and History" traces the evolution of Marx's analysis of Asian societies, showing how he eventually reached a "methodological breakthrough in achieving a non-deterministic and non-teleological conception of history." He originally theorized an Asiatic mode of production (AMP), in which closed, self-sustaining village communities engage in household farming with the centralized, despotic state as the sole landlord. By 1859 Marx discarded the AMP concept, realizing its many empirical and theoretical problems, including an untenable distinction between stagnant "Oriental despotism" versus progressive Occidental societies. Marx went on to vehemently condemn Western imperialism, while anticipating in colonial expansion the establishment of the world market, and to closely follow anticolonial rebellion in the East. He noted how the nationalist Indian Mutiny of 1857 was the outcome of a complex combination of religious, nationalist, cultural, and class politics.

Marx also studied the Russian *mir* (peasant communes), considering whether they could skip intermediary stages and transition directly to socialism. In 1877, he anticipated that "this time the revolution will begin in the East." In sum, Lin cogently demonstrates that Marx's sustained attention to Asia resulted in his development of a theory of history that is non-teleological, multilinear, and "open to unknown paths and unpredictable contingencies." Readers interested in a Marxist analysis of contemporary Chinese development and politics situated in the global political economy may consult Lin (2013).

Gilbert Achcar's chapter "Analyzing the Middle East" shows how Marx's historical materialism is a powerful antidote to culturalist essentialism of the kind that became known as Orientalism after Edward Said. The Marxian perspective allows for a full consideration of the role of Western imperialism in hindering the development of the Middle East as well as in the deliberate preservation of archaic sociopolitical features in the region. The concept of Bonapartism that Marx developed in his writings on the French Second Empire is highly relevant to the analysis of the national-developmental experiences that emerged in the Middle East in the twentieth century. His insight on the



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reactionary aspiration of sections of the petite bourgeoisie confronted with capitalist transformation provides an important clue to the rise of Islamic fundamentalism in the Middle East. Marx's theory of revolution as resulting from the blockage of economic development finds a most striking illustration in what is commonly designated as the Arab Spring.

David Mandel's chapter "Primitive Accumulation in Post-Soviet Russia" focuses on the process of capitalist restoration in Russia following the demise of the Soviet Union. Marx used the concept of primitive accumulation to describe the process by which the European capitalist class was formed via widespread pillage and robbery, concentrating the means of production and subsistence in its own hands and leaving a proletariat with only its labor to sell. A similar process happened in post-Soviet Russia.

In the years immediately before the 1991 collapse of the Soviet Union, a coalition of pro-capitalist bureaucrats, intelligentsia, and a nascent business class took control and—with the support of the G7, Washington, the World Bank and IMF—established an "independent executive power" that was able to push through "shock therapy." This program was devastating to the population, including catastrophic declines in living standards and health, but rapidly consolidated control for the coalition. This was followed by the formation of a Russian bourgeoisie in the form of oligarchs having close relations with the state, politicians, and state bureaucrats. State resources were privatized and sold to the oligarchs at a fraction of their value. State budgets were widely used to enrich office holders and their friends. In the 1990s much of Russian business was under mafia control, but Putin "domesticated" the oligarchs and reasserted state control, including nationalization, although corruption and close relations between the state and the oligarchs remain.

## Part VI. Alternatives to Capitalism

Peter Hudis's chapter "Marx's Concept of Socialism" explicates Marx's emancipatory vision of a post-capitalist society. While this vision stops well short of providing a utopian blueprint to be followed, Hudis argues that it also goes far beyond calling for the abolition of private ownership of the means of production and anarchic exchange relations. No less important is the need to organize and control time. No adequate break from capitalism has occurred if socially necessary labor time remains an alien power over human life, deciding the pace and nature of work. Producers must decide those things for themselves, overcoming the split between concrete and abstract labor.

In the earliest phase of socialism, distribution corresponds to actual labor time. This counts as a great leap, since it signals the end of production aimed at augmenting value. In capitalism, socially necessary labor time confronts the individuals as an impersonal force that acts irrespective of their sensuous needs. Actual labor time, in contrast, is the sensuous activity of individuals mediating their relations with nature. Nonetheless, this early phase is still defective in that it is based on an exchange of equivalents, even if they

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are actual equivalents, and not the abstract equivalents of capitalism. In a higher phase of socialism, the amount of necessary labor time shrinks, creating greater time for people to develop and enjoy the full range of their human capacities. Eventually, Marx thought, a point will be reached where “labor has become not only a means of life but the prime necessity of life.” In this higher phase of socialism labor increasingly includes affective activities, such as caring, nurturing, and sharing, as ends in themselves.

Pat Devine’s chapter “Democratic Socialist Planning” summarizes Marx’s vision of a socialist/communist society, sets out the defining characteristics of democracy and planning, and assesses the historical experience of the Soviet Union’s model of centralized command planning, the Yugoslav model of self-managed market socialism, and the Latin American attempts at twenty-first century socialism. This is followed by an evaluation of the three principal contemporary theoretical models of a possible future socialist/communist economy: market socialism; Parecon, a version of electronic socialism; and the author’s own model of democratic planning through social ownership and negotiated coordination. The chapter ends with an exposition of the model of democratic planning, responses to criticisms, and a summarizing conclusion.

Erik Olin Wright’s chapter is “The Continuing Relevance of the Marxist Tradition for Transcending Capitalism.” He argues that Marx’s theory of transcending capitalism is inadequate. Its internal dynamics do not make it inherently unsustainable, it does not generate a class-conscious, revolutionary working class, and it is not plausible to establish a democratic-egalitarian system via a system-level rupture (for dissenting views on the inherent crisis tendencies of capitalism, see chapters by Kliman, Basu, Pantich and Gindin, Vidal, Prew, Clark, and Smith; and on revolution, see the chapter by Lin). However, for Wright, Marxism continues to provide a solid foundation for transcending capitalism, based on four propositions central to Marxism. He uses these to develop a theory of “eroding” capitalism.

First, “Capitalism obstructs the realization of conditions for human flourishing.” The class structure generates persistent poverty and undermines freedom, equality, democracy, and community. Second, “Another world is possible.” In particular, radical economic democracy is viable and achievable. Third, “Capitalism’s dynamics are intrinsically contradictory.” Although its contradictions do not intensify over time and decrease the sustainability of the system, they do periodically destabilize and undermine existing institutional settlements. Finally, “Emancipatory transformation requires popular mobilization and struggle.” Systemic change is possible only when driven by the collective organization and initiative of the masses, including coalitions with progressive elites. Wright’s theory of eroding capitalism focuses strategic efforts on expanding democratic-egalitarian practices, activities and institutions within capitalism.

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### Notes:

(<sup>1</sup>) These data were checked on 29 June 2018. The data are continuously revised as new references are found, etc.

(<sup>2</sup>) For an extended version of this section, see the forthcoming chapter aimed at graduate audiences and above, Paul Prew. 2018. "Karl Marx" in *Great Economic Thinkers*. edited by Jonathan Conlin. London: Reaktion Press, or Paul Prew. under contract. "Karl

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# Oxford Handbooks Online

## Historical Materialism

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## Abstract and Keywords

Marx's theory of history is often misrepresented as a mechanically deterministic and fatalistic theory of change in which the complexity of the real world is reduced to simple, unconvincing abstractions. Nothing could be further from the truth. Though Stalin attempted to transform Marxism into something akin to this caricature to justify Russia's state-capitalist industrialization after 1928, neither Marx nor his most perceptive followers understood historical materialism in this way. This chapter shows that Marx's theory of history, once unpicked from its misrepresentations, allows us to comprehend social reality as a non-reductive, synthetic, and historical totality. This approach is alive to the complexity of the social world without succumbing to the descriptive eclecticism characteristic of non-Marxist historiography. And by escaping the limits of merely descriptive history, Marxism offers the possibility of a scientific approach to revolutionary practice as the flipside to comprehending the present, as Georg Lukács put it, as a historical problem.

Keywords: historical materialism, dialectics, totality, history, Marx, Engels

The term "historical materialism" has a peculiar place within the Marxist tradition. While it has come to function as a synonym for Marxism, the phrase itself was never used by Marx. In fact, it was first coined by Engels after Marx's death as a synonym for an earlier notion, "the materialist conception of history," which he had first used in his 1859 review of Marx's *A Contribution to the Critique of Political Economy* (Engels 2001a: 8; 2001b: 36).

Engels aimed, both in his 1859 review and in a series of later essays and letters, to unpack Marx's dense methodological comments to make them palatable to the general reader. Many critics have argued that in so doing Engels reduced Marx's method to a mechanically determinist and fatalist caricature of the real thing. And just as Marx once famously joked that he was not a Marxist (Engels 1992: 356), Engels's critics have suggested that neither was Marx an (Engelsian) historical materialist (Thomas 2008: 39). Others have gone further to suggest that Marx shared Engels's mechanically determinist

and reductive conception of history. So, despite the illuminating insights contained within his historical writings, the method outlined in the 1859 preface is incompatible with the tenets of modern historiography (Rigby 1998:94).

As we shall see, neither Marx, nor Engels (Blackledge 2017), embraced a reductive or mechanical method. In fact, Marx's method, properly understood, facilitates the integration of evidence into a non-reductive, synthetic whole that offers the possibility of simultaneously *explaining* the historical process with a view to informing revolutionary practice. This approach stands in stark contrast to the tendency toward eclectic *description* characteristic of even the best of non-Marxist historiography.

Georg Lukács articulated the most philosophically sophisticated critique of the limitations of non-Marxist thought generally and non-Marxist historiography in particular. He argued that it was impossible to comprehend capitalism as a historical totality from the (bourgeois) standpoint of the individual within civil society because "when the individual confronts objective reality he is faced by a complex of ready-made and unalterable objects which allow him only the subjective responses of recognition or rejection" (Lukács 1971:48, 50, 63, 69). To argue that this standpoint is bourgeois should not be interpreted mechanically as assuming that those who hold it are individual members of the bourgeoisie. Rather, it is best understood as a claim that this general worldview emerged with the rise of capitalism, whose parameters it cannot escape. In relation to historiography, this failing explained the "total inability of every bourgeois thinker and historian to see the world-historical events of the present [1914–23—PB] as universal history." More generally, Lukács claimed, "We see the unhistorical and antihistorical character of bourgeois thought most strikingly when we consider *the problem of the present as a historical problem*." Because the standpoint of the individual within civil society tends to naturalize capitalist social relations, intellectuals viewing the world from this perspective are incapable adequately of conceiving "the present as history" (Lukács 1971:157–158).

Conversely, the collective struggles of the proletariat against alienation provide a standpoint from which intellectuals can begin to understand capitalism as a historical totality. It is because the proletariat exists at the center of the constant reproduction of bourgeois society that its struggles against this system are able to point beyond it. Historical materialism, from this perspective, is best understood as "the theory of the proletarian revolution ... because its essence is an intellectual synthesis of the social existence which produces and fundamentally determines the proletariat; and because the proletariat struggling for liberation finds its clear self-consciousness in it" (Lukács 1970: 9).

Conceived in this way, it is understandable that the influence of Marxism has tended to ebb and flow with changing fortunes in the class struggle. Within the academy, Marxism became more popular as the generation radicalized in the 1960s came to maturity, while the subsequent downturn in class struggle informed what Ellen Meiksins Wood called a "retreat from class" amongst intellectuals from the late 1970s onward (Wood 1986).



Subsequently, many radical intellectuals tended to justify their embrace of culturally defined New Social Movements at the expense of socially structured class politics through criticisms of Marxism's supposed inability to comprehend non-economic forms of oppression and domination (Blackledge 2013; Palmer 1990).

This article challenges this caricature of Marxism: the false claim that Marx's method is reductive involves a one-dimensional interpretation of his attempt to conceptualize the complexity of the real world as a synthetic whole. As we shall see, although Marx's *dialectical* approach is not reductive, it does fundamentally challenge the dominant tendency merely to describe reality superficially as the evolving interaction of a multiplicity of factors. As Georg Plekhanov argued more than a century ago, the problem with the factorial approach to social analysis lies not in the attempt to distinguish different aspects of the mediated whole but rather in the tendency to reify these factors such that history is made to stand still. Marxism transcends the theory of factors not by reducing everything to class but through a "synthetic view of social life" that facilitates our cognition of the whole as a complex totality centred on humanity's productive engagement with nature (Plekhanov 1944:13). Because this approach allowed Marx to comprehend the social whole as a historically evolving totality it underpinned his organic conception of revolutionary politics (Engels 1987: 27).

## 1. The Materialist Conception of History

In 1859 Marx and Engels published outlines of their basic methodology. The first of these essays was Marx's preface to *A Contribution to the Critique of Political Economy*, followed by Engels's review of this book. Both these works are somewhat opaque: Marx's preface was written with an eye to the censor (Prinz 1969); while only the first two of three projected instalments of Engels's review were written because the journal in which it was serialized, *Das Volk* (effectively edited by Marx), went bankrupt before Engels had time to complete the final part of the review (MECW 16, 673–674).

The central paragraph of Marx's preface is an infamously dense summary of themes from the *German Ideology* (for a comparison of these texts see Carver 1983:72–77).

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of

which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure”

(Marx 1987: 263).

According to Richard Miller, the widespread claim that this passage proffers a mechanically determinist and fatalist theory of history is predicated upon the assumption that Marx was a positivist. And while it is certainly possible to interpret Marx’s 1859 preface through a positivist lens as making hard technologically deterministic predictions which are not only falsifiable but have in fact been falsified, Miller points out that neither Marx nor “most of his insightful followers” understood historical materialism in this way (Miller 1984:7, 271). In fact, Marx’s method is best understood, contra positivism, as a precursor to the critical realist philosophy of social science. This approach includes a stratified conception of reality through which agency is explained as an emergent property rooted in but irreducible to underlying social relations. Further, this approach points to the existence of *tendencies* rather than superficial Humean constant conjunctions. Interpreted in this way, Marx is best understood as positing that though modes of production shape the contours of social struggles, *definite* historically and socially constituted men and women are the active, conscious, and (historically relative) free agents of change. In this model there is nothing preordained about the outcome of the struggles in which these agents engage (Blackledge 2006a:14–16; Meikle 1985:57; Collier 1994; Blackledge 2002). This is why, as Geoffrey de Ste. Croix has powerfully argued (and as many Marxist historians have demonstrated in practice), there is no necessary contradiction between Marx’s conception of social structure on the one hand and the demand that historians attempt to richly reconstruct historical processes on the other (Ste. Croix 1983:90; Blackledge 2008b).

More concretely, Marx’s analytical distinction between forces and relations of production on the one hand, and base and superstructure on the other, is intended not as a schema of automatic historical progress but rather as a map of the broad coordinates of revolutionary politics. If the development of the forces of production—the means of production and the labor power required to utilize instruments and raw materials—sets the parameters of what is politically possible at any particular historical juncture, the relations of production—class relations of effective control—frame the contradictory material interests that underpin the evolving lines of conflict in developing struggles. This latter concept is the foundation of the *Communist Manifesto*’s claim that “the history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another” (Marx and Engels 1984:482).

If crises born of the contradiction between forces and relations of production evidence the historical necessity of revolution, the potential for hope emerges because structural crises create the conditions in which revolutionary movements *tend* to develop as groups

rooted in the relations of production coalesce around competing responses to structural crises. But victory for these revolutionary forces is never guaranteed: though structural crises will tend to generate challenges to the existing relations of production, the legal, political, and ideological superstructure acts to ensure the reproduction of these relations. Which side will triumph in the ensuing conflicts is an open question. As Marx and Engels wrote in the *Manifesto*: the class struggle is “carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes” (Marx and Engels 1984:482; Harman 1998:7–54).

Engels’s own gloss on Marx’s method points in a similar direction. In his introduction to the English edition of *Socialism: Utopian and Scientific* he defined historical materialism as “that view of the course of history which seeks the ultimate cause and the great moving power of all important historic events in the economic development of society, in the changes in the modes of production and exchange, in the consequent division of society into distinct classes, and in the struggles of these classes against one another” (Engels 1990b: 289). He was, however, adamant that this was not a reductionist model:

According to the materialist conception of history, the ultimately determining element in history is the production and reproduction of real life. Other than this neither Marx nor I have ever asserted. Hence if somebody twists this into saying that the economic element is the only determining one, he transforms that proposition into a meaningless, abstract, senseless phrase.

(Engels 2001b: 34–35)

Engels emphasized, for instance, that this approach allowed “political power” to enjoy a degree of “relative independence” from the economic base (Engels 2001c:60). Moreover, he insisted that the sophistication of his and Marx’s method was apparent in their works of historical analysis. While in polemics with their opponents they often one-sidedly “emphasise[d] the main principle ... when it came to presenting a section of history ... it was a different matter and there no error was permissible” (Engels 2001b:36).

Some have charged that Engels mischaracterized Marx’s method in his 1859 review (Carver 1983:116). But this claim is difficult to square with what we know of piece’s publication history. Marx was editing the journal in which Engels’s essay was published, he had asked Engels for the review, and Engels had offered it with a cover note suggesting that “if you don’t like it *in toto*, tear it up and let me have your opinion” (Engels 1983: 478). Moreover, while the phrase “materialist conception of history” may have been new in 1859, it certainly is not an eccentric description of either Marx’s 1859 preface, the approach outlined in *The German Ideology*, or (though Engels had not had sight of this) Marx’s method as detailed in the 1857 *Introduction* (Hunley 1991:92).

This is not to say that nothing new was added to the Marxist method in the late 1850s. There was a shift in Marx's understanding of method at this juncture, but this development constituted, as Henri Lefebvre has argued, a deepening of Marx's conception of the historical method (Lefebvre 2009:69–74). To this end, he famously wrote to Engels in January 1858 stating: "What was of great use to me as regards method of treatment was Hegel's *Logic*" (Marx 1983:249). Though Marx's reengagement with Hegel is of the first importance to his method, before this aspect of his work is discussed it is instructive to outline the theory of history he articulated alongside Engels in *The German Ideology*.

*The German Ideology* is not an easy read. The text that eventually saw the light of day after its authors' deaths was cobbled together from various unfinished texts penned between November 1845 and August 1846 and intended for publication as separate journal articles (Carver and Blank 2014). Though this provenance gives *The German Ideology* a somewhat opaque quality, it nonetheless remains an invaluable resource for anyone wanting to understand and extend Marx and Engels's method of analysis. For it was through these manuscripts that they achieved a degree of what they both described as "self-clarification" (Marx 1987:264; Engels 1990a:519), while the manuscript itself offers "page after page [of] astonishing insights" (Arthur 2015).

In *The German Ideology* Marx and Engels argue that humans make and remake themselves through labor to meet their needs. It is through social, conscious productive interaction with nature that our ancestors became human: they transformed themselves by working together to transform nature. So, while Marx and Engels argue that we do have a nature made up of needs and capacities, by contrast with crude materialists who posit this essence as a simple transhistorical fact, they insist that our nature is not fixed because these needs and capacities are not fixed; our essence evolves because these needs and capacities develop through our active interaction with nature (Marx and Engels 1976:41–43). This argument marks the point of synthesis between the concepts of practice and material need that constitutes a core feature of Marxism. Moreover, because need is a social concept that nonetheless has natural roots, this argument highlights the unity (but not identity) of natural and social history (Marx and Engels 1976:28–29).

This unity between natural and social history informs their famous claim that definite individuals at a specific moment in time differentiated themselves from nature by consciously transforming their environment in order to meet their (initially natural) needs:

Men can be distinguished from animals by consciousness, by religion or anything else you like. They themselves begin to distinguish themselves from animals as soon as they begin to *produce* their means of subsistence, a step which is conditioned by their physical organisation. By producing their means of subsistence men are indirectly producing their material life

(Marx and Engels 1976:31).

Consequently, rather than follow modern political theory from Hobbes and Locke onward in positing abstract “man” as the starting point for the analysis of the social world, Marx and Engels wrote that their study proceeds from the standpoint of definite individuals in definite social relations:

The premises from which we begin are not arbitrary ones, not dogmas, but real premises from which abstraction can only be made in the imagination. They are the real individuals, their activity and the material conditions of their life, both those which they find already existing and those produced by their activity

(Marx and Engels 1976:31).

The human essence is on their account a historical rather than ideal abstraction: at any particular juncture it is the “sum of productive forces, capital funds and social forms of intercourse” (Marx and Engels 1976:54). Though too often dismissed as the background noise to history, the mere “reproduction of the physical existence of the individuals,” human productive interaction with nature is rather “a definite form of activity of these individuals, a definite form of expressing their life, a definite *mode of life* on their part” (Marx and Engels 1976:31). More specifically, by contrast with traditional elitist ideologies that tend to denigrate practice as the poor cousin to theory’s pure universality, Marx and Engels’s insist that our consciousness is profoundly shaped by the way we produce to meet our needs.

Morality, religion, metaphysics, and all the rest of ideology as well as the forms of consciousness corresponding to these, thus no longer retain the semblance of independence. They have no history, no development; but men, developing their material production and their material intercourse, alter, along with this their actual world, also their thinking and the products of their thinking. It is not consciousness that determines life, but life that determines consciousness. For the first manner of approach the starting-point is consciousness taken as the living individual; for the second manner of approach, which conforms to real life, it is the real living individuals themselves, and consciousness is considered solely as *their* consciousness

(Marx and Engels 1976:36–37; also see Marx 1987:263).

Marx and Engels argue that production includes both natural and social aspects. It comprises not only our work on nature to meet our needs but also the social relations that spring from working together to that end. Indeed, “a certain mode of production, or industrial stage, is always combined with a certain mode of co-operation, or social stage” (Marx and Engels 1976:43). They labeled the totality of these relations a “mode of production,” and periodized history according to changes in the mode of production (Marx and Engels 1976:43). Their conception of a mode of production as a totality is in the first instance a “scientific hypothesis” about how the world works (Vygotski 1973:16). The essence of capitalism is different from the essence of feudalism and both of these differ again from other modes of production. The goal of science is, in the first instance,

to grasp the essence of each particular mode so as to understand its distinct dynamic. It can only then move on to make sense of more complex characteristics of the system as a whole.

It was through the concept of mode of production that Marx and Engels began to overcome the limitations of earlier attempts to understand modernity (Marx and Engels 1976:32–37). By contrast both with liberalism’s attempt to naturalize egoistic individualism and private property and earlier socialist criticisms of the consequences of private property, they outlined a dialectical and historical approach according to which private property had a history—having evolved through “tribal,” “ancient communal,” “feudal,” and on to its present capitalist form—and through its history these specific forms had played positive and negative parts at specific junctures. Most recently, capitalist private property had fostered the social development necessary for the transition to socialism before itself becoming a fetter on further development (Marx and Engels 1976: 33, 48).

While this approach marked a step beyond both liberal and early socialist conceptions of private property, when compared with Marx’s later conception of social determination it remains analytically weak. For whereas Marx would subsequently insist that production determines exchange and distribution, in this earlier text he and Engels conceive production and exchange as co-determining distribution, which in turn determines them (Marx and Engels 1976:40). Nonetheless, the analysis of private property in *The German Ideology* did constitute a profound theoretical breakthrough. It allowed Marx and Engels to grasp capitalism as a historical mode of production with dominant progressive and regressive characteristics at different moments in its history. Furthermore, they understood this dialectical account of capitalism to be a specific example of a more general historical law: one whereby social change through revolutions occurs when social relations that had previously fostered social development subsequently come to fetter that development (Marx and Engels 1976:74; see, e.g., Marx 1987:263). Marx subsequently worked an important improvement on the account of social change given in *The German Ideology*. Whereas in *The German Ideology* he used the term “forms of intercourse” to describe the social relations that initially fostered and latterly fettered the development of the forces of production and through which he periodized history, he subsequently refined this concept as relations of production to rid it of any remnants of technological determinism (Therborn 1976:366; Callinicos 2004:48).

More specifically, Marx and Engels argued that though private property had previously played a progressive historical role, the crises and social conflicts that it now engendered meant that this was no longer the case. This claim was a double-edged sword: although socialism was now moving onto the historical and political agenda, this movement was possible only because economic growth had previously been fostered by private property relations. Consequently, any attempt to bypass this earlier stage of history would be disastrous for the socialist project, the

development of productive forces ... is an absolutely necessary practical premise, because without it privation, *want* is merely made general, and with *want* the struggle for necessities would begin again, and all the old filthy business would necessarily be restored.

(Marx and Engels 1976:49)

Concretely, it is “only with large-scale industry [that] the abolition of private property becomes possible” (Marx and Engels 1976:64). As a fundamental precept of Marx’s theory of history this argument also undermines the claims that Stalin and Mao were able to introduce socialism in relatively backward countries (Cliff 1974).

Socialism, in Marx and Engels’s model, far from being an abstract, transhistorical moral ideal is best understood as a historically concrete form offered as a solution by definite historically constituted individuals to historically specific problems (Blackledge 2012). Ludwig Feuerbach, the most important antagonist in their critique could understand none of this because he assumed two related myths: a transhistorical human essence alongside a transhistorical natural world (Marx and Engels 1976:40–41). This mistake meant that insofar as he “is a materialist he does not deal with history, and as far as he considers history he is not a materialist. With him materialism and history diverge completely” (Marx and Engels 1976:41).

Marx and Engels’s new approach to human history amounted to a real transcendence (sublation) of materialism and idealism. As Lukács argued, they aimed to overcome the opposition between materialism and idealism by synthesizing causal, materialist models of behavior with purposeful, idealist accounts of agency to provide a framework through which our actions could be understood as *human* actions (Lukács 1975:345). Marx famously contrasted his approach with these earlier systems in the first of his *Theses on Feuerbach*:

The chief defect of all hitherto existing materialism—that of Feuerbach included—is that the thing, reality, sensuousness, is conceived only in the form of the *object or of contemplation*, but not as *sensuous human activity, practice*, not subjectively. Hence, in contradistinction to materialism, the *active* side was developed abstractly by idealism—which, of course, does not know real, sensuous activity as such

(Marx and Engels 1976:4).

So, Marx differentiated his materialism from older forms of materialism which were in one way or another reductive in their effects. His sublation of materialism and idealism into a new approach to history nonetheless remained a form of materialism because it recognized that priority should be assigned to satisfying our needs: as Chris Arthur writes, “*in the first instance* material circumstances condition us, however much we revolutionise those conditions later” (Arthur 1970:23).

By contrast with the fatalism of earlier mechanical forms of materialism, because Marx and Engels aimed to grasp real historical change, theirs was a form of “practical materialism” focused on “revolutionising the existing world, of practically coming to grips with and changing the things found in existence” (Marx and Engels 1976, 38). Indeed, they claimed that in the modern world practical materialism was a synonym for communism because only those intent on the revolutionary reconstruction of existing social relations are able to transcend the sterile opposition between the old mechanical materialism, which accepted reality as a pre-given and immutable fact, and its idealist (moralist) other that responded to the evils of the world with “impotence in action” (Marx and Engels 1975:201). Conversely, practical materialism assumes the existence of agents already challenging the status quo: “The existence of revolutionary ideas in a particular period presupposes the existence of a revolutionary class” (Marx and Engels 1976:60). In the modern world, or so Marx and Engels claimed, this was the working class, and they framed their political activity in relation to its real struggles against capitalism.

## 2. Coquetting with Hegel

What Marx added to this model when he reread Hegel in the 1850s was a more nuanced understanding of how the social world might be conceived as a totality of interdependent processes. In his 1857 *Introduction* he wrote:

The economists of the seventeenth century, e.g., always begin with the living whole, with population, nation, state, several states, etc.; but they always conclude by discovering through analysis a small number of determinant, abstract, general relations such as division of labour, money, value, etc. As soon as these individual moments had been more or less firmly established and abstracted, there began the economic systems, which ascended from the simple relations, such as labour, division of labour, need, exchange value, to the level of the state, exchange between nations and the world market. The latter is obviously the scientifically correct method. The concrete is concrete because it is the concentration of many determinations, hence unity of the diverse. It appears in the process of thinking, therefore, as a process of concentration, as a result, not as a point of departure, even though it is the point of departure in reality and hence also the point of departure for observation and conception. Along the first path the full conception was evaporated to yield an abstract determination; along the second, the abstract determinations lead towards a reproduction of the concrete by way of thought. In this way Hegel fell into the illusion of conceiving the real as the product of thought concentrating itself, probing its own depths, and unfolding itself out of itself, by itself, whereas the method of rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in the mind”

(Marx 1973:101; ).



Though the approach set out here is clearly dialectical, it is also not Hegelian. Marx suggested that he “openly avowed [himself] the pupil of that mighty thinker, and even ... coquetted with the modes of expression peculiar to him” (Marx 1976:103). However, whereas the Hegelian concept develops deductively, for Marx conceptual deepening emerged through the successive introduction of more complex determinations as he sought to move from the abstract to the concrete (Ilyenkov 2013:149–167). Commenting on this method, Bertell Ollman writes that Marx and Engels considered the whole to be constituted through its internal relations, and their work focused on the painstaking reconstitution of the whole as such a concrete totality (Ollman 1976:34; Marx 1973:101). As Engels wrote:

Our view of history, however, is first and foremost a guide to study, not a tool for constructing objects after the Hegelian model. The whole of history must be studied anew, and the existential conditions of the various social formations individually investigated before an attempt is made to deduce therefrom the political, legal, aesthetic, philosophical, religious, etc., standpoints that correspond to them

(Engels 2001a:8).

So, while Marx and Engels may well have agreed with Hegel that the truth is the whole, they nonetheless insisted that the process of reproducing the whole in thought as a concrete totality of many determinations was an arduous and ongoing scientific process. Marx’s goal was not to reduce non-economic processes of oppression and domination to class relations. Rather, he aimed to integrate these processes into a complex totality where explanation “means something like being placed correctly in the system of concepts that together form the theory of the capitalist mode of production” (Callinicos 2014:131; Gimenez 2001). According to Sue Clegg this method entails, for instance, not that forms of oppression are reduced to epiphenomena of class relations but that they are conceived as part of a greater whole: “The argument for historical materialism is not, as some of its critics have claimed, to reduce women’s oppression to class but that women’s position only makes sense in the explanatory context of the dynamics of particular modes of production” (Clegg 1997:210; cf Blackledge 2018).

Clegg is right, for though Marx insisted that relations of production constitute the inner essence of a mode of production, he also stressed that other aspects of the social whole cannot be reduced to these underlying social relations; they must be understood through an active engagement with empirical evidence:

The specific economic form, in which unpaid surplus-labour is pumped out of direct producers, determines the relationship of rulers and ruled, as it grows directly out of production itself and, in turn, reacts upon it as a determining element. Upon this, however, is founded the entire formation of the economic community which grows up out of the production relations themselves, thereby simultaneously its specific political form. It is always the direct relationship of the owners of the conditions of production to the direct producers—a relation always

naturally corresponding to a definite stage in the development of the methods of labour and thereby its social productivity—which reveals the innermost secret, the hidden basis of the entire social structure and with it the political form of the relation of sovereignty and dependence, in short, the corresponding specific form of the state. This does not prevent the same economic basis—the same from the standpoint of its main conditions—due to innumerable different empirical circumstances, natural environment, racial relations, external historical influences, etc., from showing infinite variations and gradations in appearance, which can be ascertained only by analysis of the empirically given conditions

(Marx 1981:927).

Consequently, in his theory of history Marx posited a method of analysis that opens with an attempt to grasp the essence of a system understood as the dominant form in which surplus is extracted from the direct producers. However, essence is not appearance, and science must also be able to comprehend totalities as complex wholes not as simple abstractions, and this entails careful theoretically informed and detailed engagement with evidence.

In modern capitalist societies Marx's method involves starting from an analysis of wage labor, because this is the historically novel and dominant form through which surplus is extracted from the direct producers. Wage labor is not, of course, the only way that surplus is thus extracted, and it certainly is not the only form of work in the modern world. Nevertheless, it is the dominant form through which the system is reproduced and the specific character of wage labor differentiates capitalism from earlier modes of production. In particular, wage labor underpins capitalism's most salient characteristics: its dynamism and its tendency to crisis.

By contrast with this essentialist model, descriptive accounts of history tend to reduce it to the successive iteration of mere chance—"one damn thing after another" as Toynbee wrote. By contrast with Marxism, the descriptive approach fails to recognize that to understand a thing we must grasp not merely what it is but also what it has the potential to become—and indeed what its essence necessitates that it tends toward (Meikle 1983, 1985). For Marx, properly understood the scientific method aims to reveal the dynamic social essence beneath the appearance of things: "All science would be superfluous if the form of appearance of things directly coincided with their essence" (Marx 1981:956). To this end, social science is a theoretical exercise aimed at cognizing the world we inhabit: "In the analysis of economic forms neither microscopes nor chemical reagents are of assistance. The power of abstraction must replace both" (Marx 1976:90). Marx's own contribution to this project revealed that capitalist society necessarily tends to both dynamism and crisis, which in turn impose an aging process on the system—and these are all essential characteristics of capitalism. Of course, the ways in which these tendencies are realized in practice is highly mediated and complex. If this truth means that mechanical applications of Marx's model to reality will tend to a crude caricature of

existing reality, the alternative approach of dismissing essence as a metaphysical concept lends itself to the tendency to lose sight of the capitalist wood for the trees.

Critics of essentialism generally argue that it fails as a model of history because it is fundamentally reductive. But as Scott Meikle argues in relation to Geoffrey de Ste. Croix's *The Class Struggle in the Ancient Greek World* this criticism of Marxism misses its mark. In his magnificent book, Ste. Croix aimed to reveal the essence of the ancient world as a system of surplus extraction from unfree labor. Far from being a reductive exercise, *The Class Struggle in the Ancient Greek World* married the highest level of theoretical sophistication with an incredibly detailed knowledge both of the primary and the secondary sources for his period of study. By marrying these two aspects of knowledge, Ste. Croix was able to *explain* the historical evolution of the ancient Greek world in relation to slowly changing forms of unfree labor—whereas even the best of mainstream historians were only able to describe this process (Ste. Croix 1983; Meikle 1983; Blackledge 2006a).

Ste. Croix illuminated the changing form of surplus extraction over more than a millennium, and through his analysis he revealed the evolution from the ancient mode of production dominated by slavery to the feudal system dominated by serfdom. This changing essence underpinned changes across society more broadly, as new social relations gave rise to new forms of rationality, politics, and culture. In so doing, Ste. Croix's book acts as a concrete application of Marx's method. He shows how the "real individuals" noted as the starting point of analysis by Marx and Engels in *The German Ideology* are in fact, as Marx wrote in the 1857 *Introduction*, concrete not because they are the unmediated starting point of analysis imagined by naive positivists but because they are constituted through the synthetic "concentration of many determinations." They are, therefore "a result, not as a point of departure, even though it is the point of departure in reality and hence also the point of departure for observation and conception" (Marx 1973:101).

### 3. England's Bourgeois Revolution?

The limitations of descriptive history are evident in mainstream interpretations of the English Civil War. Within the mainstream the "Civil War" tends to be framed it as a struggle between two sections of the English ruling class that had little or nothing to do with the rise of capitalism. Marxists, by contrast, have tended to label the events of 1640 to 1660 as a bourgeois revolution, though they disagree markedly over the meaning and even applicability of this term.

In his fundamental contribution to this literature, Brian Manning evidenced the power of Marx's essentialist method as compared to the superficiality of mainstream historiography (Blackledge 2005). He agreed that the mainstream account of the Civil War captured a superficial truth but insisted that this account was inadequate as an explanation for the revolution. In a series of studies of turning points in the revolution he

highlighted the decisive part played within it by the “intervention of people from outside the class that normally dominated politics” (Manning 1992:16–17).

In his discussion of the growing divisions with the ruling class in the period 1640 to 1642, Manning looked beneath the superficial story of the growing distrust felt for Charles by large sections of the aristocracy to examine the role of popular struggles in shaping the opposing sections of the ruling class. He explained the emergence of a strong royalist party in this period as a response to the fear caused by the independent actions of the London crowd. Conversely, he points out that parliamentarians came to believe that the only force that stood between them and the King’s wrath was the London crowd (Manning 1991:71, 101).

According to Manning, the independence of the core group of the crowd was rooted in the growing economic independence of the “middle sort of people” in the century preceding the conflict (Manning 1991:230). This analysis of the role of the middling sort in the revolution followed Maurice Dobb’s argument that English capitalism emerged from within the ranks of the direct producers, and that roughly speaking the nation divided in the 1640s along socioeconomic lines (Dobb 1963:170; Manning 1994:86). Manning suggested that the growing importance of this group should be related to the prior development of industry, and through his stress on this development Dobb was able to explain why “industrial districts—not all of them—provided a main base for the parliamentary and revolutionary parties” (Manning, 1994: 84–86). Following Dobb, Manning argued that the English Revolution could best be understood as a bourgeois revolution located within a framework dominated by “the rise of capitalism” (Manning 1999:45–51).

This concept of an English bourgeois revolution is contentious even amongst Marxists. Perhaps the most important critic of this sort of interpretation of the Civil War is Robert Brenner (Blackledge 2008a). Though Brenner has written a detailed analysis of the social roots of the conflict between the English monarchy and parliament in the 1640s (Brenner 1993), he rejects the idea of a bourgeois revolution because, or so he argues, the break between feudalism and capitalism long preceded the Civil War. In his alternate account of this transition he argues that capitalism originated not as a result of a victory of the peasantry over the feudal nobility in the class struggle, and still less the product of a rising bourgeoisie, but as an unintended consequence of the class struggle under feudalism. According to Brenner:

The breakthrough from ‘traditional economy’ to relative self-sustaining economic development was predicated upon the emergence of a specific set of class or social-property relations in the countryside—that is, capitalist class relations. This outcome depended, in turn, upon the previous success of a two-sided process of class development and class conflict: on the one hand, the destruction of serfdom; on the other, the short-circuiting of the emerging predominance of small peasant property.

(Brenner 1985:30)

In France serfdom was destroyed by the class struggle between peasants and lords, but the process went beyond that needed for the development of capitalism, leading instead to the establishment of widespread small peasant property. In Eastern Europe the peasants were defeated, which led to the reintroduction of serfdom. Only in England did optimal conditions come about for the evolution of agrarian capitalism.

Commenting on this thesis, Guy Bois has argued that Brenner's thesis "amounts to a voluntarist vision of history in which the class struggle is divorced from all other objective contingencies and, in the first place, from such laws of development as may be peculiar to a specific mode of production" (Bois 1985:115). Conversely, Ellen Meiksins Wood argues that Brenner's interpretation of the transition to capitalism in England is of the first importance to the critique of capitalism because, contra the orthodox Marxist case that ascribes explanatory primacy in history to the development of the productive forces, Brenner does not assume that a peculiar rationality (characteristic only of the capitalist mode of production) is a constituent element of human nature. His approach is therefore better able than its alternatives to grasp the specificity of capitalist rationality, and consequently the possibility of transcending capitalism (Wood 1999:7).

Though nominally aimed at Marx's 1859 preface, Wood's critique of orthodoxy is best understood as a challenge to GA Cohen's understanding of historical materialism as detailed in his classic study *Karl Marx's Theory of History: A Defence*. Cohen's interpretation of Marxism is characterized by its analytically rigorous defense of two key propositions. First, "the forces of production tend to develop throughout history (the development thesis)," and, second, "the nature of the production relations of a society is explained by the level of development of its productive forces (the primacy thesis)" (Cohen 2000:134). Cohen explained the relationship between these propositions, and thus the course of history, in functionalist terms (Cohen 2000:260, 272). He also pointed to an explanation for the salience of the development thesis: he assumed that in a situation of scarcity human agents find it rational to develop the forces of production over time. This is because "men are ... somewhat rational," they live in a "historical situation of ... scarcity," and they "possess intelligence of a kind and degree which enables them to improve their situation" (Cohen 2000:152). Cohen's interpretation of historical materialism consequently included an idiosyncratic defence of a type of political fatalism that was rooted in what Erik Olin Wright et al. call a "transhistorical" model of human rationality (Wright et al. 1992:24). He claimed that "in so far as the course of history, and more particularly, the future socialist revolution are, for Marx, inevitable, they are inevitable not despite what men may do, but because of what men, being rational, as bound, predictably, to do" (Cohen 2000:147, Cohen 1988:55). Commenting on this argument, Alex Callinicos observes that the inevitabilist structure of Cohen's reinterpretation of historical materialism "is almost a *reductio*" of historical materialism, while Terry Eagleton writes that "rarely has a wrongheaded idea been so magnificently championed" (Callinicos 2004:69; Eagleton 2011:242-243; Blackledge 2015).

If some theorists have responded to Cohen's work by dismissing the utility of the developmental thesis and productive force determinism, others have attempted to salvage the rational core of these ideas. The problem with Cohen's account is that by interpreting Marx as a positivist he reconstructed a caricatured version of historical materialism as a fatalist theory of change. By contrast, when he was still a Marxist Alasdair MacIntyre argued that if the ethical core of Marxist political theory was to be retrieved from the corpse of Stalinism, historical materialism must be rescued from such crude account of historical progress (MacIntyre 2008a:32). Stalin's claim that history's general course was predictable rested, or so MacIntyre maintained, on a misconception of the role of the base-superstructure metaphor in Marxist theory. Marx understood this metaphor as denoting neither a mechanical nor a causal relationship. Rather, he utilized Hegelian language to denote the process through which the economic base of a society provides "a framework within which superstructures arise, a set of relations around which the human relations can entwine themselves, a kernel of human relationships from which all else grows." It was a mistake to imply that according to this model political developments followed automatically from economic causes. This is because in Marx's view "the crucial character of the transition to socialism is not that it is a change in the economic base but that it is a revolutionary change in the relation of base to superstructure" (MacIntyre 2008a:39).

Through this argument MacIntyre began the process of reconnecting Marx's conception of history to his revolutionary politics after they had been torn asunder by the Stalinist counter-revolution. MacIntyre showed that once extricated from positivistic caricatures of his writings, Marx's theory of history could be conceived as an essential resource for anyone wanting to understand capitalism as a historically transient mode of production, so as to overcome it. More concretely, as we have noted, Manning's work on the English Revolution detailed how the development of the forces of production in the century prior to 1640 had cumulatively restructured society; as a result, new forms of agency emerged that were able to challenge the status quo in a way that would have been inconceivable a century earlier (see, e.g., Harman 1998:96).

If it is difficult to imagine Cromwell's victory, the Restoration, and subsequently the Glorious Revolution apart from these changes, it is equally true that the precise outcome of these revolutionary struggles was not inescapable. As Chris Harman points out, nothing was inevitable about the triumph of capitalism. The area around Prague was the most economically developed part of Europe in the early seventeenth century, but social forces similar to those that won a revolution in England were defeated by feudal reaction in Bohemia (Harman 1998:103–105). If Brenner agrees with Harman that the outcome of the class struggle could not be predicted, they differ markedly in their assessment of the role of the development of the forces of production in history. Following Bois and others, Harman argues that a focus on the development of the forces of production allows historians to better explain why the revolutionary challenge to feudalism happened generally across Europe when it did, and not at any earlier point over the previous millennium (Harman and Brenner 2006).

Whether one finds Harman or Brenner more persuasive on this point, their approaches share a desire to comprehend the transition from feudalism to capitalism in terms of forces inherent to the feudal system and without recourse to claims of inevitability. Gramsci embraced a similar conception of Marxism. Against attempts to downplay the role of individuals in the Marxist theory of history, Gramsci insisted that “organic crises” could develop and continue indefinitely if the agency required to overcome them did not appear.

A crisis occurs, sometimes lasting for decades. This exceptional duration means that incurable structural contradictions have revealed themselves (reached maturity), and that, despite this, the political forces which are struggling to conserve and defend the existing structure itself are making every effort to cure them. These ... efforts ... form the terrain of the conjunctural.

(Gramsci 1971:178)

Similarly, though from the opposite angle, Trotsky’s *History of the Russian Revolution* examined Lenin’s role in overcoming an organic crisis. Trotsky maintained that individual socialists could play pivotal roles in history. But whereas in the past the process of revolutionary change had been less consciously determined, the transition from capitalism to socialism could only be won if the agents had a clear understanding of their position within a historical process. Lenin not only had a profound understanding of the historical process but also had built a party able to act on this understanding; as a result, he was able to enter a “chain of objective historic forces” in October 1917. Specifically, Lenin accelerated the process through which the Bolsheviks were able to grasp the new reality at a moment when time was at a premium, such that without him the revolutionary opportunity would probably have been missed (Trotsky 1977:343). Commenting on these arguments, MacIntyre points out that by contrast with caricatured criticisms of Marxism, because Trotsky recognized that “from time to time history presents us with real alternatives” his *History* illuminated the dialectical unity that can exist between great social forces and individual political initiatives (MacIntyre 2008b:275; Blackledge 2006b).

## 4. Conclusion

Commenting on Trotsky’s *History*, C. L. R. James wrote that “it is the greatest history book ever written ... the climax of two thousand years of European writing and study of history” (James 1994:118). James was no fool, and he did not give praise lightly. He believed that Trotsky deserved this accolade because his *History* creatively applied Marx’s synthesis of the great strands of European culture to reconstruct the historical totality without either reducing the role of individuals to epiphenomena of broader social forces or reifying them as “great men” separate from these forces. Trotsky’s *History* was therefore a powerful example, perhaps the most powerful example, of what Hobsbawm calls “total history,” understood not as a “history of everything but history as an indivisible web in which all human activities are interconnected” (Hobsbawm 2007:186).

To reconstruct the social totality in the mind was, of course, Marx's aim, and it continues to be the aim of contemporary Marxists. This project is an intrinsic aspect of revolutionary politics because the social revolution demands the present be understood as a historically constituted whole. Such a scientific account of the present as a historically evolving whole is an essential prerequisite for coherent revolutionary practice. If radical theory too often shares with mainstream social science a tendency to mere description—one thinks of intersectionality theory, for instance—pseudo-radical criticisms of the ideas of essentialism, necessity, and totality actually undermine the attempt to move beyond abstract moral condemnation to the politics of liberation. This article argues, contra the caricatures of Marx's theory of history as a mechanically deterministic and fatalist conception of reality, that by providing the resources necessary to understand the present as a historical problem, historical materialism is the necessary theoretical complement to socialist activity without which the latter is blind.

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# Oxford Handbooks Online

## Class and Class Struggle

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## Abstract and Keywords

This chapter affirms that class and class struggle were fundamental to Marx's conception of history. His claims are affirmed as it is shown that upper-class demands for surplus and lower-class resistance have driven the evolution of society from the Bronze Age to the present and were critical to the passage from the tributary mode of production to the capitalist mode of production. Class struggle exists in all class-based societies but was particularly acute in China and the West. In Classical Antiquity class antagonism mainly took the form of peasant/landlord struggle but also expressed itself in conflict between slave and master. In modern times the bourgeoisie engaged in a two-sided struggle against both the landlord class and against the working class. Its struggle against the latter is ongoing. The state, culture, and ideology are key components of class struggle.

Keywords: class, class struggle, tributary mode of production, capitalism, revolution, state

The opening of the first chapter of the *Communist Manifesto* declares that "the history of all hitherto existing society is the history of class struggles." Indeed, class and class conflict are fundamental concepts of Marx's theory of historical materialism and are at the core of all of Marx's writings. Marx and Engels further contended that whereas class and the struggle between classes existed before capitalism they become a distinguishing feature of capitalist society. They believed that class and class struggle were therefore not inert structures and processes but historically developing ones that become more and more salient as capitalism moves towards its ultimate crisis (Bottomore 1991:85–86).

It is necessary to begin with an overview of the origins and history of class and class struggle, which are regarded as a motor of historical development. Reviewing the slave, tributary/feudal and capitalist modes of production, the nature of class struggle within each of these modes will be analyzed. Class and class struggle are found to be strongest in China and Europe and more muted in the Near East and India.

This article will demonstrate that class struggle is a particularly marked feature of European history. The political and social combativeness of the bourgeoisie is especially notable. The struggle of this class was two sided. On the one hand, the capitalist class carried on a centuries-long battle against feudalism beginning with revolts in the late Middle Ages and continuing with the early modern revolutions in Germany, Holland, England, and France. Indeed, its combat against feudalism and absolutism continued until 1848. The rise of the absolutist state in the early modern period constituted the main line of defense of the members of the feudal class during the early modern period. On the other hand, the bourgeoisie accumulated capital and power by waging ongoing class war against peasants and workers through primitive accumulation, the reorganization of production into the putting-out system and manufacturing workshops and by the Industrial Revolution.

The working class began its resistance to the bourgeoisie during the Industrial Revolution and French Revolution but only emerged politically as an independent force by raising the red flag during the revolutions of 1848. Working-class confrontation with capital was reflected in day-to-day struggles and the organization of unions and political parties. But it also manifested itself in repeated bids for state power in a series of revolutions beginning with the Paris Commune, the Russian Revolution and the victorious struggle against fascism, and the Chinese, Korean, Cuban, Vietnamese, and other Third World revolutions.

The working class was certainly pugnacious. But the bourgeois gave no quarter either as shown by the suppression of the Commune, the consolidation of the Argus-eyed ideological and bureaucratic apparatus of the bourgeois state, and its aggressive resort to colonialism and imperialism, fascism and two world wars. The imposition of the Cold War, the gigantic post-1945 development of the forces of production, the fall of Communism, and the imposition of neoliberalism put the working class on the defensive. The outbreak of the economic crisis in 2008 set the stage for a new stage of class war on a global scale.

## 1. Primitive Communism

The claim by Marx and Engels in the *Manifesto* that all past society was marked by class and class struggle proved unsustainable. Rather they became aware that class divisions were to be found only in societies that had evolved to the point of having written records. As their knowledge of anthropology and archaeology increased, they realized that in more remote times primitive Communism—hunter-gatherer societies based on common ownership and egalitarian social relations—was the rule. Engels attributed the decline of primitive Communism and the origin of economic classes to the invention of agriculture and the concomitant development of the state, the monogamous family and private property (Engels 1942, 1972).

## 2. Asiatic Mode of Production

In the wake of the decline of primitive equality and the emergence of agriculture the Asiatic mode appeared. The ruler in this kind of state in theory possessed all land and extracted surplus in the form of tribute. Surplus was extracted through officials of the subordinate state apparatus from self-sufficient, largely agricultural communities. In these communities there was no private property in land, complex division of labour or much external trade. Class and class struggle were muted.

Marx seized upon the concept of the Asiatic mode of production to account for the relative inertia of Chinese and Indian society and his view in this regard is open to question in the twenty-first century. Nonetheless, his conception of an Asiatic mode proved to be extremely fertile intellectually. The Asiatic mode is now seen by anthropologists as a transitional phase through which all pre-capitalist societies, including Africa, the Middle East, and the Americas, evolved attendant on the development of the early state. The absence of economic classes and class struggle is the key feature of the Asiatic mode (Godelier 1978:201–257). Recognition of the pervasiveness of the Asiatic mode helps to highlight the centrality of the birth of class and class struggle to the historical and material development of global society and to qualify a too linear view of historical development.

## 3. Tributary Mode

Based on the historiography in the major Western countries in the nineteenth and twentieth centuries, scholarship tended to be dominated by a Eurocentric viewpoint that gave pride of place to Greece and Rome and Western feudalism. But in the twenty-first century the history of class-based societies and class struggle is increasingly discussed in terms of the so-called tributary mode of production: a non-Eurocentric formulation conceived by the Egyptian-Senegalese Marxist political economist Samir Amin (1985). Amin postulated five modes that might co-exist in a social formation prior to the arrival of socialism: primitive community, petty commodity, slave, tributary, and capitalist. The most common, long-lived, and general pre-capitalist mode has been the tributary in which surplus has been collected in the form of rent or taxes by the social and political ruling apparatus from the peasant village community organized on the basis of a gendered family division of labor. Historically this mode has existed since the Bronze Age and has been found in both European and non-European societies as diverse as China, Imperial Rome, or Old Regime France. This mode is characterized by the existence of the state and towns, state apparatuses, monumental architecture, markets, irrigation systems, canals, and roads. The prevalence of this mode through a long history requires us to carefully examine it and the dynamic of class struggle within it.

Amin allowed that although the tributary mode was predominant historically, medieval European feudalism may be seen as a variant especially owing to its parcelization of sovereignty. Like the tributary mode in general its foundation is based on the subsistence



family agriculture of peasants. Its historical importance lies in the fact that that it was the mode whose existence immediately preceded the development of capitalism.

John Haldon has most developed the theoretical premises of the tributary mode emphasizing the key role of the state to its function (1993). Haldon argues that Amin's view of Western feudalism as a particular variant of the tributary mode is mistaken. Ignoring the importance of Western feudalism to the birth of capitalism, Haldon sees feudal rent and state taxation as simply different forms of surplus extraction (1993: 76–77).

The state in the tributary mode is seen as enjoying a certain autonomy while being constrained by the economic relationships that underlie it. States in this mode have an autonomy of practice in so far as they represent a nexus of historically specific specialized rules and ideological, cultural, and religious practices. The chief characteristic of the tributary mode is the extraction of surplus in the form of rent, taxes, or tribute by means of non-economic coercion. The extraction of surpluses in these forms reflects the degree of centralization achieved in a given state with taxation representing the most developed form of surplus extraction characteristic of a strong centralized state.

The transformation of kin and lineage-based modes of surplus appropriation into those based on class exploitation loosens kinship ties and their associated forms of social practice. The coincident extension of networks of coercive political and economic power across a wider social and geographic space leads to the development of statelike structures. On the other hand, this by no means suggests that localized or regional bonds of kinship and lineage do not continue to play a key role in production and distribution (Haldon 1993:88).

The appearance of class antagonisms marks a new stage in the development of the relations of production. As objective antagonisms between social groups with regard to their relations of production evolve and crystallize, the state becomes the legislative and executive arm of the ruling class within the state. The community with its kinship and lineage structures organized as a set of clans or families with equal or equivalent rights no longer controls the means of production and distribution. Instead one group now exerts control over both the amount of surplus demanded and the mode of surplus appropriation, using mechanisms of non-economic coercion (i.e., law, customary practice, religion, military force), a class now exploits the labor of other groups (Haldon 1993:90).

Peasant revolts against the landlord class and the state were an ongoing feature of this mode. The history of imperial China is marked by recurrent peasant revolts against the landlord class and the state. In the 880s, 1350s, and 1640s major peasant upheavals contributed to in the fall of the reigning dynasty (Wickham 1985:175). The Russian imperial state that dates from the sixteenth century was constantly fearful of peasant uprisings, which totaled some 160 in the imperial period. There were four major uprisings after 1606 provoked by resistance to serfdom or excessive taxation. The greatest of these was the Pugachev revolt of the 1770s (Perrie, Lieven, and Suny 2006: 483). In India such class-based agrarian revolts were more muted due to the largely self-

sufficient nature of the village and the power of the religiously based caste system. The imposition of the despotic Moghul bureaucracy in the early modern period also inhibited the formation of popular grassroots opposition. But contrary to a common view India experienced substantial economic and commercial growth in the Mughal era (1526–1707). Excessive fiscal demands and religious intolerance in the reign of Aurangzeb set off peasant revolts at the end of the seventeenth and beginning of the eighteenth century, which led to the break-up of the centralized state (Bagchi 2005:150–151).

## 4. Slavery

Marx, who had a thorough classical education and who therefore inherited the special interest of Europeans for the Greeks and Romans, treated slavery in Ancient Greece and Rome as a distinct mode of production. According to him, direct forced labor was the foundation of the ancient world. In slavery wealth confronted forced labor not in the form of capital but rather as a relation of direct domination.

Marx's view of ancient slavery was elaborated by Geoffrey de Sainte-Croix's *Class Struggles in the Ancient Greek World* (1981) (Talbot 2000; Talbot 2000a). Sainte-Croix saw ancient or chattel slavery as one form of unfree labor that also included serfs and debt bondsman. The great ages of slavery were the fifth and fourth centuries before Christ in Greece and the second and first centuries before Christ in Rome. The late Roman Empire saw a decline in slave labor and an increase in the use of serfs (de Sainte-Croix 1981: 52, 53, 146).

Marx, Engels, Sainte-Croix, and others maintained that slavery was a mode of production in its own right. But the salience they gave to the slave mode of production came under criticism. Critics pointed out that except for brief periods the dominant mode of extraction in classical Antiquity had been the collection of rent from a dependent peasantry rather than slavery. Class conflicts between patricians and plebians including peasants played a more important role in the evolution of the Greek city-states and the Roman Republic and Principate than did slavery. But Sainte-Croix had only argued that the extraction of surplus from slave labor had been the way the ruling class in Greece and Rome at their zenith had been able to maintain its rule. Slavery is what made possible the most distinctive features of ancient civilization. Slavery was the means by which Greek city-state elites and Roman patricians extracted the surplus that enabled them to dominate politically and culturally (de Sainte-Croix 1981: 52, 54).

## 5. Feudalism

The transition from the Roman Empire to Western feudalism has preoccupied scholars. The consensus is that feudalism was introduced based on the initiatives of the old Roman or new Germanic landlord class, who imposed a new regime on the agricultural producers through a process of direct and indirect coercion. It was Perry Anderson who initiated discussion claiming that there was a long cultural transition between the fall of

the Western Empire and the crystallization of feudalism. Over the centuries feudalism developed out of a slow fusion of Germanic and Roman social and legal elements. As part of this process the slave mode of production was replaced by serfdom (Anderson 1974: 28-42).

Chris Wickham, on the contrary, sees feudalism as already existing at the beginning of the fourth century and dominant by 700 AD. Reflecting the common view Wickham believed that in order to avoid onerous Roman taxation peasants placed themselves under the protection of lords in the late Roman Empire (Harman 2011:98-99). During these so-called Dark Ages peasant resistance on a large scale was rare. There is evidence, however, of ongoing local struggle that took the form of ongoing opposition to the imposition of the feudal system. In Saxony in 841-842, for example, aristocratic feuding made possible a large-scale peasant revolt demanding a return to the pre-aristocratic social order (Wickham 2005:350-351, 441, 578-588).

A radically different view was put forward by Guy Bois. Bois argued that the slave mode remained dominant until the tenth century. Feudalism, including the dominance of serf labor, developed out of a movement in the tenth century of a religious fraction of the landlord elite known as the Cluniac monks.

Upset by the secular overlords control of the church and the resultant corruption of religion the Cluniacs among other measures took the peasants under their protection and gained their support. The secular overlords resisted and the resultant anarchy terrorized the peasantry and led to the consolidation of feudalism (Bois 1992:145-152). The feudal class then facilitated an economic take-off, including new techniques and technology, towns and trade, and a land market that marked the High Middle Ages.

## 6. Late Medieval Crisis

There was a crisis of feudalism in Western Europe in the period 1300-1450 due to landlord over-exploitation and the consequent widespread revolt of peasants and towns. It paved the way for the emergence of the capitalist mode of production within a social formation still dominated by the feudal mode.

Bois's treatment is innovative for emphasizing the importance of peasant resistance as against landlord demands (Bois 1992:135). Developing the class struggle the peasants during the High Middle Ages undermined rent or the feudal levy by organizing themselves at the village level against demands for more labor by landlords. The resistance of peasants to surplus labor on the demesne and their struggle to devote labor to the family plot and to keep as much as possible of the product of that labor are inherent characteristics of the class struggle under feudalism. The development of the peasant community as the coordinating center of peasant family plots—and as bulwarks against outside intervention by feudal lords—eroded seigneurial power, especially where aristocratic political organization was weak. The constant struggles of the petty producers over time, aided by the lords' own ideology of perpetual tenures and service,

were successful in eroding feudal levies. Landlords at first reacted by inventing new forms of rent or forcing technological improvements (windmills, watermills, etc.) and later by pillage and warfare which devastated the peasantry.

Indeed, the late Middle Ages was marked by intense class conflict between landowners and peasants. Maurice Dobb put the emphasis on the destructive consequences of the landlords over-exploitation of the peasants. The landlords' need for revenue prompted an increase in the pressure on the producer to a point where it became unendurable. The result was economic and demographic exhaustion, flight from the land and peasant rebellion. Subsequent labour shortages, peasant resistance or threat of flight led to widespread commutation of labor to money rent and the end of serfdom. The manorial system was further weakened by the thinning of the ranks of the nobility through war, the growing practice of leasing demesne, the emergence of a stratum of rich and middling peasants differentiated from the mass of peasant poor, and the growing use of wage labor. By the end of the fifteenth century the economic basis of the feudal system had disintegrated (Dobb 1946:42–46, 60, 65).

Echoing Dobb, Bois stressed the importance of the decline in the feudal levy and blockage of the forces of production in setting off the feudal crisis. At the same time, he emphasized the many-sided nature of the late medieval crisis—political, religious, cultural—reflecting a crisis of values as part of class conflict. Writing in 2000, eight years prior to the financial collapse of 2008, Bois demonstrated the similarities between the crisis of feudalism and the current crisis of the capitalist system (Bois 2000:143–176).

Chris Harman took up the views of Bois and transformed them making the crisis of feudalism not so much one of over-exploitation by the landlord class but of advance on the part of the petty producers. He underscored the increases in the productivity of agriculture in the High Middle Ages both in England and on the European Continent. Agricultural surpluses were marketed in the towns, manufactures were consumed not merely by nobles but also by peasants and townspeople, and commercial ties between producers in town and country were strengthened. Wage labor began to be employed on a limited basis by incipient capitalists. Social differentiation among the peasantry strengthened these tendencies. The late medieval crisis affirmed rather than annulled these economic and social advances of the twelfth and thirteenth centuries. During that period of difficulty, the lead in opposition to the nobles was taken by those peasants and craftspeople who were most in command of the forces of production that had developed in the previous period of prosperity. The religious heresies, new cultural movements, and revolutionary social movements of the late Middle Ages were important factors in the decline of feudalism. Harman in fact considers the social upheavals of the fourteenth century throughout Western Europe to be a proto-capitalist revolution brought on by the development of the forces of production in the High Middle Ages and their fettering (Harman 1998:68).

The end of serfdom in Western Europe did not bring feudalism to an end however. As Perry Anderson demonstrated the emergence of the territorial monarchies at the end of

the Middle Ages in fact represented “a redeployed and recharged apparatus of feudal domination, designed to clamp the peasant masses back into their traditional social position” (Anderson 1974:18). The class power of the nobility, which was put in question as a result of the disappearance of serfdom, was displaced upward and centralized into the hands of the new territorial monarchies, which became the principal instruments for the maintenance of noble domination over the peasantry. Moreover, in so far as nobles blocked the emergence of a free market in land and peasants retained access to their means of subsistence, feudal relations persisted. The state was the ultimate rampart of upper-class rule and interstate warfare helped justify landlord rule and was a means of deflecting class struggle. Capitalism developed within the interstices of feudalism co-existing with it and, indeed, allying itself with a revived slavery from which it greatly profited in the early modern period.

## 7. Origins of Capitalism

Nonetheless, in England and elsewhere in Western Europe the emergence of the territorial state created a space essential for the further progression of the urban-based bourgeoisie. In the medieval period political and economic control had been combined. With the appearance of the system of competing sovereign territorial states in the early modern epoch, political power began to be separated from immediate control over markets and property, allowing capitalist forces to emerge. The political order remained feudal while society under its aegis became more bourgeois (Anderson 1974:23–24).

In his discussion of the birth of capitalism in sixteenth-century England, Marx stresses the relationship between capitalist farmers and rural wage earners and the new social and political importance of profit (Marx 1977:905). It should be emphasized that the emergence of this class was made possible by the social differentiation of the peasants that had become about as a result of the class struggles of the late Middle Ages. Capitalists fundamentally differed from feudal landlords in that their goal was capital accumulation rather than consumption and that they used economic rather than non-economic means to extract surplus from peasants. This allowed eventually for a massive expansion of the forces of production under the control of capitalists.

## 8. Merchant Capitalism

During the period of merchant capitalism (1500–1800) in which production in agriculture and manufacture was re-organized under the control of capital but not yet revolutionized, class struggle took three forms: primitive accumulation, accumulation proper, and bourgeois revolution against feudalism and absolutism.

There was ongoing primitive accumulation directed from on high against subsistence peasants by landlords and rich peasants. This was countered from below by anti-enclosure movements by peasants (Charlesworth 1983; Glassman 2000). But from the sixteenth century onward the majority of peasant producers gradually lost access to

sufficient land or other means of production that became more and more the possession of landlords, rich peasants, and manufacturer-merchants (Bryer 2006; Dimmock 2014). The loss of access to the land was often a violent and traumatic experience. Dispossession of subsistence peasants forced increasing numbers of them to sell their labor power to employers for wages a form of exploitation that proved more efficient than the extraction of rent. This process is part of what Marx called “primitive accumulation” because it allowed a certain concentration of wealth but especially because it put in place the social relations that permitted the further accumulation of capital. This transformation unfolded between 1500 and 1800 across the face of Western Europe and especially in England, which found itself in the vanguard of capitalist development.

A second form of class struggle occurred based on the growth of capitalist relations of production. As more and more producers became wage workers there was an ongoing struggle between them and employers over how much of their labor power could be appropriated by employers as surplus value, about the intensity of work, and about the length of the working day. Based on the extension of these new social relations commodity production became generalized and an increasing number of producers were forced to sell their labor as a commodity. By the end of the eighteenth century, half the population of Western Europe were wage workers (Tilly 1983; Lucassen 2005).

## 9. Bourgeois Revolution

As capital accumulated in the hands of the bourgeoisie, there developed a series of increasingly powerful capitalist and bourgeois revolutions against the feudal class and absolutism running from the German Peasants’ War and the Dutch Revolt, to the English and French Revolutions and including international conflicts between the revolutionary bourgeois states and the feudal and absolutist states. In short the highest form of class struggle took the form of a struggle for the control of the state. The Dutch fought a prolonged war of national liberation (1576–1648) against the Hapsburgs and in the last years of this struggle the conflict turned into a general European war. The Thirty Years’ War (1618–1648) was a struggle between feudalism and capitalism defined in economic terms. But it was in fact a clash between two modes of production that embraced two kinds of society. It was a clash between two power blocks in which the Dutch revolt of the sixteenth century against Spanish absolutism became linked to the English Revolution. It was a class conflict that crystalized into an interstate struggle whose outcome saw the triumph of the capitalist states of northwest Europe, on the one hand, and the re-feudalization of Central and southern Europe on the other (Polisensky 1971:262). The unprecedented mass military mobilizations during the French Revolution and the subsequent Napoleonic Wars helped consolidate the revolution, internationalizing the class conflict and enabling the liquidation of feudalism across most of the European Continent (Blaufarb 2014:131–154).

Recently there have been attempts to deny that these upheavals or mass movements from below were bourgeois and capitalist. This school of historical thought is part of a broad

current of revisionism that is designed deliberately or not to delegitimize the historical significance of revolutionary and anti-colonial struggles overall (Losurdo 2015). Paradoxically it is avowed Marxist scholar and political activist Robert Brenner who has played an important role in disavowing the importance of the concept bourgeois revolution (Heller 2011:118–120).

In arguing that they were bourgeois and capitalist, we are not saying that these early bourgeois revolutions were made exclusively by the manufacturing, commercial, and professional bourgeoisie. On the contrary it was the petty bourgeoisie, peasants, and wage workers who constituted the mass of rank-and-file revolutionaries (Heller 1985). But these upheavals were all directed against arbitrary government, restrictions on the market, burdensome taxation, aristocratic and ecclesiastical privilege, and religious persecution that hampered the development of capitalism. The main contradiction was the conflict between existing relations of production that were feudal and absolutist and capitalist forces of production in which leadership came to be controlled by the bourgeoisie or those under their direction. Changes in the political and legal superstructure demanded by the bourgeoisie were designed to remove political and social barriers to facilitate capitalist accumulation. Most of these early bourgeois revolutions were inspired by religion but the French Revolution—the last in the series—disestablished religion and was explicitly bourgeois and capitalist (Heller 2010). The sequence of these increasingly powerful revolutions allows one to trace the growing power of the bourgeoisie as a class. Its repeated drive to control the state announced its capacity to dominate society as a whole.

## 10. Industrial Revolution

The Industrial Revolution or entry of capital into production, which more or less coincided with the French Revolution, was among other things an attempt by the bourgeoisie to break the independence of workers and establish full control over their labor. Once more we are dealing with class struggle at the point of production. The knowledge of skilled workers was devalued and their autonomy subjected to factory discipline (Heller 2011:181–185). Inspired by the French Revolution, workers on both sides of the English Channel fought back and began to organize themselves and develop a sense of themselves as a working class. Historically the awakening of class consciousness among workers was a momentous development (Guicheteau 2014; Schiappa 2003:142, 505; Thompson 1963).

## 11. Age of Revolutions (1789–1848)

The half century following the French Revolution and Napoleon was marked by intense class struggle. The landlord class and the absolutist monarchies attempted to restore as much as possible of the Old Regime. Meanwhile, the Industrial Revolution spread to the Continent strengthening the bourgeoisie and working class who were inspired by the

political goals of the French Revolution. Their political aims included national sovereignty, legal equality and constitutional government as a minimum, political democracy, and socialism at the outside. The result was a three-fold wave of revolutions of increasing strength. On the periphery of Europe in the 1820s Greece, Russia, Spain, and Latin America experienced revolutions. Belgium, France, and Poland followed suit in 1830. Finally in 1848 France and then the rest of Western and Central Europe—including Germany, Austria, Italy, and Hungary—exploded. In less acute form unrest struck Spain, Denmark, and Romania while even Ireland, Greece, and Britain were affected.

These revolutionary waves sought in the first instance to advance nationalist and liberal demands. They involved liberal nobles, the professional classes, merchants, petty bourgeoisie and workers. As midcentury approached, reactive forms of popular resistance such as food riots and machine breaking declined, and strikes emerged as the primary weapon of workers—with their frequency and intensity tied to political events (Tilly 1975: 252). Workers across Europe had already enunciated a version of socialism based on producer cooperatives (Moss 1976:4). In the Revolution of 1848 democratic and republican ideas championed by the increasingly powerful middle and working class came to the fore. Shortly before the outbreak of the Revolution of 1848, Marx and Engels published the *Communist Manifesto* introducing the principles of historical materialism to the working class. The marriage of Marxist theory to the workers movement proved a world historical event (Althusser 1970). During the Revolution the working class across Europe raised the red flag of socialism for the first time (Hobsbawm 1962).

Revolutions also marked the second half of the nineteenth century (1848–1914). In Paris the Commune (1871) briefly established a workers' republic based on direct democracy and workers for the first time in history controlled the levers of political power. Marx who disapproved of the Commune as an adventure without possibility of success nonetheless drew important political lessons for the future of class struggle from its failure (Hobsbawm 1975:114). Meanwhile class struggle universalized itself in the Taiping Rebellion (1851–1864) as an immense peasants revolt against landlordism shook southern China. The revolution came about as a result of the destabilizing of China by the intrusion of an increasingly powerful British capitalism. English textiles and opium from India undermined traditional Chinese society. Part of the leadership of the rebellion was won over to the idea that China needed to modernize itself by adopting Western technology (Hobsbawm 1975:127–130). Marx presciently saw the Taiping Rebellion as a stepping stone toward an eventual Chinese socialist revolution.

## 12. The Nation, Monopoly Capitalism, and Imperialism (1848–1914)

Meanwhile in the West capitalism entered its heyday. In the years following 1848 the nation-state that had been pioneered in England, France, Holland, and Belgium and had become the political model followed by the United States, Canada, Italy, Germany, and Japan. The framework of the nation-state contained the militancy of the working class



## Class and Class Struggle

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allowing the consolidation of capitalism and the capitalist market under bourgeois control or under a partnership of bourgeois and landlord rule.

Over the next thirty years the nation-state served as the basic framework for the development of the capitalist market and made possible a major expansion of capital. Following the steep depression of the late 1840s a major boom developed in the 1850s. After a downturn in 1857 growth resumed even more spectacularly over the next decade until the onset of a new major depression in 1873. During these years there was an enormous boom in exports. Between 1850 and 1870 world trade more than doubled facilitated by the discovery of gold in California, the expansion of bank credit, and an overall environment in favor of the free market. The United States and Germany meanwhile achieved unification through major wars. Industrialization leaped ahead especially in these two states and spread throughout Western and Central Europe.

A depression set in 1873 slowing trade and depressing profits, prices, and interest rates and ending only in 1894. But output even in this period soared in heavy industries like steel. Concentration and centralization of capital and protectionism brought the end of free trade while new industries based on chemicals, oil, and hydroelectricity stimulated profits. Economic rivalry spurred a race for colonies (Hobsbawm 1989).

Capitalism had entered into a new stage characterized as monopoly capital and imperialism. This new phase of capitalism had the following characteristics: a) monopoly control over the heights of the national economies by big banks and corporations that tended to fuse together; b) partnership of monopoly corporations with the state that increasingly acted in their interest; c) expanding export of finance capital seeking profitable return; d) scramble for colonies or protected zones for investment and markets for manufactures; e) intensified economic, political, and military rivalry between the major capitalist countries: England, France, Holland, Belgium, Germany, United States, Japan, Austria-Hungary, and Russia (Smith 2000:10–16).

Bourgeois class power was enhanced by both the increasing institutional power of the state and the colossal growth of the capitalist economy. The working class also grew in these countries. Campaigns for pensions, reduction in working hours, disability and unemployment insurance, and the extension of democratic suffrage attracted working-class support for labor unions and socialist political parties. They grew exponentially in the late 1880s and early 1890s and again between 1905 and 1914. On the Continent at least, Marxism became the dominant ideology in these quarters. With help from Marx, a First International Association of working-class unions and parties came into being in 1864. But it dissolved twelve years later owing to splits between Marxists and anarchists. Class consciousness increased but hopes for sudden, violent change echoing the Revolution of 1848 diminished. The more enduring Second International, which gradually accommodated itself to this reformist current among socialists, was created in 1889 (Hobsbawm 1989:130, 133).

The shift in the nature of class struggle in Western Europe in this period was later theorized by Antonio Gramsci who articulated it in the form of the concepts of passive revolution and the contrast between a war of movement as against a war of position. In the first part of the nineteenth century the state apparatus was relatively rudimentary and civil society (i.e., the market and bourgeois institutions) was comparatively autonomous. Revolutionary insurrection was a feasible strategy. But after 1870 the internal and international organizational relations of the state in Western Europe became less communicative with civil society. The possibilities of a revolution or a war of movement diminished. Economic transformation occurred through a passive revolution (i.e., a revolution from above or by the ruling class without political transformation from below) in Italy, Germany, Austria-Hungary, and Russia (Thomas 2013:30). Through a wide range of cultural and political institutions ranging from newspapers, schools, to political parties, the bourgeoisie had established its domination as a class. Insurrectionary violence was incapable of overcoming the more solid foundations of this hegemonic order. The more so as imperialism and the gains of mass production made possible certain concessions to the working class. Class compromise seemed increasingly the order of the day.

Under such conditions Gramsci believed the proletariat could overcome bourgeois hegemony only by means of a war of position (i.e., pursuing the class struggle by building an alternative hegemonic culture based on the working class). This proletarian alternative order included trade unions and political parties but also the full range of cultural and educational institutions. In this way Gramsci discovered the cultural dimensions of class struggle as workers and bourgeoisie vied for ideological hegemony (Thomas 2009:126, 148–151). The role of women in the industrial workforce that had been dominant in the earlier stages of the Industrial Revolution diminished, and their role in the social reproduction of labor including the labour power of members of the working class family was stressed (Bellamy-Foster and Clark 2018).

## 13. Revolution and Counter-Revolution (1898–1945)

But already prior to the outbreak of war in 1914 this relatively stable order was being challenged at its periphery by a series of anti-colonial and anti-imperialist revolutions in the Chinese, Ottoman, and Russian empires as well as in Iran, Mexico, Cuba, and the Philippines. Imperialism was in the process of destroying the old structures of the economies of these states while undermining their political institutions. The traditional landed elites who were supported by a comprador bourgeoisie found themselves challenged by an emergent petty bourgeoisie, professionals, and students as well as artisans, small-scale merchants, and peasants (Hobsbawm 1989:276–292). From this time forward class struggle on the part of the petty bourgeoisie, working class, and peasantry in the Global South was associated with opposition to comprador elements but also imperialism.

The beginning of the twentieth century thus saw a return to the cycle of revolutions of a hundred years before. The most important of these upheavals of the new century occurred in Russia (1905) where defeat in war against Japan led to a revolution where first the bourgeoisie and then the proletariat took the lead. This proved a prelude to the Russian Revolution of 1917 in which an alliance of workers and peasants overthrew first feudal autocracy and then capitalism (Hobsbawm 1989:293–301; Smith 2002). The Russian Revolution was led by Lenin who created the highly effective revolutionary instrument of the democratic centralist Bolshevik Party. He then globalized it by organizing the Comintern (1919) made up of Communist parties prepared to accept the discipline of Leninist democratic centralist organization (Le Blanc 2014).

The war of movement spread from Russia to the West where it inspired a near revolution in Germany, army and naval mutinies, and then labor unrest in Italy, Hungary, France, Britain, Canada, Australia, and the United States (Broue 2004; Sondhaus 2011). Class struggle assumed new forms during the interwar period, which was marked economically at first by runaway inflation and rampant speculation and then a worldwide depression set off by a lack of demand. In Italy the war and the runaway inflation that marked its aftermath sparked a major crisis, including revolts by agricultural and factory workers. Working-class unrest and nationalist disappointment over the failures of Italian imperialism sparked a violent reaction by the middle class, making possible the rise of a reactionary mass movement. Bankrolled by the capitalist bourgeoisie, ex-socialist and war veteran Benito Mussolini invented fascism based on armed vigilante gangs (*fascisti*) of ex-soldiers, landlords, and middle-class youth and espousing extreme violence, the cult of the leader, the corporate state, economic autarchy, anti-Communism, anti-liberalism, extreme nationalism, imperialism, and war. This formula proved successful in repressing Italian Communism, which had been gaining ground in the wake of the Russian Revolution. The same recipe, to which was added a virulent anti-Semitism, succeeded in bringing the Nazi Party to power against the threat of a working-class takeover in Germany following the outbreak of the Depression (Renton 1999).

In order to advance the revolutionary struggle in Germany and elsewhere the Comintern in 1922 articulated the idea of the United Front. It entailed drawing together workers—revolutionary and non-revolutionary—in common struggle. These struggles could range from the basic defense of workers' conditions under capitalism (trade unions) to the creation of a workers' state from below (Soviets). The forces involved remained independent. Revolutionaries were able to pursue goals independent of the united front. It also was a site of struggle—reformist and revolutionary currents could argue about strategy and tactics and vie for supremacy. The superior ideas and methods of struggle put forward by revolutionaries allowed them to win some of the reformist workers involved in the united front to revolutionary politics (Choonara 2007).

Failure of the United Front in China and the crisis of the Depression led to its rejection by Stalin in 1927. The lack of a United Front in Germany between Communists and social democrats almost certainly contributed to the triumph of Hitler. Following the Nazi seizure of power, the Comintern outlined an alternate policy known as the Popular Front,

which entailed a much looser alliance of the parties of the center and the left to block fascism.

Bitter class struggles between Communists and fascists broke out in France, which saw the triumph of the left in a broad coalition in the election of the so-called Popular Front government (1936) dominated by the socialists and supported by the increasingly influential Communist Party. Electoral victory set off a massive wave of strikes and factory occupations and consequent social and economic gains by the working class (Danos and Gibelin 1986). Meanwhile in Spain rivalry between fascists and Communists culminated in the Spanish Civil War (1936–1939). The fascist side was openly supported by the military intervention of Italy and Germany, while the Soviet Union more discretely supported the Popular Front government of the Republic (Fraser 2011).

## 14. High Tide of Communism (1939–1949)

The struggle between fascism and Communism climaxed in World War II. Conceding that World War II was primarily an inter-imperialist struggle, the Soviet Union was assaulted by the Nazis. The Nazis wanted to destroy what was called the “Judeo-Bolshevism” of this workers state and to gain access to the immense resources of the Soviet Union. The Red Army was made up of workers and peasants and was inspired by patriotism and the ideology of revolutionary Marxism (Weiner 2002; Hellbeck 2015). Partisan units led by members of the Communist parties of the Soviet Union, France, Italy, Yugoslavia, Greece, and Czechoslovakia challenged the fascist occupiers and their local supporters (Mandel 1986:38–40). Meanwhile in China the Red Army made up of peasants was inspired by nationalism directed against Japanese imperialism as well as the prospect of overthrowing the landlord class. The Protracted Peoples’ War articulated by Mao Zedong combined land reform with innovative military strategy and tactics. It constituted a wholly new and brilliantly successful approach to class struggle in a semi-feudal country under the thrall of imperialism (Mao Zedong 1954).

## 15. Cold War (1945–1991)

Following World War II and the onset of the Cold War (1945–1989) the world was divided between the informal empire of a triumphant liberal and capitalist United States and its allies and a still-fledgling socialist world dominated by the Soviet Union and China. In the West the wartime destruction of capital and the need to satisfy the economic and political demands of the aspiring working class spurred the postwar emergence of Fordist capitalism. Class compromise was negotiated at the heart of the economic and political system. Demands for higher wages and higher living standards were met by investment in fixed capital and improvements in productivity-enhancing profits while producing a cornucopia of low-cost consumer goods (Vidal 2015:184). In the East primitive socialist accumulation imposed from above sparked rapid growth at first at the expense of

workers' living and working conditions. An immense expansion of the forces of production took place.

The working class benefited in the West but eventually in the Communist world as well. But the workers, peasants, and lumpen proletariat of the Global South under the weight of imperialism and neocolonialism were largely left behind. With the direct or indirect help of the Communist states, bitter anti-colonial, anti-imperialist, and class struggles raged throughout the Global South highlighted by revolutionary movements in Greece, Korea, Guatemala, Bolivia, Egypt, Iran, Algeria, Iraq, Cuba, Indo-China, Central America, and Africa based on the peasantry and relatively weak working classes of these countries. The United States suffered setbacks in Cuba and Indo-China; however, the United States, along with its allies and proxies, fought back using massive firepower and counter-insurgency techniques and its great financial and economic resources to contain these upheavals (Heller 2006). Class-based conflicts in the Global South continue as in the case of contemporary Venezuela or the Philippines but can only have systemic effects when joined to crisis in the major capitalist states (Cicariello-Maher 2013; Sison and De Lima 2015).

## 16. Neoliberalism

The collapse of the Soviet Union in 1991 allowed the American capitalist class and its allies to launch a global attack on the working class in the form of neoliberal austerity and the imperialist reoccupation of Eastern Europe and the Middle East. There has been a massive transfer of wealth from the working class to the capitalist class (Harvey 2003, Smith 2016). Some scholars assert that the globalization and financialization of the economy in the neoliberal period has created a veritable transnational capitalist class (Sklair 2001). Ongoing study of this question is necessary, but one must remind oneself that the capitalist class (like all historic ruling classes) has always depended on the state to maintain itself. There is little sign that a sufficiently strong international political and institutional framework has come into being that could sustain such a transnational class while dispensing with the state. Analysis of existing financial markets and signs of growing conflicts between the United States, Germany, Russia, and China rooted in economic and geopolitical rivalry casts doubt on this view (Norfield 2016). Samir Amin has suggested that rather than a single transnational capitalist class there are globalized monopoly capitalists that continue to depend on the existing major capitalist states as a base of their operations (Amin 2013). Under neoliberalism the class compromise of the post-1945 period came to an end. A wholesale attack on the working class worldwide marked the end of the twentieth century and the beginning of the new millennium. The working class as a whole fell into confusion and retreated.

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# 17. The Capitalist Crisis (2008)

Rising inequality and the outbreak of the crisis in 2008 led to a sudden rise of working-class consciousness arguably constituting the global working class as a class-for-itself (Schuman 2013). But the paralysis of the working class in the face of global industrial restructuring marked by the displacement of capital to the Global South, lean production and contracting out; the working class's difficulties in influencing its own organizations; its disorientation in the face of changes in its racial, ethnic, and gender composition; its degradation in the dog-eat-dog competition of the world employment market have inhibited the actions of trade unions and the coalescence of new political and social movements that could challenge capitalism (Moody 1997). The working class may be becoming a class-for-itself, but paradoxically it is far from constituting a class-in-itself. The global working class continues to be rooted in the social relations of production, but these have become extremely complex, while class today has to be understood as the outcome of multiple determinations beyond production relations (Campling, Miyamura, Pattenden, and Selwyn 2016). Developing working-class resistance under such conditions has proven difficult.

The absence of politically effective working-class parties at the national and international level is keenly felt. On the other hand, the lack of wage pressure to spur productivity, the ongoing profit and investment squeeze, growing delegitimation of capitalism and the capitalist state in the eyes of public opinion, inter-imperialist rivalry between the leading powers, and growing ecological problems suggest that contemporary class struggles are rooted in the Marxist contradiction between expanded forces of production and outmoded relations of production (Streeck 2016). Moreover, the working class remains a sleeping giant. The very concentration and centralization of capital has the potential over time of empowering workers socially and politically (Moody 2014).

In conclusion we note that the ecological problems of capitalism appear insuperable (Bellamy-Foster 2015). But they pose a problem especially for the capitalist class whose drive for more growth is rooted in its demand for more surplus without which it cannot accumulate capital. On the other hand, the producers in class societies have always aimed at subsistence or material sufficiency: a norm long since achieved that does not depend on the perpetuation of a system based on profit and that can be enhanced by the multiplication of use rather than exchange values in the form of more leisure and an improved environment.

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## Oxford Handbooks Online

### **Forces of Production and Relations of Production**

David Laibman

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### **Abstract and Keywords**

Marx and Engels based the movement for socialism and communism on a scientific analysis of social evolution rather than on ahistorical moral longings. This, however, requires replacement of vague evocative formulations by rigorous theoretical foundations. Two recent proposals for grounding the theory of the forces and relations of production—"intentional primacy" and "competitive primacy"—provide elements for this project but fail to drive it home. A proposed third approach, "social-functional primacy," focuses on the correspondence between advancing human power over nature, on the one hand, and the changing requirements for reproducible systems of exploitation—incentive, coercion, and control—on the other. A core evolutionary ladder of modes of production is identified as the basis for reconstructing the immense complexity of actual history, thus overcoming the dichotomy between "hard" and "soft" approaches to historical materialist theory.

Keywords: forces of production, relations of production, Marxist theory of history, historical materialism, social evolution, mode of production, stages of history

A crucial aspect of the turn that brought Marxism into existence in the late 1840s was Marx and Engels's insistence that socialism be founded on a general theory of social development. The goal of revolutionary movements was no longer to be simply posited as an abstract and timeless moral good; instead, its foundations were to be sought in a chain of steps or stages, all of which were seen as necessary prerequisites for the overthrow of capitalism and the construction of a socialist/communist order. Engels later put this succinctly: "Without the slavery of antiquity no modern socialism" (Engels 1939: chapter 16). This general view of development has come to be regarded as central to historical materialist doctrine. Revolutionary commitment and vision are still possible, of course, on the basis of moral outrage alone; the scientific element, however, must be present if a fully adequate foundation for the working-class struggle is to be achieved.

The main concept is a simple distinction between two intertwined aspects of the human “metabolism” with nature: *forces of production*, the connection of human beings to the external natural world; and *relations of production*, the associations formed among human beings in the same defining human activity. We will call these two aspects “productive forces” (hereafter PFs) and “production relations” (hereafter PRs). A good introductory symbolism for this distinction is an image of two people using a two-handed saw to cut down a tree. This labor process clearly involves a PF aspect: action upon and transformation of the objective environment (leave to one side any implications for sustainability and reproduction of that environment for now!). However, and as a defining characteristic of human activity and consciousness, the action also involves a social relation between the actors: in this case one of simple cooperation. In the evolution of human societies there are many forms of this human-nature/human-human system, and these of course become increasingly complex over time.

It remains to fill in the details of these forms, as they appear in the classical writings of Marx and Engels, and as interpreted later by writers in the Marxist tradition, and to show how they undergird a general model of stages-based—“stadial”—social evolution.<sup>1</sup> The next section will provide a brief survey of the most important classical texts from which this tradition is derived. This survey will focus only on well-known passages; no new depths of textual analysis will be attempted. The following section will present a simple formalization of the PF-PR relationship, based on the classical texts. It will also define a “mode of production” (MP) as a consistent pairing of PFs and PRs and illustrate the process of crisis and transformation leading to a succession of modes of production. This model of the theory will be seen to require clarification: the classical statements are literary and context dependent, and the concepts and causal links posited in them will need to be made as precise and rigorous as possible. Then we will outline two proposals for doing this: “intentional primacy” of the PFs, and “competitive primacy” of the PRs. The succeeding section will sketch an alternative, “social-functional primacy,” which proposes a rigorous theory connecting PF development to the relations of production and also seeks to incorporate the best insights of the intentional and competitive proposals. The conclusion addresses some key methodological issues, most especially the often-belabored question of the relation between an abstract stadial theory, on the one hand, and the manifest diversity and contingency of the historical record, on the other.

## 1. Textual Foundations

In *The Communist Manifesto* (1848), Marx and Engels formulated the PF-PR relation in the following way:

We see then: the means of production and of exchange, on whose foundation the bourgeoisie built itself up, were generated in feudal society. At a certain stage in the development of these means of production and of exchange ... the feudal relations of property became no longer compatible with the already developed

productive forces; they became so many fetters. They had to be burst asunder; they were burst asunder....

A similar movement is going on before our own eyes.... For many a decade past the history of industry and commerce is but the history of the revolt of modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and of its rule.

(Marx and Engels 1998:10–11)

Perhaps the most famous statement of the general historical materialist doctrine appears in Marx's 1859 *Contribution to the Critique of Political Economy* ("Preface") (Marx 1913). The following is a highly abridged version of the key passage, focusing only on the PF-PR relation:

In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces....

At a certain stage of their development, the material productive forces of society come in conflict with the existing relations of production, or—what is but a legal expression for the same thing—with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into their fetters.

Then begins an epoch of social revolution. With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed

....

In broad outlines the Asiatic, ancient, feudal, and modern bourgeois modes of production can be designated as progressive epochs in the economic formation of society. The bourgeois relations of production are the last antagonistic form of the social process of production.... This social formation brings, therefore, the prehistory of society to a close.<sup>2</sup>

(Marx [1859] 1913:11–13)

One last source may be cited: Engels' *Socialism, Utopian and Scientific*, which was extracted from his longer polemical work, *Herr Eugen Dühring's Revolution in Science* (Engels, [1880] 1939). In the shorter pamphlet, Engels formulates the general theory in this way:

In the modes of production and exchange changes have silently taken place with which the social order, adapted to earlier economic conditions, is no longer in keeping....

Before capitalist production—i.e., in the Middle Ages—the system of petty industry obtained generally, based upon the private property of the laborers in their means of production.... To concentrate these scattered, limited means of production, to enlarge them, to turn them into the powerful levers of production of the present day—this was precisely the historic role of capitalist production and of its upholder, the bourgeoisie.... the products now produced socially were not appropriated by those who had actually set in motion the means of production and actually produced the commodities, but by the *capitalists*. The means of production, and production itself, had become in essence socialized. But they were subjected to a form of appropriation which presupposes the private production of individuals.... The mode of production is subjected to this form of appropriation, although it abolishes the conditions upon which the latter rests....

This contradiction, which gives to the new mode of production its capitalistic character, contains *the germ of the whole of the social antagonisms of today*. The greater the mastery obtained by the new mode of production ... *the more clearly was brought out the incompatibility of socialized production with capitalistic appropriation*.

(Quoted from <https://www.marxists.org/archive/marx/works/1880/soc-utop/index.htm>. Italics in original.)

These passages all suggest an initial formalization—the object of the next section.

## 2. A Preliminary Model

The first thing that appears in the classical statements is a posited relation between a particular set of PFs and their associated PRs. There is a *correspondence principle* (Cohen 1978): PFs and PRs are not randomly or arbitrarily combined but rather form a consistent pairing. This immediately brings to the surface the question of the content of this pairing of PFs and PRs—the line or lines of determination running between them. Causality is clearly intended to run from PFs to PRs, not vice versa (hence, the terminology “PF primacy” noted above); see Figure 1, panel a.

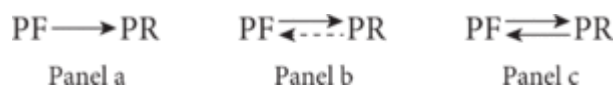


Figure 1 Possible causal relations between PFs and PRs

Initial questions are: Why is this the case? Why must PRs correspond to PFs? Marx once wrote, telegraphically: “The hand-mill gives you society with

the feudal lord; the steam-mill society with the industrial capitalist” (Marx 1955). Positing a spectrum of PFs, running from extremely low to extremely high degrees of knowledge of nature and levels of productivity, the causality seems clear at the extremes. At the lower end: If the conditions of the labor process are barely sufficient for a society to exist, with all surviving adults participating directly in production (e.g., as among the Inuit of

the Arctic region), the PRs must exhibit simple cooperation and equality in small groups, together with absence of class or pre-class stratification. One will not find surplus appropriated by one social group from the labor of another, time-consuming ceremonial and symbolic roles, complex institutional forms of governance, and so forth. At the other (imaginary) end, extreme high-productivity PFs will be associated with abundance, widespread access to means of consumption throughout the population, and high levels of education and knowledge of both natural and social processes, also devolved widely. This will ensure, in a parallel with the extreme-scarcity case, that class division, surplus extraction, systems of coercion and control, etc., are if not impossible then at least highly problematic and unstable. At the historically ubiquitous intermediate levels, however, characterized by relative scarcity, the causal relation is less clear and must be explained in detail as the sequence of MPs is developed.

Panel b of Figure 1 provides a more sophisticated conception of the PF-PR relation: a *dominant* chain of causality running from PFs to PRs, with a *secondary* chain (the dashed arrow) in the opposite direction. This helpfully acknowledges the myriad ways in which PRs constrain and shape the PFs, including the “fettering” that plays so large a role in the imagery from Marx and Engels. Again, this relationship can be fleshed out best in connection with the elaborated model of the entire theory; see section 5. Panel c of the figure represents an unacceptable formulation, in which dominant causality runs in both directions at once. However, unless priority (“primacy”—see section 4) is assigned to one or the other pole of the relation, as in Panel b, the model reduces to mere observation of an empirical connection between the two poles, and causality is lost altogether.

A classic instance of this may be found in the Max Weber–R. H. Tawney debate about the relation between the emergence of capitalism in the sixteenth and seventeenth centuries in Western Europe, and the transformation of religious ideology in the same period (Weber 1996; Tawney 1944). This debate, to be sure, is about the relation between the socioeconomic base, on the one hand, and the religious-ideological superstructure, on the other (where “base” and “superstructure” are loaded terms), rather than that between the forces and relations components of the base. The point about a dominant versus secondary causal chain, however, remains valid in either context. Did the social-economic context bring about the Protestant Reformation, or the reverse? One can claim the latter —although that makes problematic the further question: what caused the Protestant Reformation? (unless, of course, one reverts to the Will of God, which pretty much ends the discussion.)<sup>3</sup> The former is more helpful, since the prior question (What brought about the changes in the mode of production leading to capitalism?) is in principle answerable without resort to an impregnable idealism. Weber, as a careful reading of *The Protestant Ethic* will confirm, actually refused to place a bet and came down with an eclectic Panel c type of argument (see Löwy 1989). In any case, the Panel b depiction of the PF-PR relation seems to be the best we can do at this level.

Assigning primacy to the PFs, in fact, suggests that a second principle must be identified that governs development of the PFs, independently of influence from the side of the PRs. This is what has been called the “development thesis,” or the “motor force” property:



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whatever it is that causes the PFs to *grow* (i.e., to develop in the direction of higher levels of knowledge, science applied to production, and productivity). Leaving the crucial question of primacy to one side for the moment (see section 4), the full model of the PF-PR relation can then be represented by Figure 2.

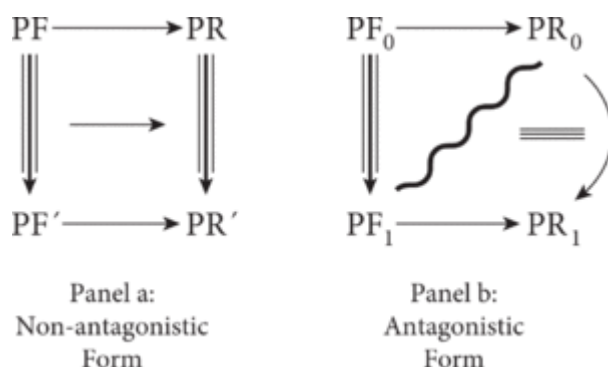


Figure 2 Non-antagonistic and antagonistic forms of PF-PR development

Figure 2 comes in two forms: non-antagonistic (Panel a) and antagonistic (Panel b). The “motor force” property, Cohen’s “development thesis,” is what drives the PFs to develop, as represented by the downward motion, the triple arrow on the PF side in both panels. In Panel a,

there is no systematic force preventing the PRs from developing in tandem with the PFs, so the PR side has a corresponding triple arrow, and the two sides (PF, PR) develop together, in a rough correspondence. The association  $PF \rightarrow PR$  and the (later) association  $PF' \rightarrow PR'$  represent two arbitrary moments in a continuous process of co-development. In Panel b, by contrast, the motor force property drives the PFs, as before, but the PRs are subject to blockage (the horizontal barrier on the right side). This is due to the antagonistic relation between classes through which a surplus is extracted from the producing class. The consequent impulse of the ruling (controlling) class to defend its position within the existing PRs leads to stasis in the essential quality of the PRs themselves. The blockage leads to progressive misalignment between PFs and PRs; this, shown by the wiggly line running from northeast to southwest, is the “fettering” of the PFs referenced by Marx and Engels.

“Fettering,” at this stage, can mean any or all of three things: increasing crisis in the labor process; breakdown of production as such and failure to innovate new methods of production; and the historically specific *shaping* of the path of PF development by the entrenched PRs (again, see section 5 for details and illustrations). The lengthening wiggly line might be thought of as a stretching rubber band; this image helpfully portrays the process as the *increasingly contradictory* nature of the existing mode of production, identified by the subscript 0 in  $PF_0 \rightarrow PR_0$ . Stretching rubber bands eventually snap, and this is the moment of rapid reorganization—revolution—resulting in a new mode of production,  $PF_1 \rightarrow PR_1$ , with its own subscript, 1. The process will continue, with a downward arrow under  $PF_1$  (not shown). The antagonistic character of the MPs, then, with the associated impediment to continuous PR development, actually results in the periodic displacements—the “epoch(s) of social revolution” in which “the entire immense superstructure is more or less rapidly transformed”—that enable us to identify discrete

modes of production in the first place. The stages in the stadial model are intrinsic to the model; they are not descriptive generalizations from observation.

Now, as noted above, the imagery in the canonical quotations presented in section 2, and the formalization suggested in this section, cry out for precision and elaboration. Again, and outside of extreme conditions, there are questions. What drives the correspondence between PFs and PRs? Why does dominant causality run from PFs to PRs, rather than the other way around? What is the stadial principle—the process that divides the social evolutionary process into stages? What determines the number of MPs (stages) in the evolutionary ladder, and must these follow a theoretically determined order? And—the question that has motivated much recent research—what is the source of the development of the PFs, the “motor force” property?

### 3. The Problem of PF Primacy

What drives humans to expand their knowledge of objects and means of labor—to increase their power to transform the natural world in which they find themselves from an original state into a new one that will better meet their needs?

The example of the two-handed saw immediately suggests, following the seminal work by Gerald A. Cohen (Cohen 1978), what has come to be called *intentional primacy* of the PFs.<sup>4</sup> First, and without full elaboration here, it should be noted that human consciousness is inherently and consequentially symbolic: humans erect a superorganic realm of symbols (mainly linguistic ones) through which we organize our relations with nature and with each other; moreover, we have no choice but to do this. Symbolic reference (see White 1969; Deacon 1997) has as one crucial consequence the ability to manipulate symbols prior to acting on the external processes represented by them, to imagine contrary-to-fact situations, and to create new possibilities in the abstract before implementing them in practice.<sup>5</sup> So our two loggers, each working with a one-person saw, must have imagined the possibility of designing a two-handed saw that raises the number of trees that can be cut down by two workers in a given period of time. Having both the ability and the will to do this, the outcome follows as a matter of course. Cooperation—the change in the PRs—emerges as a consequence of intentional action to transform the PFs.

This insight clearly has some general validity, including for more complex social formations than the one implied by a solitary pair of loggers. There are, however, two levels of problems with this as *the* theory of PF development. First, no clear connection is drawn between intentional changes in the PFs, on the one hand, and *any specific* set of PRs or path of evolution of the PRs, on the other. For example, the possibility of firearms emerges from symbolic processing of existing knowledge; why does this not lead to (rational) mass murder and the end of human life altogether? The intentional principle does not indicate what effect rising productivity will have on forms of society and so does

not explain the historical existence of socioeconomic formations, or stages, even conceived in a purely empirical manner.

Second, the historical record abounds with instances in which PF development was intentionally blocked; in which long-period stasis, rather than transformation, appears to be the norm; and in which ruling classes intentionally prevented PF development because that development undermined their power. In fact, this last case appears to be a key insight of Marx and Engels's early formulations. How can the PFs have primacy when they are periodically fettered?

There is the possibility that people intentionally transform the PRs as well as the PFs. The PRs are deliberately changed in ways that make them compatible with changed PFs. So, for example, our loggers, enamored of the possibility of the two-handed saw, sit down together and consciously develop norms and rules implementing cooperation in the labor process and sharing of the products of labor (which will now be jointly possessed and so not intrinsically easy to distribute for purposes of consumption). The problem with this, as critics of intentional primacy emphasize, is that it is hard to imagine people being able to perceive the effects of their actions to this degree, especially in the case of more advanced societies.

The most extreme form of intentional primacy would suggest that we (rational human beings) choose both PFs and PRs, from among those that are available. An optimal position, one might even say, is discovered on a "social relations production function" that is constantly shifting upward. Superior (more efficient) positions are thus discovered over time, leading to their widespread adoption—and the "end of history." This way of thinking converges, in some accounts, with the idea that all social development leads toward (and culminates in) the triumph of "the market," or market relations—clearly the antithesis of Marx's view of forces "developing in the womb of bourgeois society" that "bring[] ... the prehistory of society to a close."

A major challenge to G. A. Cohen's intentional primacy approach was presented in works by Paul Nolan and Alan Carling (Nolan 2002; Carling 2002).<sup>6</sup> Nolan and Carling, in different ways, adopted the Darwinian theory of biological evolution, in which *non*-intentional selection of adaptive traits sets the path of emergence of new characteristics of species. In different ways, these authors reject the idea that either PFs or PRs are consciously chosen; social actors rarely, in their view, have the ability to perceive the consequences of their actions. It is, rather, a matter of simultaneously existing, non-communicating groups, within which productive changes take place, very much like random mutations in natural selection. Where changes occur that increase productive power, those changes lead to greater population growth, or increases in military power; the groups thus affected thus increase at the expense of others, and the changes become widespread. *Competition* thus takes place among diverse human communities, without intentionality playing a major role, and this results in growth of the PFs overall. This is *competitive primacy* of the PFs.

The competitive primacy approach has the advantage of emphasizing the role of unintended consequences in social evolution, and it works well with the messy facts of the historical record. That record, as noted above, contains evidence of technical and social stasis or retrogression in many times and places; diverse (and occasionally perverse) motives of crucial actors (ruling classes in particular); and the undeniable difficulty of asserting that intentional action (conscious choice) is widely effective, especially when it comes to social arrangements (the PRs). Competitive primacy captures the ways in which the social process works “behind the backs of” the individuals participating in it (see e.g., Marx 1967:44).

As a theory of the two principles underlying the model of section 3, however, it also, like intentional primacy, falls short of complete success. The principles are, to recall, first, the correspondence between PFs and PRs, with PFs in the dominant causal position; second, the source of development of the PFs (the “motor force” property). The idea that human groups develop in isolation from one another, each transmitting its advantages (or lack thereof) to its offspring, fails to account for the widespread reality of *diffusion* of advantageous traits—in our case, technical innovations—from one group to another. It is another significant implication of the symbolic nature of human consciousness, and action based on consciousness, that there are no genetic or other obstacles to the exchange of knowledge and practices among human groups, which takes place constantly in history as a result of migration, trade, war, and conquest. Even if random productive advantages were allowed to develop in isolation among groups, they would occur randomly here or there, resulting in no net change in population over time; the competitive model thus fails, even on its own terms.<sup>7</sup> The proponents of competitive primacy of the PFs do not address the crucial matter of PF-PR correspondence; in fact, their work says little about the social relations of production and the forms taken by them. Most importantly, given the fact that people in most circumstances cannot perceive the effects of intended changes in either productive methods or social arrangements (especially, of course, the latter), we must still reckon with the fact that intentional action, based on the unique presence of language and symbolic reference, is a defining quality of human existence.

In short—and based on a brief presentation of these positions—the general conclusion seems to be that neither the intentional nor the competitive proposals succeed in providing the precision of the PF-PR model of social evolution that we are seeking. Both contribute essential elements for this project, but the core organizing ideas will have to be found elsewhere.

## 4. Social-Functional Correspondence and PF Primacy

In my proposed “social-functional” intervention, the crucial determining connection of the PFs to the PRs—the rationale behind Cohen’s “correspondence principle”—is that MPs involving exploitation and surplus extraction must have at their core systems of incentive, coercion, and control (ICC). Indeed, they are more or less defined by those systems. The

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forms taken by these systems will differ from one antagonistic MP to another. Moreover, in non-antagonistic MPs, the content of the concepts “incentive” and “control” will have a qualitatively distinct character, although they must remain relevant for any social order that achieves a reasonably consistent coordination of activities in production and distribution. (“Coercion” may be reserved for the specifically exploitative relationship found in antagonistic modes.)

The key to PF-PR correspondence, then, lies in the way in which the level of PF development determines the possible social relations within which subaltern producing classes are forced to relinquish a part of their labor product as a surplus appropriated by an exploiting ruling class. At low levels of PF development, and of population density in relation to territory, the ICC system will necessarily be a matter of direct physical restraint and compulsion to labor by means of force and threat of aggravated physical force. The usual term for this sort of system is “slavery.” At this level, the conditioning of the PRs by the PFs is entirely negative, with the PFs in the role of a limiting constraint. As the PFs develop and human productive power grows, transition to successively more sophisticated and intricate ICC systems becomes both possible and necessary. The entire history of the sequence of MPs is the story of how these systems—the MPs, or PF-PR correspondences—come into existence as a result of the conscious, intentional activities, whether in labor or innovation or exploitation, of individuals formed into social classes, in historically diverse conditions; how the necessity of new forms appears in actual life experiences; and how, in any given detailed conjuncture, possibility either does or does not emerge into reality.

The story can best be outlined in conjunction with the schematic model of Table 1, to which this section will henceforth continually refer. It should not be necessary to say that the model presented here is a work in progress; its formulations could obviously be replaced by alternatives suggested by others.<sup>8</sup>

Table 1 A theoretical synthesis of social-systemic evolution

## Forces of Production and Relations of Production

	Modes of Production				
	Non-Antagonistic	Antagonistic			Non-Antagonistic
	Primitive Communism	Slave	Feudal	Capitalist	Socialism/ Communism
Precondition	Symbolic (linguistic) consciousness	Class formation	Possibility of small-scale exploitation	Spread of market relations	Possibility of systemic planning, participation
PFs: Motor force ("primacy")	Intentional	Competitive	Intentional	Intentional/ competitive	Social (conscious) intentionality
PFs: Quality of growth	Non-systematic; incremental	Extensive	Intensive	Extensive/ intensive	Integrated extensive/intensive?
PRs: Surplus extraction	None	Direct/ physical	Indirect/ physical	Indirect/ valorized	[Not applicable]
Contradiction	Possibility of class differentiation	Internal control/ coercion crisis; falling RSP	External control/ coercion crisis; rising RSP	Private appropriation vs. social production	The infinity of human potential
Emergent surplus	Collective/ small-scale	Collective/ large-scale	Individual	Collective/ individual	[Concept transcended]
Contribution	Dissolution of communal relations	Cleared land, science, population growth	Dissolution of manorial relations	Collective prod. and polit. experience, individuation	Ongoing ennoblement of human life

The column headings in Table 1 are the five successive MPs: primitive communal, slave, feudal, capitalist, and socialist/communist, the first and last being non-antagonistic, and the middle three the sequence of antagonistic forms. The model thus presents a *stadial* conception—a sequence of *theoretical stages* in the sense that the number and character of the stages are precisely defined, and the stages progress in a particular order, from lower to higher.<sup>9</sup> The necessity of each MP—its contribution to overall development—can be identified as the particular strategic transition that must be accomplished in the move from that MP to the next; these, in turn, define the MPs as distinct entities, rather than as arbitrarily perceived collections of emerging common features.

To flesh this out, refer to the row headings along the left side of Table 1. Each MP will have a precondition, contradiction, and contribution; these are, as the words suggest, respectively: the decisive elements that must exist before the MP can come into existence; the precise nature of the way in which PF development is forced to occur in that MP and in which that development creates tension and misalignment with the existing PRs; and the particular elements developed within a given MP that alone make possible transition to the next one. Clearly, the precondition of each MP is logically identical to the contribution of the previous one; similarly, its contribution is the precondition of the next. In this way, the stages are “chain-linked”; they are not merely the successive collections of identifying properties associated with the *empirical stages* of

descriptive history. The Table 1 row headings also contain two qualifying characterizations of the PFs (the “motor force,” and the quality of growth) for each of the MPs, and two for the PRs (the crucial form of surplus extraction, and the nature of the emergent surplus). In describing all of these elements, there is an attempt to tease out the differentiations that comprise the internal logic of evolution that the model is designed to elucidate—without imposing arbitrary symmetries. It is hoped the model will help to establish the main point: progressive transformation of the PFs enforces a requirement for successive periodic shifts in the PRs (the ICC system), a requirement that may or may not be met in particular historical episodes but that imposes a *general directed* quality on the underlying evolutionary process (and also undergirds the stadiality of the social forms [the MPs] through which that evolution passes).

“Primitive Communism” is the name given to the enormous variety of pre-antagonistic social forms revealed in the anthropological-historical record. Evidence, for obvious reasons, is sparse; this MP therefore rests on a largely deductive foundation. We are talking about the vast prehistory of human life, involving hominid evolution over several million years up until the emergence of agriculture and settlement from about fifteen thousand years ago (dating for present purposes need only be approximate). The precondition for social evolution, in the sense required here, is the existence of human “species being”: language and the superorganic realm of symbolic consciousness. Life is nomadic, and production consists of hunting, fishing, gathering, and (perhaps) rudimentary horticulture. PF development is sporadic, non-systematic, and incremental; we may think of the slow development of hunting implements, making of clothing and baskets, tools and weapons. At this stage, it may also be largely intentional—if, of course, we allow for unintended effects. The discovery of pine-tar torches and their efficient properties in hunting large prey (e.g., the woolly mammoth on the Eurasian continent) might serve as an example. The disruption of perception rendering intentional choice problematic, resulting from perverse ruling-class interests, the complexity of social institutions, and the increasing prominence of ideological obfuscation, all again appear at a later time. PF growth leads to a potential surplus, which at first may be embodied in the rise of religious and ceremonial differentiation—the earliest emergence of inequality in distribution of income and wealth ownership—but has yet to crystallize into full-scale social class exploitation.

The transition to class (antagonistic) society is an objective requirement for further PF development, but this transition is anything but inevitable, let alone intentional. A Malthusian mechanism may well intervene, as population rises in tandem with productive capacity, wiping out any potential surpluses. It is a long way from a potential surplus to the actual capture of that surplus, with evolved means of coercion capable of applying the surplus to transformation of production. In singling out a necessary transition, we do not (or should not) jump to the conclusion that this transition was inevitable. The exception, perhaps, is in the sense that in a geographically and biologically variegated set of land masses over which human communities are migrating (and mixing), the accidental must at some point, in one precise sense, become inevitable, with probability approaching (if not equal to) unity. In any case, the key to the contribution of primitive communism to the

antagonistic phase (and its first form, slavery) is the emergence, over thousands of years, of a surplus on *collective* production (to be distinguished from the *individual* surplus that takes shape later on) and the long, slow dissolution of communal relations and rise of social differentiation and stratification, which—in the appropriate geoclimatic conditions—results in *class formation*, the precondition for the slave MP.

Slavery, as noted, is the most primitive and direct application of force for the purpose of surplus extraction. It is defined by the combination of the qualifiers “direct” and “physical” under “PRs: surplus extraction” (Table 1). Its place as the first of the three antagonistic MPs results from its necessity—alternatively, the impossibility of either the feudal or capitalist forms—under conditions in which population is small in relation to territory and in which land, tools, and means of production are easily accessible. Subaltern producers would thus have the option to take flight, or revert to small-scale household-based production, in the absence of direct physical restraint and subjugation (chains, whips). The competitive dynamic (in the sense of Nolan and Carling) may well predominate in this MP. Slaveowners who are most successful in capturing surpluses from slave production under their control will have the greatest success also in extending the scale of their operations and extracting new sources of slaves from surrounding territories, enabling the enhanced production techniques to predominate.

Most importantly, the slave MP imparts to PF development occurring within it a particular quality, denoted in Table 1 by the qualifier “extensive.” The crude nature of slave exploitation makes it impossible for new techniques of production to emerge that significantly increase productivity (output per slave), since intensive improvement of that kind would necessarily involve enhancing the actual or potential power of slaves within the production relation. Tools become potential weapons, and cannot be used by workers who are in chains in any case; draft animals become potential means of resistance, or escape. Caring for tools, animals, or complex production processes cannot be expected, under crude conditions of exploitation in which the direct producers are not (and cannot be) given the incentive to do those things. This core contradiction results in ever-intensifying crises of internal and external control, as the extensive scale of production increases, requiring an ever-larger portion of the surplus to be devoted to coercion and procurement of slaves—overseers, military expeditionary forces. The result is a falling rate of surplus product (RSP).

Slave production thus becomes increasingly unworkable, but it creates a large-scale collective surplus that is able to support an indirectly producing elite population of scientists, engineers, strata with the leisure to produce written language, science, mathematics—the foundations for what will emerge as *intensive* PF development in the feudal MP. It also draws people into the first urban centers, resulting in increasing population density.<sup>10</sup> Together with the clearing of land in the great agricultural revolutions of 7000–6000 BCE, this becomes a crucial precondition for, and so a guarantor of the possibility of, feudal production. As depicted in Table 1, the emergence of the large-scale collective surplus and its consequences for territory, population, and science become the slave MP’s contribution to the feudal MP, stated in Table 1 as the



“possibility of small-scale exploitation.” Just as the primitive communal MP’s potential collective surplus was the necessary basis for slavery, so the slave MP turns out to be a required basis for feudalism, making that MP both possible and necessary (to resolve the crisis of large-scale control into which the slave MP inherently tends).

The necessity of slavery—and, more generally, of the sequence of antagonistic MPs as such—has always come up against an agnosticism that asks the following: Why can’t surpluses be extracted as tribute from surrounding peoples without enslaving them? Why can’t different modes of exploitation coexist, as in slave systems that are combined with tribute- (or tax-) extracting military operations? The empirical answer is that they can—and do. No better example could be found than Roman Antiquity. There is even a proposal to de-link the theory of exploitation from production, and from modes of production, altogether; one can, in this view, get a better sense of actual transitions (i.e., paths out of Antiquity in the Mediterranean theater) by replacing modes of production with *modes of exploitation* as the main explanatory tool (see, e.g., Blank, 2013). The problem with this, so long as we aspire to explain and not merely describe surplus-extracting social formations, is that the ICC system must be carefully established and its conditions for reproduction stated. Extracting tribute *via* external campaigns requires labor processes—to produce weapons and equipment, to maintain and feed animals used in combat, to pay soldiers—as well as to generate the material resources that sustain the required systems of ideological control. A simplistic materialism offers the adage: “Whoever controls the granaries controls Egypt.” A more adequate materialism must work with a revised version of this: “Whoever controls the labor processes by means of which the contents of the granaries are continuously and reliably replenished, and by means of which the entire set of social–ideological structures necessary for that control is reproduced, controls Egypt.” Setting tributary surplus-acquisition as an equal term comparable to surplus-extraction through control over production amounts to a “force” theory of history, which fails to explain the origin and persistence of the force in question. It is worth recalling Marx’s comment: “Truly comical is M. Bastiat, who imagines that the ancient Greeks and Romans lived by plunder alone. But when people plunder for centuries, there must always be something at hand for them to seize, the objects of plunder must be continually reproduced” (Marx, [1867] 1967:81).

The proposition that slaves are deprived of incentive to manage complex means of production can also be questioned, by referring to the existence of a superior stratum of slaves who are educated and given creative and managerial responsibility (and, of course, the standard of living that goes along with this). Again, context is everything. Given a slave MP in a robust stage of development in which reproduction and surplus-extraction are secure at the core, the incentive offered to the privileged stratum is to avoid being returned to the fields and the mines. Without the base, the derivative existence of skilled engineers, managers, and designers *as slaves* would not be sustainable.

Feudalism resolves slavery’s crisis of scale by evolving a network of small-scale production and social units (manors), within which the prevailing lord (and his retinue) relate to the subaltern population of serfs in novel and complex ways. Serfs, unlike slaves,

have property rights in their cottages, animals, and agricultural implements, as well as the right to make use of communal properties (common lands for grazing; grain mills). They in turn owe feudal obligations, or dues, to the lord, which may take the form of *corvée* labor (labor for certain numbers of days on land owned by the lord, the *demesne*), or a tax-in-kind on parcels of land and animal husbandry sites worked individually. The lord maintains a military retinue (the *knighthood*) that serves as a source of coercion, enabling surplus extraction, but that physical force is assisted, and essentially supplanted, by much more sophisticated coercive mechanisms that could not have appeared in the slave MP. First, the rise in population density and the completeness of territorial coverage—full occupation of the land by manorial production or by peasant households in the interstices—assures that serfs have no escape and no opportunity for flight. (Where could they go? Beyond this manor all that exists are other manors, where indeed they have no birthright.) Second, the ideology of obligation, running from serf to lord and lord to serf (i.e., in both directions) creates a sense of responsibility to a righteous order, which is enhanced by the role of religion. Ideology thus becomes a major controlling factor for the first time; by contrast, while slave societies had formed religious ideologies (e.g., the divine origins of the Pharaohs), these were essentially part of political control at the top; no one really cared what went on in the minds of the slaves, who were not expected or allowed to participate in religious ritual. In feudal societies, the ideology of mutual obligation was based on a certain reality; the serf, while essentially captive on the manor and forced to labor part time for the lord, is also “born to” the manor, and entitled to its protection. (This is “protection,” to be sure, of the sort that is well-known in urban centers in capitalist societies subject to the predations of organized crime.)

What emerges here is a complex, small-scale social organism that provides, for the first time, *incentives* for serfs to master, apply, and improve techniques that raise productivity: intensive plowing, contour farming, fertilization, irrigation, application of mechanical and animal power to threshing and milling grain, mechanical innovations in time-keeping and implement-making, production of household goods, harnessing of wind, water, and animal power, and so on. In a word: the *intensive development* of the PFs, something that, again, was not available in the slave MP.<sup>11</sup> This, in turn, is based on a qualitatively higher method of exploitation, or ICC system: one that may be described as “indirect/physical,” as opposed to “direct/physical” surplus extraction under slavery (referring again to Table 1).

The contradiction of the feudal MP takes shape externally. In brief, the manorial economy emerges as a hothouse for rising individual productivity, which in turn produces an individual emergent surplus—the key foundation for the rise of market relations involving the mass of individual producers and not confined, as markets had been for centuries, to trade in luxury goods. The PF-PR model, then, identifies the necessary foundation for the expansion of trade, and consequently of cities, in the late Middle Ages. The “Emergence of the Modern World,” so well *described* in legions of history textbooks, is thus *explained*, as based on the individual surplus that appeared as the result of intensive PF growth on

the feudal manor. This establishes the necessity of the feudal MP in the chain of MPs. The precondition for capitalism—"spread of market relations"—is the outcome.<sup>12</sup>

Capitalism is too large a subject for this article; it is nothing less than the core object of the entire Marxist discipline of political economy. Table 1 contains the suggestion that PF development under capitalism is "extensive/intensive" and that it combines the intentional and competitive dynamics in obvious ways; also the unique higher quality of surplus extraction is the combination of "indirect" and "valorized" qualities.

"Valorization" here denotes the way in which social relations come to appear as market relations, i.e., relations among commodities; workers and capitalists relate to one another as sellers and buyers, respectively, of a commodity, and as such are subject to the same impersonal (and so apparently unalterable) law of value that applies to all rational "individuals." It follows that workers in capitalist society are not subject to direct physical restraint or obligation; they are "free" sellers of labor power in markets obeying objective laws that are not under any source of conscious social or political control. The result is an unprecedented development of the PFs and an intensifying contradiction between increasingly socialized production and private (capitalist) appropriation, to use Engels's formulation, a contradiction that contains "the germ of the whole of the social antagonisms of today."

We will close this section with the idea that the combination of the working class' collective experience—of production and of struggle—with the individuation of social life and formation of highly educated, culturally diverse and critically endowed individuals—all of which appears in a highly distorted form as a result of capitalist ideological and practical hegemony—lays the foundations for the systemic (system-wide) planning and massive participatory involvement of people in envisioning and implementing the regulation of social and economic life that characterizes the socialist/communist MP. Capitalism, as we now expect the model to reveal, is absolutely necessary for the MP and indeed for the entire new historic epoch of non-antagonistic social life that replaces it. The socialist/communist MP, in turn, is absolutely necessary if the life-endangering limitations of capitalism and of the entire antagonistic social epoch that system culminates in, is to be overthrown and transcended.<sup>13</sup>

## 5. Methodology: Abstraction and Verification

This article has tried to outline, in the previous section, the core linkages of the PF-PR model, based on the social-functional conception of the primacy of the PFs within the PF-PR relation and the source of immanent development of the PFs. The transition to class-antagonistic MPs is the necessary foundation for significant development of the PFs; the slave MP, in turn, forces PF development into an extensive channel that both undermines slave PRs and makes possible feudal ones; feudalism then enables the intensive PF development and rise of a surplus in individual production that undermines the feudal MP *via* dissolution of manorial PRs and the rise of markets and trade. In a similar manner (which cannot be studied here), capitalism, made possible by the entire previous

development, undermines itself and provides the foundation for its own transcendence. In this way, the superior mode of social life that we call “socialism” or “communism” is provided with a foundation in history and theory that can be developed with the rigorous methods of science (although not, of course, with the precision sometimes attributed to natural science).

An obvious question has been postponed in this discussion: What is the relation of all this to the actual course of history? Should the model of section 5 be interpreted as a literal description, to be verified from historical data? We should avoid thinking that this is the intention; otherwise, we will be swamped with undoubtedly valid information from historians, anthropologists, and others revealing the enormous range of variation in the empirical record. MPs combine into intricate social formations exhibiting hybrid qualities, as a result of contact among civilizations at different stages of evolution. Evolutionary progress is, at times, blocked altogether for long periods. Wars and economic conquest abound in history, and victors in these conquests often acquire for themselves the achievements of the vanquished (or vice versa), enabling societies to skip over stages in their own development. Social forms associated with early stages of development, such as slavery, make comebacks in later ones. Retrogressions and extinctions occur, in social just as in natural contexts (Diamond 2011). Accidents of geography—climate, mountains, deserts, bodies of water, flora, fauna—shape social formations in myriad ways. Ideology and culture, not least in the form of religion and political beliefs, profoundly shaped by the MPs within which they develop but also subject to variation from other sources, exert increasing influence over the timing and paths of social change. Finally, “great” individuals—Alexander, Genghis Khan, V. I. Lenin—lend their intellectual and/or charismatic capabilities to the shaping of the historical process. None of this can, or should, be denied. The question, however, is: must we forever wallow in a tug-of-war between a “hard” and a “soft” position on the theory of history? Must we always use the former to validate our sense of history’s ultimate direction and the latter to square accounts with the turbulent sense-data of empirical inquiry? Is there an alternative to endless vacillation between the two positions, depending on the mood of the moment?

I have insisted (Laibman 2007, 2015: chapter 1) that the object of the PF-PR model is not to defend any sort of “hard” theory but rather to *transcend* the hard-soft dichotomy completely. After stating, for example, that social evolution follows “an *absolutely determinate* ladder of stages” (Laibman 1992:265; a phrase that bothered numerous subsequent critics), I wrote, a bit further on, that “this necessary progression ... occurs *nowhere except* in the model of the abstract social totality” (Laibman 1992:265, all italics in original). The vagaries of external conditions, differential evolution and mixing by contact, fortuitous circumstances, etc., all as summarized above, result in a lower level of abstraction involving concrete social formations and temporal divisions (phases of rise and decline), and, still lower, the actual fortuitous contingency of history. The point is not to envision a constant struggle among these levels of abstraction but rather their articulated combination. The abstract level of the PF-PR model is not an arbitrary imposition derived from pure thought but rather the result of synthesis from the accumulated trove of empirical and practical knowledge. The test of that synthesis, and

the ultimate source of *verification* of historical materialist inquiry in this form, is its application in analysis: the systematic reconstruction of the concrete by means of theory, so that the rich materials of history—and, of course, of the present-day societies whose nature and transformation are the ultimate object of the entire exercise—are organized in terms of inner properties revealed by the abstract properties derived from the entire world-historical experience. The “proof of the pudding” is not whether or not we “find” the elements of the PF-PR ladder of stages in the historical record; in many cases this will turn out not to be the case. The proof is in “the eating”: whether the ladder turns out to be useful as we try to rise from the unsystematic jumble of “facts” whose accumulation amounts to *description* of the human story, to a systematic assembling of the elements for *explanation* of that accumulation, which means grasping all manner of inner connections that are not visible to the naked eye.

I doubt whether any *single* empirical fact, or stylized fact, or collection of stylized facts, could be said to falsify the PF-PR model, or the hierarchy-of-abstraction approach to historical materialist theory, in a sense that would meet the requirements of “falsificationist” methodology. Could, for example, the formation of an individual surplus, the foundation for the spread of commodity relations (markets) and so for the eventual emergence of capitalism, be accomplished in some way other than through the manorial inversion that occurred in western and northern Europe (and, with differences, in Eastern Europe, Russia and Japan), an inversion that we associate with feudalism? Left to their own devices, without the “civilizing” interventions of Western capitalist imperialism, would the Asian social formations eventually have found evolutionary pathways to capitalism, or indeed bypassed capitalism altogether? The integration of the modern world under Western capitalist domination in the nineteenth and twentieth centuries has meant that this question will never have a satisfactory empirical answer; strict empiricist methodology, indeed, would make it impossible even to formulate it.

The model does suggest, strongly in fact, that only an articulated combination of levels of abstraction is capable of drawing out the connections between forces and relations of production, as these concepts were first nurtured in the minds of Marxism’s founding thinkers. The “motor force” property is decisive in combining intentionality and the random competitive principle, as these operate in different social contexts to propel human interaction with nature to ever-more-powerful and effective levels.<sup>14</sup> The social-functional shaping of PF development by the qualities of distinct systems of organization of production, distribution, and exploitation—the PRs—is, in turn, essential to understanding the evolution of social and political organization. This appears in all of its historical complexity, as humanity engages its long march toward non-antagonistic and principled social systems opening up pathways toward ever-greater individuality, equality, creativity, cooperation, community, and fulfillment of human potential.

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### Notes:

<sup>(1)</sup> There is a literature that seeks to drive a wedge between a critical-dialectical-revolutionary Marx and a positivist-determinist-scientistic Engels (see, e.g., Levine 2006). A related trend questions the veracity of Engels's editing of Marx's unpublished manuscripts (e.g., Heinrich 1996–1997). It will be clear from the following that the present author does not subscribe to either of these interpretations.

<sup>(2)</sup> The term "Asiatic" in this enumeration has been the topic of a long and unending discussion; see Krader (1975). Asiatic or "hydraulic" society should, in our view, be seen as a particular form of scarcity blockage rather than as a mode of production; Laibman (2007:41).

<sup>(3)</sup> Here is Marx, on Will-of-God thinking, in a different context: "A person may tell me that God wills one thing in France, and another thing in England. If I summon him to explain this duality of will, he might have the brass to answer me that God wills to have one will in France and another will in England.... an argument [of this sort would be] a complete negation of all reasoning" (Marx 1971).

(<sup>4</sup>) Cohen's 1978 book is considered a founding source of the school that came to be known as Analytical Marxism, or Rational Choice Marxism. It occasioned a large debate, summarized in Joshua Cohen (J. Cohen 1982). See also Carling (1991); Laibman (2007).

(<sup>5</sup>) "What distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality" (Marx 1967:178).

(<sup>6</sup>) From numerous publications that could have been referenced, essays by Nolan and Carling in Blackledge and Kirkpatrick (2002) have been used. This section draws upon the more extended discussion in Laibman (2007).

(<sup>7</sup>) One can imagine situations in which diffusion proceeds slowly in comparison to random technical changes, or in which a technical change, once in place, has a cumulative effect. The question is not whether or not competitive, non-intentional processes can explain PF development in particular cases but whether this mechanism can serve as a *general* theory of PF growth.

(<sup>8</sup>) Earlier vintages of the model, including modes of presentation akin to Table 1 (which has been newly developed for this chapter), can be found in Laibman (1992): chapter 13; Laibman (2007): chapter 1. See also Laibman (2015): chapters 1–3, esp. 63–73.

(<sup>9</sup>) This clearly pertains to a level of abstraction known as the *abstract social totality*, at which the necessary linkages are distilled, without reference to the variegating and fortuitous elements found in the rich empirical record. For more on the methodological implications of this theoretical move, see section 6.

(<sup>10</sup>) The surplus leads to rising population in slave societies, including intermediate strata and surrounding free peasants, even as the brutal exploitation and slave mortality rate at their core make the supply of slaves and the source of new slaves problematic. In general, an MP is inserted into a surrounding passive community of small-scale agricultural household or quasi-communal production; the proportion of the population on a given territory, or even brought within the political system, that is involved in the strategic and defining PRs of the MP in question may never be large—a fact that leads some empirical historians to question the historical materialist enterprise in its entirety.

(<sup>11</sup>) Modern historiography has tended to refute the image of the "Middle Ages" as stagnant; this notion of the "Dark Ages" as the background to the "Age of Enlightenment" brought about by the bourgeois revolutions of the 17th and 18th centuries has more to do with capitalist ideology and self-aggrandizement than with historical reality.

(<sup>12</sup>) A seminal debate, collected in Aston and Philpin (1985), was occasioned by the work of Robert Brenner, which attempted to clarify the theory of the emergence of capitalism, and the reasons why the breakthrough occurred first in England. The "Brenner Thesis" argued that the decisive source of the difference in timing and choreography of capitalist transition, between England and the Continent, lay in the intensity of class struggle and the capacity of the English peasantry to achieve independence from the feudal lords. Others emphasized instead the role of population dynamics in shaping the different



outcomes. The PF-PR approach outlined in this chapter does not prejudge this debate, or the earlier related debate between Maurice Dobb and Paul M. Sweezy in *Science & Society* (Hilton 1979), whose outcomes must rest on careful empirical scholarship. Its identification of the necessity of feudalism and the role of the manorial economy as laying the foundation for the spread of market relations, however, should help in keeping the searchlight focused on socioeconomic fundamentals and in avoiding “metaphysical explanation”: description masquerading as explanation.

(<sup>13</sup>) Note that in the sequence possibility-necessity-inevitability, we can pretty much avoid the last term, except in a sense of *conditional* inevitability, which relies on a prediction that humans will act on the possibility and necessity of a vital transformation, so as to bring that transformation about—if, indeed, they are able to do this in time to prevent irreversible catastrophe. I have proposed the aphorism: “Communism is inevitable, *because* it is both possible and necessary” (see Laibman 1992:287).

(<sup>14</sup>) We need not forget the destructive side of increasing power over the natural world, or the challenge to the future arising from the limitations of planet Earth.

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# Oxford Handbooks Online

## The Eight Steps in Marx's Dialectical Method

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### Abstract and Keywords

What one understands about dialectics often depends on the order in which it is presented. This article begins with the philosophy of internal relations, in which everything is conceived of in terms of relations and processes, and its accompanying process of abstraction, which enables us to focus on and separate out the part(s) of these relations and processes that are best suited for studying the problem(s) at hand. All the other steps Marx takes in his dialectical method, such as “dialectical laws,” “inquiry,” “self-clarification,” “exposition,” and “the identity of theory and practice” can only work as well as they do on the basis of these foundations.

Keywords: dialectics, dialectical methods, dialectical laws, dialectical thinking, dialectical practice, philosophy of internal relations, process of abstraction, abstraction of vantage point, abstraction of extension, abstract of levels of generality.

There is a popular proverb in several different cultures that says, “If you give a man a fish, he will have something to eat for a day, but if you teach him how to fish, he will always have something to eat.” Many of our greatest thinkers over the centuries have privileged the role of method, or how to do something that leads to a desired result, over the result itself.

Most methods are meant to apply to only one or at most a few of our problems, but there is at least one method that applies to almost everything, and that is dialectics. It is this vast range and what is required to cover so much territory that gives dialectics its special status but also makes it so difficult to explain, and so easy—for friends and foes alike—to distort. Marx never finished the brief piece he said he wanted to do on dialectics (Marx [1858] 1955: 100). And what began as a methodological introduction to his *Contribution to a Critique of Political Economy*, which might have done just this, was left unfinished and unpublished until long after Marx's death (Marx [1859] 1903: 264). Clearly, it got too long and became too complex for an introduction to the book in question. But Marx's

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commitment to dialectics never wavered, and his use of it, albeit to different degrees, can be found in his writings from all the periods of his life.

The account of Marx's dialectical method found below derives from a combination of how he used dialectics and what he—and, to a lesser extent, Frederick Engels, who I consider a co-equal spokesman with Marx on this subject—said about it. Despite this, we cannot claim that this is what Marx would have written on this occasion, for ours is a much more systematic version than any he is likely to have offered. But, then, this article is written at a time when dialectics is probably less used and more abused than ever before, which makes it more difficult for the people who would benefit most from this kind of analysis to acquire it. Hence, my construction of Marx's dialectical method into eight “relatively” simple steps with each one building on those that came before. The aim is to clarify each step in turn while bringing out its special contribution to the dialectical method as a whole, or what it was that enabled Marx to obtain his unparalleled understanding of capitalism.

### 1. Step 1: The Philosophy of Internal Relations

Our poor world turns out to be very rich in philosophies. Among the better known are linguistic analysis, positivism, existentialism, phenomenology, pragmatism, structuralism, and postmodernism (in their different versions). Despite its importance for Marx and a few other major thinkers past and present, the *philosophy of internal relations* does not figure on this list. This is due mainly to the fact that the very name of this philosophy points to the existence of an opposing *philosophy of external relations*, which has become so dominant in our time and place that it is usually referred to as “common sense.” Deprived of a clear alternative that would help it stand out, the philosophy of internal relations has also disappeared from the approved list of what most philosophers study. It may be helpful, therefore, to begin our account of the latter by passing through what the common sense of our time looks like when dressed up in its academic garb as a philosophy.

With the *philosophy of external relations*, all the elements that make up both nature and society are viewed as separate and independent of one another (they can develop relations with other things but need not) and static (they can have a history and a future, but neither are essential features of whatever is in question). Whether openly stated or not, “things” and “relations” are treated as logically distinct from one another. Operating with a philosophy of external relations, one usually studies the relations and history of anything when one “bumps” into them and cannot avoid doing so, and then only a small piece of both: for those who have this view generally believe that they can learn enough of whatever they want to know from evidence directly in front of them. It is this assumption that allows most of the studies done in the social sciences to focus on small pieces of the current version of the problems that fall into their discipline with little, if any, concern for the larger spatial and temporal contexts in which they are found.

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In contrast, the *philosophy of internal relations* holds that everything is internally related in space as well as across time, including both the past and the future. Reality here consists of an infinite number of processes of different kinds undergoing change of one kind or another and at one speed or another, while being in direct or indirect (and often in very indirect) relations with one another. With this philosophy, capitalism, for example, can be viewed as extending back into its far origins as well as into its likely future, and to include all that has influenced it as well as what it has influenced during this long period. While Marx was mainly concerned with social and material conditions as well as the ways people thought about and interacted with them, the reach of this philosophy extends much further. But what should also give those readers pause who are ready to reject such a strange philosophy out-of-hand is the impressive group of philosophers—such as Spinoza, Hegel, and Leibnitz—from whom Marx drew his version of it.

Since the main issue in the debate between the supporters of these two philosophies is over what counts as “evidence,” simply presenting what either side considers good evidence has not advanced the discussion. Still, the most effective argument offered by those who operate with a philosophy of internal relations is that by treating change and relations as largely irrelevant to what they are investigating, their opponents cannot take adequate account of the more important changes and relations needed to grasp, let alone resolve, any of our major problems. The most telling criticism leveled by those who work with a philosophy of external relations against the dialectical view is that, without the boundaries that most people take to exist between the “things” in our world, there is no way to keep the study of anything from spilling over into everything. The latter criticism in particular, if true, would bring an end to the debate right here. But is it true?

## 2. Step 2: The Process of Abstraction

If Marx's philosophy of internal relations provides us with an ontology that consists of processes and relations, the epistemology associated with it addresses the problem of how to learn about such a reality without getting overwhelmed with our findings. Marx resolves this problem with the *process of abstraction*, or way of singling out, or focusing on, and setting up a provisional boundary around some part(s) of the processes and relations that have come to his attention. While the qualities we perceive with our five senses really exist as parts of nature, the conceptual distinctions that tell us where one “thing” ends and the next one begins, both in space and across time, are also social and mental constructs. However great the influence of what the world is on where we draw these boundaries, it is ultimately we who draw them, and people in different cultures and from different philosophical traditions, and/or with different goals in mind, will draw them different, whether a little or a lot. There are several other senses in which Marx uses the term “abstraction,” but for our purposes this is the most important one.

The actual abstractions that Marx makes are of three different kinds. The first is *abstraction of vantage point*, which brings out and emphasizes the importance of all that can be seen of the “whole” from a particular angle, when more than one angle is

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available. Most people would probably agree that getting another point of view can be very helpful in understanding a particular problem, but here it is Marx himself who undertakes to move (and to move more than a few times) between the different vantage points he considers essential in order to grasp the workings of the subject before him. The second is *abstraction of extension*, which determines how much space and how long a period in time is brought into focus in dealing with the processes and relations involved in any given problem. Studying an event that occurred in a small area, like a factory, for a short period—like a week, for example— cannot be treated the same way as one that occurred in a whole county and is still going on.

The third is *abstraction of level of generality*. This is undoubtedly the most difficult of these three abstractions to understand and to apply, which is why it has been left for last, even though it comes first in Marx's use of these abstractions. Since each *level of generality* comes with its own range of *vantage points* and *extensions*, the latter two do not emerge until their *level of generality* is established. As his main subject, capitalism is also Marx's preferred totality, or *level of generality*, with its distinctive range of *vantage points* and *extensions* with which to begin his analysis. But Marx abstracted two more totalities based primarily, as is capitalism, on what set them apart economically but also socially from other periods of history. They are the "Human Condition" (or the entire period of our species' existence in the world), and "Class History" (the much shorter period during which classes of one kind or another have existed). Just as the human condition overlaps the period of class society, the two of them overlap the capitalist era. It is from such examples that we derive the concept "*level of generality*" to distinguish what is unique to each period from qualities found in all of them. What sets Marx's totalities apart from one another more than anything else, however, is that each of them has its own *law of motion*. As this phrase suggests, it is not only what a system contains that is of special interest but how it has evolved, is evolving now, and is likely to evolve in the future. Unfortunately, most writers on Marx seem to have ignored what he said was his "ultimate aim" in writing *Capital*, which was to "lay bare the economic law of motion of modern society" (or capitalism) (Marx [1867] 1958:10).

While Marx's writings only deal with the three totalities mentioned above, capitalism being by far the most important, a Marxist interpretation of their place and role in the modern world suggests the need to abstract another level of generality to complete the dialectical analysis that Marx began. This one combines the more significant changes that have taken place in capitalism since Marx wrote, and the more or less distinctive interaction that has evolved between them. It includes such developments as two world wars and the subsequent rise to dominance, both direct and indirect, of the United States over most of the world through its military, economic, and cultural might; the spread of a form of imperialism dominated by state actors and its more recent replacement by multinational corporations; the rise of social democracy and trade unionism, and their more recent decline; automation and containerization with their growing impact on international trade, employment, wages, profits, and digitalization; the great increase in the power of the financial sector; and the spread of new and more effective forms of ideology, to which we must now add climate change and the threat of nuclear war. As one

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can see from when these different developments occurred and became important, the law of motion involved here is not as sharply defined as the earlier ones, and one could easily abstract two totalities from it where we have offered only one. But besides trying to simplify a difficult subject in a limited amount of time, we can not ignore the currently dominant “law of motion” of the capitalist societies in which we live.

Another concern is that it has been too easy to react—as so many ex-Marxists have—to the many important changes that have occurred in capitalism since Marx's time by claiming that the latter's entire analysis is no longer relevant. Or—and this is not much better—as some of his followers continue to say, that Marx's writings are enough to explain everything that has happened in capitalism since he died. The Marxist alternative is to retain all of Marx's analysis of “capitalism in general” and to use his dialectical method to make a similar analysis of what might be called “modern capitalism,” as unfinished as it is, with the aim of eventually integrating the two. Some Marxist scholars, of course, are already engaged in this work, but there is a lot more to do.

One more disturbing by-product of Marx's analysis remains to be addressed. Marx's philosophy of internal relations and its accompanying process of abstraction, particularly the abstractions of vantage point and extension, also gave him a lot of leeway in deciding where exactly to draw the boundary in the processes and relations he was working on at any given time. This could not help but affect the meaning of the concepts he used. Not only do they contain more information than the same concepts used by other people, but “how much more” often changes in the course of Marx's use of them. The Italian critic Vilfredo Pareto noted—with more than a touch of annoyance—that “Marx's words are like bats. You can see in them both birds and mice” (Pareto [1902] 332). But none of Marx's critics and few of his followers could explain it, despite Engels's explicit warning in his Preface to *Capital* Volume III, that we should not expect “to find fixed, cut-to-measure, once and for all applicable definitions in Marx's works. It is self-evident that where things and their interrelations are conceived, not as fixed, but as changing, their mental images, the ideas, are likewise subject to change and transformation; and they are not encapsulated in rigid definitions, but are developed in their historical or logical process of formation” (Engels [1885] 1959: 13–14).

Unfortunately, the problem Engels addressed is more widespread and even more pernicious than it was in his day and thus requires a fuller response than the one he gave, because what Marx has done is to supply what are in effect “elastic” definitions for all his key concepts. While the changes in their meanings are often small enough to be missed, they can also be of a size and frequency to keep most of his readers from fully understanding his message. Only the *philosophy of internal relations* and its accompanying *process of abstraction* can explain what Marx is doing here and prepare us to work with its results. Together, it is not an exaggeration to think of them as the foundation of Marx's entire dialectical method, and, in the steps to follow, they will be treated as such.

### 3. Step 3: Marx's Dialectical Laws

Capitalism was always Marx's main subject, but we have also seen that the still "Bigger Pictures" of the human condition and class history that overlap capitalism also have some effect on the periods that begin after them. Something still larger plays a similar role in all of Marx's studies and that is a group of patterns found in the relations and processes on all the levels of generality. Marx called these patterns *dialectical laws* (though, given the possibility of encountering various counter-tendencies, he could also refer to them as "tendencies"). Like everything else in Marxism, these patterns are internally related, with Marx abstracting their exact boundaries based on the problem he is dealing with and how far he has gotten in dealing with it, which allows for re-abstracting a boundary if either of these or his purpose in making the study has changed.

The most important of these patterns are—*Appearance and Essence*, which contrasts what we learn through our five senses with what can be learned by examining their broader spatial and temporal relations up to the most relevant version of the "Bigger Picture" for the subject in question. The *appearance* of anything is the equivalent of a photo taken by a camera, but for most of the important questions in life this is insufficient without knowing something about the larger context in which it was taken, who took it, when, for what purpose, etc., all of which, and more, are included in its *essence*.

*Identity and Difference*, which alerts us to the fact that any two "things" (or relations abstracted as such) that strike us as the same (or different) can, in another context, or from another vantage point or extension, or at another time, or with another purpose in mind, appear as the opposite of what we took it to be. Take a look at the dollar bill in your pocket. Turn it over. Is it the same dollar bill you took out of your pocket? Well, yes and no. (Readers will note that what capitalists might misunderstand—because it is in their class interests to do so—does not qualify as a legitimate reason for seeing what is identical as different, or vice versa.)

*Quantity / Quality Change* recognizes that every such "thing" is undergoing quantitative change of one kind or another, and at one speed or another. At a certain point this turns into a qualitative change in how it appears and/or functions. Consider the different names used to refer to human beings—"baby," "child," "adolescent," "adult," etc.—that mark the main quantity/quality changes that we have all undergone during our lifetime.

*Negation of the Negation* takes the long view to bring out the way in which major transformations of society have typically involved rejecting the most distinctive features of the society that preceded it. This seems to have happened in the passage from the more primitive societies to feudalism, and from feudalism to capitalism, with the implication that capitalism too is likely to give way to its opposite, which, in this case, is Communism. "Negating" the previous society also suggests that it was its worsening problems that made it particularly vulnerable to being replaced by another system that could resolve them, with the latter suffering a similar fate for the same broad reasons over time. While Marx never doubted that a detailed analysis of the problems of any

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society is always needed, the main value of this dialectical law is that it captures an actual historical pattern and provides a useful framework for considering what a major change to our society would look like and one possible way to look at it.

And *Contradiction*, which brings out the incompatible development of two or more interacting processes that, at a certain point, undergo a qualitative transformation that can be seen in changes to both their appearance and function. Marx says, "In capitalism, everything seems, and is, in fact, contradictory" (Marx [1963]: 218). That, plus the fact that Marx believes that all these contradictions are internally related assures that a qualitative change triggered by the resolution of a contradiction will have at least some effect on its neighboring contradictions and, if it is large enough—which most are—on capitalism as a whole. As such, contradictions always played a major (if not "the" major) role in Marx's dialectical analysis of the evolution of capitalism throughout his career.

One of the more important contradictions in capitalism is the capitalists' drive to maximize their profits by paying their workers as little as possible but needing the workers, who make up the majority of consumers, to buy the constantly growing amount of goods available, most of which they cannot afford. As for periodic crises, the contradiction mentioned here is only one of several internally related contradictions that make such crises possible—then likely, and ultimately inevitable—as their periodic occurrence shows. But the contradiction on offer above should do for our purposes.

Finally, it is unfortunate that most of the writings on Marx's dialectics, by friends and foes alike, begin with his dialectical laws. But without the larger context provided by the philosophy of internal relations and the process of abstraction, the rush to introduce these general patterns only adds to the aura of mystery and dismay that surrounds the whole of this subject.

## 4. Step 4: Inquiry (or Research)

The frame of mind in which Marx conducted his research is captured best by his favorite motto, "DOUBT EVERYTHING!" (Marx [1863], *Reminiscences of Marx and Engels*, n.d., 266).

In the afterword to the second German edition of *Capital* Volume I, Marx wrote "Of course, the method of Presentation must differ in form from that of Inquiry. The latter [Inquiry] has to appropriate the material in detail, to analyze its different forms of development, to trace out their inner connections. Only after this work is done, can the actual movement be adequately described" (Marx [1873] 1958:19). Marx had just given his approval to the description of a Russian reviewer of *Capital* I, who said that "the scientific value of such an Inquiry lies in disclosing the special laws that regulate the origin, existence, development and death of a given social organism and its replacement by another and higher one," to which Marx added, "What else is he picturing but the dialectical method?" (Marx [1873] 1958: 17–20).



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"Method" is usually restricted to the moment of "Inquiry," but where everything is internally related, it can also be used as a vantage point for examining the whole of dialectics. Here, we will treat it more narrowly as a response to the following questions: (1) *What* did Marx look for? (2) *Where* did he look for it? And (3) *How* did he look for it? Given the limitation imposed by the article form in which this appears, we shall look at only the most important parts of the answers.

As for *what* Marx was looking for, we have already mentioned that Marx's stated aim in writing *Capital* was to "lay bare the economic law of motion of modern society," which he understood as the capitalist totality. But there was still a good deal of it that needed to be uncovered, so he also had to "look" for the workings of this totality and include what he found in his account of it. A problem arises, however, whenever anyone prioritizes the role of a whole system over that of its parts. That Marx, himself, does not seem to have been bothered by this can be seen from his comment that "the body as an organic whole is easier to study than are the cells of that body," which—given the context in which this appears—was meant to apply to capitalism first and foremost (Marx [1867] 1958: 8).

Still, most people probably believe they need to have a fair grasp of at least some of the parts of anything before knowing what kind of whole they belong to. But this assumes that what we are calling "parts" and "whole" arise at different times. Given Marx's philosophy of internal relations, there could be no question but that the interaction between the capitalist system as a whole and its parts (or what can be abstracted as its parts at any time) is one in which each plays an essential role in helping to produce and shape the other, and that from their common beginning. Marx learns about both of them together through their interaction, and, increasingly, from the different vantage points that come from those parts and from that much of the whole he has come to understand.

As for *where* Marx looked, the answer begins—but only begins—with capitalism in general, where priority is given to the mode of production made up of the interrelated processes of production, distribution, exchange, and consumption, with production receiving most of the attention. The relation between capital and labor, along with their mysterious offspring, "value," and its unique metamorphosis throughout the economy (or movement in which it exchanges its physical form to commodity, money, capital, profit, etc., but retains its essential quality as the only possible product of alienated labor) also comes in for close inspection. By referring to the larger context covered by the "law of motion" as "modern society" [see Marx [1897] 1958: 10], rather than the "economy," it is clear that nothing crucial to the interaction between the mode of production and the state, class, religion, culture, etc. is wholly neglected. It is also important to keep in mind that all the relations and processes that Marx examines in his inquiry derive in part from the abstractions he makes of them, which means that they can vary somewhat in size and content with the different *abstractions of extension* and *vantage point* that Marx uses in studying them.

Another major area that Marx privileged in his research are all the ideas and ways of thinking that make it so difficult for most people to understand the workings of the

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system in which they live. For many, capitalism is simply so big and complex that it is hidden in plain sight. It does not help, of course, that an entire consciousness industry of capitalists and their “paid hirelings” (Marx’s term) have succeeded in creating many ways to keep people from understanding—and sometimes even seeing—what is really going on in their society. Among the most effective of these forms are the fetishism of commodities (or mistaking the relation between persons for a relation between the things they produce), the explosion of different names by which to refer to “capitalism” and “class” (to avoid using concepts with a critical edge to them), and, as part of the prevailing philosophy of external relations (or body of partial, static, and one-sided explanations of problems that can only be understood in terms of processes and relations). Throughout all of this, the concept of “ideology” serves Marx as a kind of umbrella for both objective and purposeful distortions of which there are many more today than ever before.

Moving now to *how* Marx looked at what he was finding, the most important step Marx took in making his inquiry visible both to himself and to his readers, who he hoped would go on to use it, was to locate it within the only version of the “Bigger Picture” that was appropriate to a project of this size. For it is not only the capitalism we live in now that is brought into view here but its main preconditions in the past as well as its likely future. All this is contained in its *law of motion*. But how does one analyze the real past and the likely future? The answer lies in these five steps: (1) set out the main features of today’s capitalism; (2) ask “What had to have happened in the past, for the current version of capitalism to appear and function as it does?”; (3) then, extend (re-abstract) the conception of capitalism with which you began to include the entire process by which it became what it is; (4) project this longer version of capitalism, whose unfolding contradictions and emerging possibilities carry the weight of its actual evolution, into the near, middle and far future; and, finally, (5) look back once again and return to the present with the better understanding you have acquired of the main alternatives before us. To get a fair hearing for this approach, it often helps to distinguish your conclusions and how you arrived at them from the morally inspired versions of the future served up by utopian thinkers, past and present.

To avoid possible misunderstanding, it is important to add that this was never a way to “predict” the future, for as we see, the destructive alternatives harbored in capitalism’s many contradictions could also emerge on top. But the overall movement described by Marx remains in place and continuing to think of capitalism as a combination of its actual past, real present and likely (or even just possible) future is still the version of the “Bigger Picture” best suited to teaching us what we need to know about today’s world while inspiring us to replace it with something far better.

## 5. Step 5: Self-Clarification

Marx is probably the only major thinker who wrote at least two large books for his own “self-clarification,” an expression that Marx himself used for them, rather than for

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publication (Marx [1859] 1903:14). The first was the *1844 Manuscripts*, when Marx was only twenty-six years old, which has about 160 pages, and the second was the *Grundrisse* (or Foundations) that he wrote in 1858—just before he started writing *Capital*—which has almost nine hundred pages. They first appeared in print in the Soviet Union over fifty years after Marx's death, but it was only in the decades after World War II that they became better known to a global audience. What is still not sufficiently appreciated, however, even among most Marxist scholars, is the special role these two books play, and, with that, their importance for the whole of Marxism.

The two books have no real beginning or ending, and the order of the subjects in them leaves a lot to be desired. Since he was the only one to read them, why would he need anything more? It seems that even Engels, with whom Marx discussed virtually everything, did not get to read them until after Marx's death. But that also meant that Marx had enough time to seek out all the main and many of the minor connections in the enormous subject he had chosen for himself, to move between different abstractions of vantage point and extension and to test different ways of formulating the results. And Marx did not have to concern himself with what others could understand, or would find convincing, or, even more worrying, that would turn them off and keep them from reading further. Such concerns, as we will see, were important considerations in the writing of *Capital*. It would appear, therefore, that if we want to get an “unclouded” look at what Marx really thought about capitalism, both early and late in his career (given the dates of the two works in question)—as compared to how much of it he decided to present to his readers—it is to these early works that we must turn.

The most striking feature of the *1844 Manuscripts* and the *Grundrisse* is the heavy use they both make of Marx's theory of alienation and his dialectical method. It is in the first work, which contains more on alienation, that we learn that it is the relations of alienated labor that get transferred into all the different forms assumed by “value” in its metamorphosis throughout the economy, making it at least indirectly responsible for most of the problems from which we suffer in capitalist society. Prioritizing the vantage point of alienated labor was essential to making all these connections, just as dialectics—in all the ways laid out in Steps 1, 2, and 3 of this article—played an equally important part in framing and reframing the movements involved. None of this would have been possible without the degree of attention Marx gave to alienation and dialectics in the *1844 Manuscripts* and the *Grundrisse* that was denied them in *Capital*.

## 6. Step 6: Presentation (or Exposition)

We began Step 4 with what Marx said he tried to do in his inquiry, which was mainly to “appropriate the material before him in detail ... analyze its different forms of development ... and trace their inner connections.” Then, shifting over to presentation, Marx adds, “Only after this work is done, can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected

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as in a mirror, then it may appear as if we have before us a priori construction" (Marx [1873] 1958: 19).

This can be interpreted to mean that the assembled pieces fit together so well that it is easy to take them as a single whole, which also implies that it is not possible to evaluate these internally related parts separately. This is indeed a high standard, and, though Marx may have had this as his main goal, his numerous attempts to revise parts of *Capital* Volume I—every new edition of the work had them—suggest he never fully succeeded in reaching it. Paul Lafarge, Marx's son-in-law and the only person to whom he dictated some of his work, including work on *Capital*, said that Marx was never completely satisfied with the formulations he came up with and kept changing them (Lafarge [1890] *Reminiscences*, n.d., 78). This is usually taken as evidence of what a perfectionist Marx was, which was certainly true, but it also reveals his growing concern of how best to address the four very different audiences he was writing for. They were workers, meaning of course workers who could read, his own followers, other kinds of socialists who Marx hoped to win over to his views, and the more open-minded economists who would be interested in learning more about someone who already had an impressive reputation for originality.

Though Marx often said that he was most interested in having workers read *Capital*, the book he wrote tended to be more and more directed to the last group. It would seem that his concern to be taken seriously by more political economists got Marx to play down and even omit some elements in his analysis that they would view as "unscientific" and reject out of hand. And what seemed less scientific to the orthodox economists of that time—as indeed now—than Marx's dialectical method? Though Marx continued to use a good deal of it, he also avoided using dialectics whenever possible, and sometimes even when it was impossible, as when he criticizes political economists for emphasizing the "material substance" of capital instead of its social relations and blames it on their "capitalist soul" and not on their lack of dialectics (Marx [1867] 1958:767).

It did not help that Marx's first attempt to publish a substantial section of what became *Capital*, or what he then called *Contributions to a Critique of Political Economy* (1859)—which contained a good deal of dialectics even after omitting a long introduction on this subject—was a commercial failure. Virtually no one read it, and, aside from one by Engels, there were no major reviews. Then, with the repeated urgings by Engels and his good friend Doctor Kugelmann to keep the expanded version of what was now called *Capital* as simple as possible, Marx finally gave in. In a letter to Engels in December 1861, he wrote, "the thing [*CAPITAL*] is assuming a much more popular form, and the *method* [my emphasis] is much less in evidence than in Part I" (Marx [1861] 1975: 333).

While it is easy to recognize that the amazing success of *Capital* from the moment it became available owed a good deal to this decision, we should not dismiss all that he, but also we, have lost at a result. As readers of this article can see, my main effort has gone into reestablishing the dialectical method that was always a part of Marx's thinking even when he chose not to use a significant part of it to obtain immediate political ends. But

while a Marx could do that without effecting his ability to think dialectically, most of those who use *Capital* as a model of how to think about our society cannot. The overlap between thinking dialectically and being able to use dialectics to study particular problems is not 100%, but it is pretty close to that. And what is badly missing now among most of those who call themselves Marxists—and this appears to be especially true of the economists—is the ability to think dialectically. The area where this has probably done the most damage is in the relationship—the dialectical relationship—Marx posits between theory and practice, which is the subject of our next section.

## 7. Step 7: The Relation between Theory and Practice

Separating what cannot be separated without distortion is one the main earmarks of undialectical thinking, and it is in the separation between *theory and practice* that we find the most destructive example of this. For if everything is internally related, this must also apply to the conditions in which people live, what they understand about these conditions, and how they react to them. Where this does not seem to hold, it usually means that among these conditions are some that interfere with establishing the connections; however, with time and counter-measures of different kinds, that can change.

Marx also has another way of establishing the internal relations between theory and practice that comes from how he deals with all the human beings who enter into his work. Early in the preface to *Capital* Volume I, we learn that “individuals are dealt with only in so far as they are personifications of economic categories, embodiments of particular class relations and class interests” (Marx [1867] 1958: 10). Rather than treating people as something less than what they are, he is abstracting them to include much more than most of us would think either possible or necessary. But it is just in this extension of ourselves into “personifications of economic categories, embodiments of class relations and class interests” that we find most of what we human beings contribute to the workings of the capitalist system as well as to its eventual demise. With relatively few exceptions, and then mainly for the less important things that go on in our society, these are the main relations that Marx “lays bare” in *Capital*.

In short, practice becomes something that whole classes do, or are about to do, or suffer enormously for not doing, under extreme pressure from their respective place and function in the system and the class interests associated with them. But where are these conditions and interests to be found? In the real world of capitalism, of course, but also from the reflection of it found in Marx's analysis of how capitalism works. There is no place in the internally related system that unites both capitalism and Marxism, despite the obvious difference in kind, for the break represented by the popular distinction between theory and practice.

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There is still a third way that Marx connects what most people view as a fundamental separation between theory and practice, and that is through his frequent use of the concept of “appropriation.” “Appropriation” is usually understood as making something our own. Marx extends this use of “appropriation” to include all of our actions in the world, even those of the five senses, which contributes something of value to the growth and development of the qualities involved in these actions. As such, it also conveys a sense of fulfilling, if only over time, an important potential inherent in the human species. But what is of special concern to us here is that in using “appropriation” in this way, Marx does not treat *theory* (ideas) and *practice* (actions) as separate and independent phenomena.

Taking in as much as it does, the internal relation between Theory and Practice turns out to be one of the most fruitful versions of the “Bigger Picture” that comes with the dialectic, bringing into its orbit not only classes, class interests and class consciousness, but also class struggle. They are all to be found in their interaction—and therefore also with their effects on one another—inside the space provided by the dialectical unity of *theory and practice*. It becomes increasingly clear that there are few things we can share with workers and students (most of whom will become workers) that will prove more valuable to them than dialectics, with its insistence on looking for the “Bigger Picture” and finding ways of acting upon it.

Didn't Engels say as much when—speaking for Marx (who had just died) and himself—he claimed the “materialist dialectic” as having been “for years our best working *tool* and our sharpest *weapon*” connecting both theory and practice [my emphasis]? (Engels [1886] 1941: 44)

## 8. Step 8: Return To Step 1 and Start Again

If taking readers on a step-by-step journey through Marx's dialectical method allowed us to keep things relatively simple, the next step has to do with how these steps interact. Since they are all internally related, each step has been interacting with the others from the beginning. There were attempts to explain some of these interactions, but full justice could not be done to any of them without changing the vantage point to ones we had not come to yet in the course of this account. Given the space limitations of this article, we still can't do it. But *you* can, and you should give it a try.

Using Step 7, The Relation Between Theory and Practice, as your vantage point, revisit Steps 1 to 6 to enrich your overview of each of these steps in turn. Do the same thing, using Step 6 as your vantage point to view Steps 1 to 5, and so on. The aim is to view capitalism from all of these sides in order to clarify those relations that can only be fully appreciated when approached from these different sides. Besides acquiring a deeper understanding of Marx's method, this exercise should also improve your ability to *think* dialectically, and that is where the most successful efforts to study anything dialectically, to teach it—why not?—and to act upon what you have learned from it, typically begin.

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A fuller account of the seldom used *philosophy of internal relations* and its accompanying *process of abstraction* that play such an important role throughout this article can be found at:

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## The Eight Steps in Marx's Dialectical Method

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# Oxford Handbooks Online

## **Ideology as Alienated Socialization**

Jan Rehmann

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### **Abstract and Keywords**

Against a widespread misunderstanding, Marx and Engels did not consider ideology as a mere form of consciousness expressing an underlying economic interest. They developed a critical approach that saw ideology as an alienated socialization from above, which is to be overcome in a classless society. It is also shown that their ideology-critical approach was not restricted to a critique of “false consciousness” but was mainly interested in unveiling the real “inversions” in the societal relations of class societies: the division of manual and intellectual labor; the fetishism of the commodity, money, and capital; and finally in the detached position of the state emerging together with class antagonisms as the “first ideological power” (Engels) over society. Marx and Engels thus anticipated a materialist concept of the ideological that was later developed explicitly in theories of hegemony and of ideology (e.g. by Gramsci, Althusser and the Berlin Projekt Ideologietheorie [PIT]).

Keywords: alienation, camera obscura, false consciousness, commodity fetishism, hegemony, ideological apparatuses, ideology-critique, philosophy of praxis, reification, religion

The term “ideology” was first introduced in 1796 by Destutt de Tracy in his *Mémoire sur la faculté de penser* as a neologism to designate an exact science of ideas. According to de Tracy and the group around him (called the “idéologues”), the other sciences were subordinated to this new “super-science,” which claimed to establish their unity (Kennedy 1994:18, 25). A short time later, the term took on a pejorative meaning under Napoleon Bonaparte, who accused the *idéologues* of being “disguised materialists,” who by their hostility to religion deprived the people of salutary illusions. After the “first baptism” of ideology by the “idéologues” of the French Revolution and the second by Napoleon, Marx and Engels enacted a “third baptism,” which inscribed the term into the “register of the fundamental concepts of modernity” (Haug 1993:9). It was only then that the concept became an integral part of a radical critique of social alienation, class rule, and state domination. Marx and Engels did not develop an explicit and systematic theory of ideology in any way comparable to the rigor and coherence of Marx’s *Critique of Political*

*Economy*. For the most part, they utilized the concept of ideology ad hoc, in concrete circumstances, mostly in confrontation with various opponents. This does not mean, however, that they used it in an arbitrary way. On the contrary, their different usages were held together by a coherence—which, in an astonishing way, anticipated many of the achievements of later theories of ideology.

Focusing mainly on *The German Ideology*, the criticism of fetishism in *Capital*, the preface to the *Contribution to the Critique of Political Economy* (1859), and the state-theoretical reflections of the late Engels, this article will reconstruct the different usages by Marx and Engels, which in turn became the starting points for different ideology-theoretical schools afterward. These schools can be roughly divided into three groups: 1) an *ideology-critical* approach, represented in particular by György Lukács and the first generation of the Frankfurt School; 2) a *Leninist* approach, which understood ideology as a “neutral” world view, determined by its underlying class interests; and 3) conceptions ranging from Antonio Gramsci and Louis Althusser to Stuart Hall and the Berlin *Projekt Ideologietheorie* (PIT), which conceptualized the ideological as a material ensemble of ideological apparatuses, praxis forms, rituals, and discourses in class societies.

In contrast to official “Marxist-Leninist” interpretations, this article will show that Marx and Engels did not develop a neutral concept of ideology but rather a critical concept that saw it as an alienated socialization from above and expected it to lose its functional necessity and to “wither away” (like the state) in a classless society. Against a widespread misunderstanding, I will also demonstrate that their ideology-critical approach was not restricted to a critique of “false consciousness” but was mainly interested in unveiling the real “inversions” in the societal relations of class societies. They identified such inversions first in the division of manual and intellectual labor, then in the fetishism of the commodity, money, and capital; and finally in the detached position of the state emerging together with class antagonisms as the “first ideological power” (Engels) over society. They thus anticipated a materialist concept of ideology that was later developed explicitly in theories of hegemony and of ideology (e.g., by Gramsci and Althusser).

## 1. Rereading *The German Ideology*

Published posthumously first in 1926 in an abridged form and then in its entirety only in 1932, *The German Ideology* was unknown to the first generation of Marxists after Marx and Engels. When the ideology-theoretical turn of the 1970s and 1980s led to a reexamination of the classics of Marxism, it was particularly *The German Ideology* that received bad press. According to Althusser, Marx offers us in *The German Ideology* “an explicit theory of ideology, but ... it is not Marxist” (2001:107), because it understood ideology “in a plainly positivist context ... as a pure illusion, a pure dream, i.e. as nothingness ... , empty and vain,” and as a mere “form of consciousness” (“*forme-conscience*”) (108; Althusser 1994:496).

This criticism seems to be confirmed by numerous formulations throughout Marx and Engels's writings, for example when they spoke of a "false" or "inverted" consciousness, an "independent kingdom in the clouds," a "distorted conception," a "standing on its head," and so forth.<sup>1</sup> *The German Ideology* characterizes the ideologists as intellectuals who "inevitably put the thing upside-down and regard their ideology both as the creative force and as the aim of all social relations, whereas it is only an expression and symptom of these relations" (Marx and Engels [1845] 1975: 420). In the same text, Marx and Engels summarize the descriptions of "distortion" and "inversion" in the image of a *camera obscura*: "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" (ibid.: 36). In order to disprove the "German philosophy," which according to Marx and Engels "descends from heaven to earth," they claimed not to start from "what men say, imagine, conceive," but rather from "men in the flesh": "Setting out from real, active men, and on the basis of their real life-process," they attempted to demonstrate "the development of the ideological reflexes and echoes of this life-process.... It is not consciousness that determines life, but life that determines consciousness" (ibid.: 36–37).

These descriptions were questioned by several Marxist ideology theorists. According to Stuart Hall, terms such as "false consciousness" or "ideological distortion" assumed that the masses were the "dupes of history," whereas the critical intellectuals were supposedly able to live without illusion. This was moreover anchored in an "empiricist relation of the subject to knowledge," according to which "the real world indelibly imprints its meanings and interests directly into our consciousness"—except if there were some ideological distortions that obscured the unilateral truth of the real (Hall 1988:44). For Raymond Williams, it was an "objectivist fantasy" to believe that "real" life conditions could be known "independently of language ... and of its records," because it would be a fallacious assumption that there was "*first* material social life and *then*, at some temporal or spatial distance, consciousness and 'its' products," which were, in reality, "always [...] parts of the material social process itself" (Williams 1977:60). Terry Eagleton posited that Marx and Engels were guilty of a "naive sensuous empiricism which fails to grasp that there is no 'real life-process' without interpretation" (Eagleton 1991:75): "What distinguishes the human animal is that it moves in a world of meaning; and these meanings are constitutive of its activities, not secondary to them" (ibid.: 73). He drew the conclusion that Marx and Engels's metaphor of the *camera obscura* was unable to grasp the active and dynamic nature of human consciousness and instead reduced it to a device "passively recording objects in the external world" (ibid.: 76).

Here we should take a step back and ask whether or to what extent these criticisms were actually valid when it came to Marx and Engels's approach. Around the same time as Marx and Engels were writing *The German Ideology* (1845–1846), Marx wrote his *Theses on Feuerbach* (1845, published 1888), whose first thesis criticized that "all previous materialism" (including the one of Feuerbach) had conceived of reality and of sensuousness "only in the form of the *object*, or of *contemplation*, but not as *sensuous human activity, practice*, not subjectively" (Marx [1845] 1975:3). In contrast to an

objectivist “previous materialism,” Marx highlighted the achievement of idealism as having expounded the “active side.” However, it did so only “abstractly,” since it “does not know real, sensuous activity as such” (ibid.). The *Theses on Feuerbach* announced a “new” materialism (ibid.), which started from subjective practice and became the main reference point of what Antonio Labriola and Antonio Gramsci later called a “philosophy of praxis” (Rehmann 2013:119–131). It would be paradoxical if Marx and Engels in *The German Ideology* assumed a “passive” reflection of the exterior world by consciousness, thus falling back to the position that Marx had just denounced.

Let us look at the key passage, in which *The German Ideology* tried to counter the philosophy of conscience by developing five aspects of social activity. Contrary to the linear interpretation put forward by Williams and Eagleton (*first* “real life,” *then* meaning), Marx and Engels emphasize that these aspects “are not of course to be taken as ... different stages, but just as ... ‘moments’, which have existed simultaneously since the dawn of history and the first men, and which still assert themselves in history today” (Marx and Engels [1845] 1975: 43). Human beings must *firstly* produce the means to satisfy their basic needs, such as food, drink, housing, and clothing (ibid.: 41). In doing so they *secondly* create new needs, and *thirdly*, while re-creating their own lives on a daily basis, they also “propagate their kind” and create relations between men and women and parents and children (ibid.: 42–43). These three “moments” so far are then *fourthly* summarized by a comprehensive concept of “production,” namely, the “production of life, both of one’s own in labour and of fresh life in procreation” (ibid.: 43). Marx and Engels understood this as a twofold relation, one that is both “natural” and “social.” Whereas the concept of a “natural” relation remained unexplained, the “social relation” was described as “co-operation ... , no matter under what conditions, in what manner and to what end,” which is itself a “productive force” (ibid.).<sup>2</sup> *Fifthly*, people also have “consciousness,” which, however, cannot be described as “pure: consciousness”: the “mind” is from the outset afflicted with the curse of being “burdened” with matter, which here makes its appearance in the form of agitated layers of air and sounds—in short, of language. Language ... is practical, real consciousness that exists for other men as well, and only therefore does it also exist for me; language, like consciousness, only arises from the need, the necessity of intercourse with other men.... Consciousness is, therefore, from the very beginning a social product, and remains so as long as men exist” (ibid.:43–44).

This analysis of five “moments” has obviously nothing to do with what Williams described as an “objectivist fantasy” of human life devoid of meaning and language. Instead of asserting that language and consciousness only have a “secondary” status, Marx and Engels point out that consciousness has its social form in language. Instead of stating that consciousness did not belong to the “real life-process,” as Eagleton asserts, they argue that consciousness could *only* be understood as an integral part of life practices and therefore as a composite of social relations.<sup>3</sup> This is what they mean when they argue that the “production of ideas, of conceptions, of consciousness, is at first directly interwoven with the material activity and the material intercourse of men—the language of real life [*Sprache des wirklichen Lebens*]” (ibid.: 36). Looking at their core argument, it becomes clear that they do *not* criticize the philosophy of consciousness from the

perspective of an underlying dichotomy between (primary) “life” and (secondary) “consciousness,” but rather because it severs consciousness from the practical context of life.

Where the critics of *The German Ideology* bring out their heaviest guns, namely that its concept of ideology is underpinned by a “naïve” and empiricist epistemology, the result is ambiguous. The criticism catches Marx and Engels red-handed as they fight a hand-to-hand scuffle with their opponents; in this context, they move within their opponents’ discursive materials and take up their idealistic discourses of a philosophy of consciousness and polemically turn it against them. This is the case, for example, when they assume that “life determines consciousness” (ibid.: 37), or when Marx famously asserts that it is “not the consciousness of men that determines their existence, but their social existence that determines their consciousness” (Marx [1859] 1987: 263). Descriptions of ideology as “false” or “inverted consciousness” suggest—similarly to the terms “echo” and “reflex”—a concept of ideology as a volatile epiphenomenon without any materiality and efficacy of its own.

But the criticism misses the anti-objectivist and praxis-philosophical thrust of the overall argument in both the *Theses on Feuerbach* and *The German Ideology*. When Althusser criticizes the reduction of ideology to a “pure illusion,” he misses in particular that Marx and Engels were not primarily interested in debunking particular forms of consciousness but rather in explaining them from their societal foundation: the “inversion” of ideology, its “standing on its head” was for them an effect of the social division of material and mental labor, which they saw in turn intimately connected with the formation of private property, class and gender antagonisms and the state. It is only because of this underlying social division that “consciousness *can* really flatter itself that it is something other than consciousness of existing practice, that it *really* represents something without representing something real.” Only by means of this division is “consciousness ... in a position to emancipate itself from the world and to proceed to the formation of ‘pure’ theory, theology, philosophy, morality,” which are practiced by specific intellectual groups “as a profession, that is, as a *business*” (Marx and Engels [1845] 1975: 379). The predominance of the “spirit” in German historiography is therefore to be explained “from its connection with the illusion of ideologists in general, e.g. the illusions of the jurists, politicians (including the practical statesmen),” which are themselves dependant on “their practical position in life, their job, and the division of labour” (ibid.: 62). What produces and maintains this reversal of consciousness is the real detachment of intellectual activities from social production, their growing independence, and their predominant position in relation to production. This applies, for example, to the emergence of religion as an ideology, which is to be distinguished from the magic and natural mysticism of pre-state societies by the formation of a specialized priesthood that is set free from manual labor. “The first form of ideologists, *priests*,” Marx wrote in a marginal note that in turn illustrated a passage written by Engels: “Division of labour only becomes truly such from the moment when a division of material and mental labour appears” (ibid.: 44–45).

The *camera obscura* is therefore to be understood not just as a metaphor for “false consciousness,” but primarily for the “idealistic superstructure” of class societies (ibid.: 89), or, as Marx would write later in his *Theories of Surplus Value*, for the “superstructure of ideological strata” (Marx 1969–1971 [1]: 287). By combining a category that was usually employed for describing a world view or philosophical tradition (namely “idealistic”) and a category for a material and institutional reality (“superstructure”), *The German Ideology* marks a transition from a traditional discourse of consciousness to a historical-materialist theory of ideology. Used in this sense, the attention of ideology-theory should not remain bound to the inner image of the *camera obscura* but should come in from the side and investigate the material arrangement and the socially unconscious of the discourse of consciousness. The detachment of consciousness “is framed and constituted by the material ‘dispositive’ [in a Foucauldian sense] of social domination” (Haug 1984:24). A similar view was held by Pierre Bourdieu who took *The German Ideology*’s considerations on the divisions of manual and mental labor (as well as of town and countryside) as a starting point from which to develop his concept of social “field” in the domain of religion (Bourdieu 1991:6, 9). As soon as one takes Marx and Engels’s emphasis on the underlying division of labor, class formation, gender antagonism, and the emergence of the state into consideration, one can see that they made a decisive shift toward a theory of ideology that conceived of the ideological as a material arrangement in society.

## 2. The Critique of Fetishism and its “Objective Thought Forms”

The status of Marx’s critique of fetishism in the framework of his ideology-theory was contested by different Marxist traditions from the outset. Unnoted by Kautsky, Plekhanov and Lenin, the concept of fetishism played no role in the traditions of “orthodox Marxism” and “Marxism-Leninism.” For Althusser, it was a relic of a pre-Marxist, “humanist” concept of alienation, and, furthermore, “fictitious theory” (1994:487, 497). At the opposite end of the spectrum, Georgy Lukács, in his *History and Class Consciousness* of 1923, made the commodity-fetish into “the universal category of society as a whole” (1971:86). According to Alfred Sohn-Rethel, the “formal analysis of the commodity holds the key not only to the critique of political economy, but also to the historical explanation of the abstract conceptual mode of thinking and of the division of intellectual and manual labour which came into existence with it” (1978:33).

Marx first came across the concept of fetishism in 1842 when he studied Charles de Brosses’s investigation on “fetish-gods.” The same year, he published an article about the “Debates on the Law on Thefts of Wood” in the *Rheinische Zeitung*. Taking up the term fetishism, which religious history at the time used to describe as a “primitive” level of religious evolution, he turned it against the “fetish-servants” who destroy the commons and transform it into private property (Marx [1842] 1975:262–263). Marx then deployed the term for the characterization of a “religious” veneration of bourgeois riches, until it

appeared for the first time in the “Appendix” of the first edition of *Capital* Volume 1 (1867) as characteristic of the equivalent-form of the commodity itself (MEGA II.5:637–638). This new usage was then enlarged into a whole subchapter in the second edition of 1872 (). Taking up his critique of alienation of the *Economic and Philosophic Manuscripts* of 1844, Marx uses the example of religious “inversion” to explain the phenomenon of commodity fetishism, namely that in the capitalistic market the producers are ruled by the “things” they produce: whereas in the “misty realm” of religion, the products of the human brain “appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race,” this happens in the world of commodities “with the products of men’s hands. I call this the fetishism which attaches itself to the products of labour as soon as they are produced as commodities” (Marx 1976:165).

The fact that Marx transferred a religious term to bourgeois commodity-society is in itself a remarkable shift. Among sociologists of religion of the time, the concept of fetishism was not only used to describe the most primitive stage of religion (Pietz 1993), but it was at the same time part of a larger colonialist paradigm based on an “orientalist” construction of the “other” (Said 2003:331–332). The term “fetish” can be derived from the Portuguese word *feitiço* and was first developed by Portuguese missionaries in Africa in order to portray what they considered to be the “primitive” African religion they encountered. One can still see the Latin root of *facticiū* (*facere*) designating something that has been “made,” or is “man-made.” Similar to the Spanish transition from *hecho* (*hacer*) to *hechizo*, the meaning shifts to sorcery and witchery: the man-made products gain power over their makers (Haug 2005:161). The etymology reveals a white supremacist European attitude, which looks down at the “primitive” and “unenlightened” believers who carve objects and then bow to their own artifacts and worship them.

By taking up this concept, Marx turns the tables and demonstrates that it is the modern bourgeois order that harbors an anachronistic fetishism at its very core: an irrational inversion by which exchange value rules over use value, money rules over labor, accumulated capital rules over life, and shareholder values rule over life values. Since the producers have no democratic control over what is being produced, how it is being produced, or how the surplus is being distributed, the products of their labor pile up on the other side of the divide—they become the wealth of the capitalist owners. Commodities turn into an alien power that is used against the workers by replacing them with new technologies and by firing them, impoverishing them, and making them “superfluous.” This irrational system, that periodically destroys its own wealth by disastrous crises, is finally to be overcome by an “association of free people” (Marx 1976: 171). “What is this fetishism of African worshippers, compared to European fetishism, by which the entire regulation of societal production, which decides over the weal and woe of people, is handed over to the dynamics of the things produced!” (Haug 2005:162).

With the category of fetishism, Marx has found a concept by which his critique of religion, taken over from Feuerbach and then applied to the “secular” domains of the law, politics, and bourgeois economy, finally “arrives” at the core of capitalist economy (Rehmann 2011

:147–148). Commodity fetishism can be described as an alienation in the sense that the producers have ceded their collective agency and planning capacities to the commodity form that has taken over the regulation of society. “Their own movement within society has for them the form of a movement made by things, and these things, far from being under their control, in fact control them.” (Marx 1976:167) This is due to the fact that the capitalist market prevents any possibility of deliberately and intentionally organizing the overall arrangement of production in accordance with a social plan. It is only after the fact, when the commodity is sold, that the societal connection of the producers is enforced as an alien, reified power that operates behind their backs. Only “by equating their different products to each other in exchange as values,” the private commodity sellers “equate their different kinds of labour as human labour” (Marx 1976:166). It is therefore only at this moment that they are informed whether the time needed for producing their commodities corresponds to the average of socially necessary labor time in this sector or rather exceeds the average, for example because of outdated means of production: a fact that decides between success and failure, perhaps even between life and death.

It is important to notify that Marx has by now described this fetishistic inversion *not* on the level of consciousness, misconception, or illusion. When producers cannot sell their commodities or must sell them too cheaply, they know they are dealing with a hard and even brutal reality—a reality, however, which is at the same time difficult to grasp. Marx therefore describes it as a “thing which transcends sensuousness,” “abounding in metaphysical subtleties and theological niceties” (Marx 1976:163). Contrary to an ideology critique fixated on inverted consciousness, Marx even seems to argue that there is no “inversion” in consciousness at all: to the subjects who are involved in this exchange form, “The social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material relations between persons [*sachliche Verhältnisse zwischen Personen*] and social relations between things [*gesellschaftliche Verhältnisse der Sachen*]” (Marx 1976:166).

This leads of course to the question of how the appearance of social relations “as what they are” can be reconciled with the description of commodity-fetishism as a “mysterious,” “fantastic form,” “mystic veil of mist” (Marx 1976:164–165, 173). Marx responds to this apparent contradiction by introducing the concept of “socially valid, and therefore ... objective thought forms,” which are reproduced directly and spontaneously as “current and usual thought forms.” (Marx 1976:169, 682). Again, the concept combines a term describing thinking (thought form) and a term referring to “reality” (objective). As an “objective thought form,” commodity fetishism is both a fixed form in bourgeois society and a corresponding form of consciousness. Although “inverted,” it is pragmatically correct, since it corresponds to the forms of action that fit to the “normal” socioeconomic conditions. Marx’s *Critique of Political Economy* thus targets the very *normality* of capitalist reality. What is “inverted” is the deep structure of a private commodity production and circulation that cannot be designed and planned and thus proceeds stealthily behind the backs of the producers. The corresponding mode of



thinking is “inverted” insofar as it takes the reification of praxis forms at face value as a “natural” and “self-evident” fact.

As the *Critique of Political Economy* ascends from the commodity to money—then to labor power, wages, capital, and rent—the fetish concept remains a constitutive part of the analysis. The wage of the laborer appears on the surface of bourgeois society as the “price of labor,” whereas it is actually only the price of “labor-power” (Marx 1976:675 et sqq.). It seems as though the entire working day is paid: but what is actually paid is only the labor necessary for the reproduction of labor power, not the surplus labor, which is the source of the surplus value for the capitalist. This is both an “imaginary” form (Marx 1976: 677) and a material one with a real efficacy: “All the notions of justice held by both the worker and the capitalist, all the mystifications of the capitalist mode of production, all capitalism’s illusion about freedom ... have as their basis the form of appearance discussed above” (Marx 1976: 680).

In a famous passage, Marx summarized both the imaginary and the realistic character of these commonsense notions: The sphere of circulation is “in fact a very Eden of the innate rights of man. It is the exclusive realm of Freedom, Equality, Property and Bentham” (Marx 1976: 280). Marx is well aware that the stability of bourgeois rule rests in part on the phenomenon that in the “noisy” sphere of circulation, “where everything takes place on the surface and in full view of everyone,” the participants of market exchanges act as “contractors” negotiating “as free persons, who are equal before the law” and only look to their own advantage (Marx 1976: 279–280). However, by locating these values on the surface of circulation, he also subverts the liberal ideologies of “possessive individualism” (Macpherson 1962). In fact the “freedom” of the laborers is a double-edged sword because they have not only the right to sell their labor force, but also have “no other commodity for sale” (Marx 1976: 272–273) and are thus chained to the system of “wage-slavery,” because, as Marx points out in the chapter on the “So-Called Primitive Accumulation,” they have been robbed of the *commons*, violently driven from their lands, “set free” from their agricultural means of production and of life, and then driven into coercive workhouses by “bloody legislation” and other repressive measures against vagabondage (Marx 1976: 974 et sqq.).

Again, Marx’s ideology critique operates simultaneously on the level of societal reality and “thought-form.” He analyses the sphere of circulation as the real basis of the “human rights” of the French and American Revolution *and* at the same time reveals their restricted and imaginary nature. In the transition from the “noisy” and visible sphere of circulation to the “hidden abode of production,” the physiognomy of the “contractors” changes dramatically: “He who was previously the money owner now strides out in front as a capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent to business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but—a tanning.” (Marx 1976: 279–280)

The process of fetishistic reification then finds its “pure form” in interest-bearing capital, in which capital appears “simply as a thing,” a “mysterious and self-creating source of interest, of its own increase,” and a “self-valorizing value, money breeding money, and in this form it no longer bears any marks of its origin,” so that it becomes wholly the property of money to create value “as it is the property of a pear tree to bear pears.” This is a godsend for vulgar economics, because the source of profit is no longer recognizable (Marx 1981:516). Marx treats the “vulgar economists” as a prime example for bourgeois ideologues, because they do “nothing more than interpret, systematize and turn into apologetics the notions of agents trapped within bourgeois relations of production,” “giving them a certain comprehensible arrangement” (ibid.: 956, 969). It is their ideological function to “translate” the objective thought forms immediately into a doctrinaire language, precisely “from the standpoint of the ruling section, i.e. the capitalists, and their treatment is therefore not naive and objective, but apologetic” (Marx 1969–1971, 3:453) according to what is “useful to capital or harmful, expedient or inexpedient” (Marx 1976:97). There is hardly any other attitude that Marx despises more than an approach to science “from the outside.” As he argues against the apologist Malthus, the instrumentalisation of research according to the “particular interests of existing ruling classes or sections of classes,” is “baseness” and a “sin against science.” (Marx 1969–1971, 2:120): “When a man seeks to *accommodate* science to a viewpoint which is derived not from science itself (however erroneous it may be) but from *outside, from alien, external interests*, then I call him ‘base’” (Marx 1969–1971, 2:119).

Toward the end of *Capital* (Volume 3), Marx summarized the different stages of reification and mystification of the capitalist mode of production in the “trinity formula,” according to which capital creates profit (plus interest), land creates ground rent, and labor creates wages. In this context, Marx introduced the term “religion of everyday life,” which he described as a “bewitched, distorted and upside-down world haunted by Monsieur le Capital and Madame la Terre who are at the same time social characters and mere things” (Marx 1981:969). This “religion” is so deeply anchored in socioeconomic reality that it cannot be unhinged by a critique of “false consciousness”: even when scientifically disproved, its everyday validity and efficacy remain unbroken, since “the actual agents of production themselves feel completely at home in these estranged and irrational forms of capital-interest, land-rent, labour-wages, for these are precisely the configurations of appearance in which they move, and with which they are daily involved” (Marx 1981: 969).

Fetishism thus captures different aspects of alienation in their interconnection: first, a modern anonymous mode of domination in which the capitalist market operates as a higher power that subordinates not only the producers and consumers but also the capitalists themselves, so that the relationship between supply and demand “hovers over the earth like the fate of the ancients, and with invisible hand allots fortune and misfortune to men, sets up empires and wrecks empires, causes nations to rise and to disappear” (Marx and Engels [1845] 1975:48); second, the self-mystifying naturalization of this reified domination, by which specific social relations and forms appear as “natural forms” of social life (Marx 1976:168); and third, the production of consent so that the

producers feel “completely at home” in these “estranged and irrational forms” (Marx 1981:969).

### 3. Did Marx Develop a Neutral Concept of Ideology?

Any account of Marx’s usages of the concept of ideology is confronted with the fact that both the “official Marxism” of the Second International and the “Marxism-Leninism” of the Third International eliminated Marx and Engels’s critical concept of ideology in its different varieties. Ideology was no longer understood as an alienated and “inverted” thought form produced by the societal division of mental and manual labor or by the fetishism of commodity, money, wages and financial capital or by the “ideological power” of the state, law, religion but rather as a medium of consciousness that represented different class interests. It became a neutral concept in the sense that it merely expressed an economic interest. Among the first generation after Marx, it was only Georgy Lukács and Antonio Labriola who took up different aspects of Marx and Engels’s critical concept of ideology. But at the founding conference of the Second International in 1889, the young Russian delegate Georgi Plekhanov invoked “our revolutionary ideologues” (Quoted in Jena 1989:67). Kautsky also employed a neutral concept, when he used “intellectual” [*geistig*] and “ideological” interchangeably (1906:128–129).

It was, however, mainly Lenin who influenced the development of a concept of ideology as a neutral medium for antagonistic class interests. He based his interpretation on a passage of the *Preface* of 1859, where Marx distinguished between the “material ... transformation in the economic conditions of production” and the “legal, political, religious, artistic or philosophic—in short, ideological forms, in which men become conscious of this conflict and fight it out.” The “conflict” Marx is talking about is specifically the “conflict existing between the social productive forces and the relations of production” (Marx [1859] 1987: 263). From this distinction between the economic base and ideological forms, the young Lenin of 1895 drew the conclusion “that social relations are divided into material and ideological [relations],” whereby the latter “merely constitute a superstructure above the former” (Lenin 1960–70, 1:151). The dichotomy “material” versus “ideological” implied the identification of ideology with “ideas” and “consciousness” and thus overlooked the materiality of the ideological, its existence as an ensemble of ideological apparatuses, intellectuals, and praxis forms. It also opened the way to a class reductionism, which treated the ideological forms as a mere medium of class interests without any autonomous functioning of their own. But since the working class could develop spontaneously only a trade-unionist level of consciousness, Lenin drew the conclusion (following his later opponent Karl Kautsky) that political class-consciousness “can be brought to the workers *only from without*” (Lenin 1960–1970, 5:422).<sup>4</sup> This helped establish a hierarchical and educationalist relation between the working class and separate layers of professional organizers and ideologues, which then became the “nomenklatura.” Since, for Lenin, the working masses cannot develop their

own ideology, “the *only choice is*—either bourgeois or socialist ideology. There is no middle course” (Lenin 1960–1970, 5:384). Paradoxically, it was this neutral concept of ideology that coincided with the mainstream “Western” concept, predominantly influenced by a supposedly value-free “sociology of knowledge,” which according to one of its founders, Karl Mannheim, rested on the identification of ideology and human thought in general: thought is “ideological,” because it is marked by “situational determination” (Seinsgebundenheit) and by an “essentially perspectivistic element” (Mannheim 1997:69, 266–267).

Lenin’s interpretation of Marx is, however, questionable. Firstly, Marx did not speak in this passage about the conflict of classes and class interests but rather about the specific conflict between the productive forces and the relations of production, which become their “fettters.” The question here was therefore not how class interests were reflected in “ideological forms” but rather in and by what ideological forms the people involved become aware of and “fight out” the contradictions between productive forces and relations of production. To better understand what was meant here, it is useful to consult the *Eighteenth Brumaire* of 1852, in which Marx pointed out the paradox that those who are at the forefront of social transformations “anxiously conjure up the spirits of the past to their service and borrow from them names, battle cries and costumes in order to present the new scene of world history in this time-honoured disguise”: “Thus Luther donned the mask of the Apostle Paul, the revolution of 1789 to 1814 draped itself alternately as the Roman Republic and the Roman Empire” (Marx [1852] 1979: 104). But what the French revolutionaries accomplished “in Roman costume and with Roman phrases,” was according to Marx something completely different of which they were not aware, namely “the task of unchaining and setting up modern *bourgeois* society” (Marx [1852] 1979: 104). Marx considers these ideological forms not as neutral medium of class interests but rather as a conservative burden that needs to be left behind: “The social revolution of the nineteenth century cannot take its poetry from the past but only from the future.... [It] must let the dead bury their dead in order to arrive at its own content” (Marx [1852] 1979: 116).

Secondly, this passage did not say that the “legal, political, religious, aesthetic or philosophic ... forms” were to be understood as ideas altogether. That they are *also* forms of consciousness does not mean that they are *merely* forms of consciousness. The passage in question says explicitly that in “ideological forms” people not only become “conscious” of the conflict between the productive forces and the relations of production, but they also “fight it out” (Marx [1859] 1987: 263). This indicates that the concept of “ideological form” deployed here assumes a stronger “materiality” and a more independent inner logic than a mere “expression” of class interests. In this sense, the late Engels developed the concept of “interaction” [*Wechselwirkung*], and emphasized that the ideological forms (and in particular the political and juridical forms) “also have a bearing on the course of the historical struggles of which, in many cases, they largely determine the *form*” (Engels [1890] 2001 :34–35). Another example of a “strong” concept of *form* is Lucien Sève’s concept of “forms of individuality,” that is societal “forms of activity,” in which the individuals have to move (1978:275). Gramsci, who started his work on the *Prison*

*Notebooks* by translating the *Preface* (as well as the *Theses on Feuerbach*) into Italian, tried to exclude an understanding of “ideological forms” as mere forms of consciousness by translating the concept as “ideological terrain” (nel cui terreno) (Gramsci 1975:2359). The translation was obviously meant to underscore that ideological forms “are anything but illusions and appearance” but rather an “objective and effective reality,” the terrain of “superstructures” (see 436–437, 1319, 1492, 1595–1596).

And finally, the assumption of a neutral concept of ideology contradicts the overall and consistent usage of a critical concept of ideology. It was the separation of manual and intellectual labor, in turn embedded in the emergence of antagonistic classes and the state, which for Marx and Engels made the development of a “superstructure of ideological strata” (Marx 1969–1971, Vol. 1:287) a transitory necessity for class societies. It was this overall arrangement of social, political and “intellectual” hierarchies that must be overcome from the perspective of a classless society without structures of domination. The same heuristic perspective underlies Marx’s critique of fetishism: the “objective thought-forms” of commodity, wage, and capital fetishism are to be overcome by “an association of free men, working with the means of production held in common” (Marx 1976:171). According to Sebastian Herkommer, the “wide” (i.e., “neutral”) concept of ideology was not supported by Marx’s *critique of political economy*, which was an ideology critique of the objective surface appearances of bourgeois society and its necessarily inverted forms of thought (2004:82–83). Ideology in a Marxian sense is thus not consciousness per se expressing different class interest but rather an alienated set of “objective thought forms” produced by alienated societal structures.

## 4. The State as First “Ideological Power”

The mature Engels anchored the concept of ideology in a critical theory of the state. For this, he took up the theoretical sketches of *The German Ideology*—in particular those with regard to the state as an “illusory community” (Marx and Engels [1845] 1975: 46) and its in-built separation of manual and intellectual labor, town and countryside, etc., and he brought them into line with more recent research—above all with the ethnological works of Lewis Henry Morgan. In *Ludwig Feuerbach and the End of Classical German Philosophy* (1886) Engels introduced his concept of “ideological power” (*ideologische Macht*): “The state presents itself to us as the first ideological power over man,” which means that the fight of the oppressed class against the ruling class “necessarily becomes a political fight” (Engels [1886] 1990:392–393). It is obvious that this political form is not a mere form of consciousness but a societal form that social practices and struggles must actually assume. Engels then described the law as a second ideological power, by which “the economic facts must assume the form of juristic motives in order to receive legal sanction.” He then added philosophy and religion as the “higher ideologies”: that is, those that are still “further removed from the economic base” (ibid.: 393). In *The Origin of the Family, Private Property and the State*, Engels similarly described the state as a “power, having arisen out of society but placing itself above it, and alienating itself more and more from it” (Engels [1892] 1990: 269). The emergence and detachment of such a

superior power from society became necessary to prevent class struggles from tearing society to pieces. The state “is the admission that this society has become entangled in an insoluble contradiction with itself, that is has split into irreconcilable opposites which it is powerless to dispel” (Engels [1892] 1990: 269). Its officials now stood “as organs of society, *above* society,” and “respect for them must be enforced by means of exceptional laws by virtue of which they enjoy special sanctity and inviolability.” Contrary to the gentile-chief who stood “in the midst of society,” the state-official was now compelled to “represent something outside and above it [i.e. society]” (Engels [1892] 1990: 270).

Rereading *The German Ideology* through the lens of Engels’s concept of ideological powers allows us to identify a line of argument that relates ideologies in the traditional sense of “inverted” and mystifying thought forms to a materialist concept of the ideological in the sense of ideological apparatuses, forms, “estates,” and “conceptive ideologists” ([Marx and Engels 1845] 1975:60). It is therefore obvious that the “materiality” of the ideology was not a new discovery of Althusser. Marx and Engels anticipated what Gramsci described as the “integral state,” which consists of both coercive and hegemonic apparatuses, the “political state,” and “civil society.” Althusser would take up many of these concepts from Gramsci, while at the same time distancing himself from Marx and Engels, whose ideology theory he erroneously reduced to a speculative critique of “false consciousness.”

The Berlin *Projekt Ideologietheorie* (PIT) took a different path and considered Marx and Engels’s reflections on ideology to be “summarized” in the late Engels’s concept of ideological powers: “Marx and Engels’ analyses are focused on the connections between state and ideology, their ideology-critique is oriented towards ... the withering away of the state” (PIT 1979: 19). Distinguishing between particular ideologies and the “ideological,” the *Projekt Ideologietheorie* proposes to conceptualize the latter not as an edifice of thought and ideas but rather as an ensemble of ideological apparatuses, “fields” (Bourdieu), practices and discourses that maintain an “alienated socialisation [Vergesellschaftung] from above” (PIT 1979:187; Haug 1987: 68). Contrary to Althusser’s concept of the “ideology in general,” which is supposed to be “eternal” (like the unconscious), “omnipresent, trans-historical and therefore immutable in form” (Althusser 2001:109; Althusser 1995: 295), the ideological according to the *Projekt Ideologietheorie* is linked to class societies reproduced by the state. It is therefore analytically distinguished from other dimensions of socializations, for example from the perspective of a horizontal “self-socialisation [*Selbstvergesellschaftung*]” (PIT 1979:178; Haug 1987:59), which takes place whenever the “common,” the “commune,” which has been alienated by ideological powers, is reclaimed and reappropriated (Rehmann 2013: 249). By connecting the different strands of ideology critique and ideology theory, the PIT developed a “critical-structural conception of ideology” (Koivisto and Veikko 1993:243) and opened the way to an ideology critique that operates with a materialist theory of the ideological as “conceptual hinterland” (Haug 1993:21).

## Ideology as Alienated Socialization

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Marx and Engels were not just critics of “false consciousness,” but they used the concept of ideology for characterizing a particular component of domination in class societies, namely alienated “objective thought forms” that are produced and reproduced by inverted societal structures, for example the separation of manual and mental labor; the fetishism of the capitalist market; the state as “first ideological power,” its different apparatuses, fields, and ideologues. Ideologies have their own “materiality,” which allows them to subjugate the subaltern classes, stabilize class societies by dissimulating the contradictions, and divert from the systemic structures of exploitation and oppression by creating imaginary unities (nation, white supremacy, “Western” civilization, law-abiding citizens etc.).

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### Notes:

(<sup>1</sup>) On “false” or “inverted” consciousness, see for example Marx [1843] 1975: 175; Marx and Engels [1845] 1975: 27 et sqq.; cf. the evaluation in Rehmann 2013, 22–26.

(<sup>2</sup>) Claude Meillassoux saw here a latent naturalism at work, which he explained predominantly with the high prestige of Darwin’s works and the influence of the evolutionist anthropologist Lewis Henry Morgan (1994:311, 317). See, for example, the summarizing feminist critique by Frigga Haug, who proposed to overcome such naturalist tendencies by developing a critical-historical concept of gender-relations (Haug 2005).

(<sup>3</sup>) A crossed-out sentence reads: “My relation to my surroundings is my consciousness” (Marx and Engels [1845] 1975: 44).

(<sup>4</sup>) Regarding the similarities between Kautsky and Lenin, see, for instance, the detailed analysis of Lih (2008:637, 645–646, 650 et sqq.).

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# Oxford Handbooks Online

## Marx's Conceptualization of Value in *Capital*

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## Abstract and Keywords

This article reviews the three conceptual stages of the determinants of the commodities' value in Marx's *Capital*. It concludes that the dynamic second stage (designed in 1866–1867) overrules the third stage—of prices of production (designed 1864–1865). The first stage (*Capital* I, Part 1) is an important, though static averages account, positing that the commodities' value is determined by average socially necessary labor time. The second stage (*Capital* I, Part 4) is a dynamic account of the “intensity of labour” and the mainly technology determined “productive power of labour,” each one implying, first, that clock-time of labor is an insufficient measure and, second, that rates of surplus value diverge between sectors of production. Whereas intensity determined intersector rates of surplus value might equalize due to intralabor competition, Marx posits no mechanism for such equalization regarding the technology determined productive power. The third stage posits the transformation of values into prices of production (*Capital* III, Part 2—its text being based on a manuscript from 1864–1865). The article's main finding is that the determinant of the “technology associated productive power” was a novel result of Marx's 1866–1867 final version of *Capital* I (1867). It makes Marx's earlier third stage redundant.

Keywords: Marx on value, Marx on labor productivity, labor's productive power, intensity of labor, static and dynamic commodity value, transformation of value

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## Introduction

Marx in *Capital* never uses the term “labour theory of value” as a denotation for his own work, and with two exceptions not even the term “theory of value.”<sup>1</sup> Nevertheless the concept of “value” is a key one throughout this work. One of Marx's main concerns is to trace the “why” and “how” of “the accumulation of capital” that dominates capitalist society, and he sees the value-form of commodities as its “cell-form.”

This article sets out the three main stages of Marx's conceptualization of the value of commodities in *Capital*. After a preliminary section this article begins with what I call the "static averages" account of *Capital I*, Part 1 (section 2). Then we move to what I call Marx's dynamic account of the commodities' value in *Capital I*, Part 4. We will see that the two main factors of this dynamics are the "intensity of labour" and the "empowerment of labour," each changing and diverging within and between branches of production—the empowerment of labor along with the changing and diverging "productive powers of labour." Although Marx introduces each of these concepts as early as Part 1, he keeps them as constant on average until Part 4. One upshot of the dynamic account is that clock time is an insufficient measure for labor time. Indicated here is that whereas the intensity of labor already figured in Marx's manuscripts of 1861–1865, the "empowerment of labour" related to technique was a new insight from Marx's during the 1866–1867 composition of the first edition of *Capital I* (section 3).

Section 4 moves to the third stage, that of Marx's transformation of the value to the price of production of commodities, as we find it in *Capital III*, Part 2, written in 1864–1865. Section 5 shows how this manuscript is incompatible with Marx's new insights from 1866–1867, and also how it is fairly easy to account for the incompatibility by way of a reconstruction; easy, but with far-reaching consequences in face of the history of marxian theory.<sup>2</sup>

In sections 1 to 4 I try to give a fair interpretation of Marx's conceptualization of value throughout *Capital*, leaving out any ideas stemming from my own contributions to marxian theory.<sup>3</sup>

## 1. The Background

This section briefly introduces six items that are relevant for the rest of this article, including the conclusions drawn.

### 1.1. The Aim of *Capital* and *Capital*

Marx's *Capital* sets out an exposition of the capitalist mode of production. The ultimate aim of capitalists (enterprises and their financiers) is the accumulation of capital. In *Capital* Marx shows how, via the production of surplus value, capital is produced by labor. The value form of commodities is the elementary form of the production and accumulation of capital. Core to Marx's exposition is the dual character of commodities (as useful entities and as values) and the dual character of labor along with it. This is why the concept of value (and especially labor's production of value) is a core one.

### 1.2 Marx's Paradigmatic Break from Classical Political Economy

Marx, the founder of the political economy paradigm that bears his name, accomplished a paradigmatic break from both Hegelian philosophy and classical political economy. Marx shares the fate of all founders of paradigms: the break to a large extent has to be

formulated in the language of the former paradigm. This brings with it inevitable ambiguities. These ambiguities and problems of interpretation are in one way or another resolved or accommodated by those working in the new paradigmatic language (this is what Kuhn, in his *The Structure of Scientific Revolutions*, called “puzzle solving”), which may take the shape of “reconstructions” of the originator’s work.

### 1.3 Method: Conceptual Progress

Related to the previous point, there has always been controversy over Marx’s method among marxian authors, mainly as relating to the character of his break from Hegel. However, few dispute that Marx in *Capital* adopts a method of layered *conceptual progress*, starting with general and relatively uncomplicated concepts, to particular and complex concepts (this method might be denoted as a type of systematic dialectics, or as what Sweezy ([1942] 1968) called “successive approximation”). This applies to all of Marx’s main concepts, and especially also to his concept of value.

### 1.4 The Historical Order of Marx’s Writings of and for *Capital*

We see this conceptual layering also in the design of the three volumes of *Capital*. As is well known, Marx completed only its first volume: the other two were edited by Engels on the basis of Marx’s manuscripts. For all of Marx’s main concepts, and especially also for that of value, it is most relevant that the manuscript for *Capital III* and much of that for *II*, was written before *Capital I* (see Table 1, rows 1 to 3).

## Marx's Conceptualization of Value in *Capital*

Table 1. Order of Publications and Manuscripts of Marx's "Capital Project"

		<b>publication 1st edition (German)</b>	<b>main manuscript by Marx (of 1st edition)</b>	<b>order of ms</b>
1	<i>Capital I</i>	1867 (Marx)	1866–1867 §	4
2	<i>Capital II</i>	1885 (ed. Engels)	1865; 1877– 1881	3/5
3	<i>Capital III</i>	1894 (ed. Engels)	1864–1865	2
4	Capital I	penultimate draft †	1863–1864	1
5	<i>Results</i> ‡	1933 (published ms.)	1864	1

(\*) Second ed. (Marx) 1872; 3rd ed. (de facto Marx) 1883; 4th ed. (Engels) 1890,

(§) For much of its Part 1, redrafting his 1859 work, and for much of the current Parts 2 to 6 redrafting his 1863–1864 manuscripts.

(†) Blended into the final draft of 1866–1867, except the next text.

(‡) "Results of the direct production process."

*Sources:* Vollgraf (2012) and Hubmann and Roth (2013)

## Marx's Conceptualization of Value in *Capital*

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The order here is particularly important because, as MEGA editor Vollgraf indicates, with the drafts for *Capital* of 1864–1881 Marx started a conceptually new project, in contradistinction to his 1857–1863 project. The two “differ in content and structure” (Vollgraf 2018:71). (MEGA stands for the German language collective works of Marx and Engels: *Marx-Engels-Gesamtausgabe*.)

It is most likely that if Marx had lived longer, he would have rewritten his drafts for *II* and *III* in line with his new 1866–1867 *Capital* findings.

Sections 2–4 will draw on the works of rows 1 to 3 of the table and also that of row 5: “Results of the Direct Production Process.”

### 1.5 Marx as Continuous Critic of Marx

Marx's two main projects and the continuous redrafting and re-conceptualizations of his texts (continued after 1867—see especially *MEGA* II.4.3; II.7; II.11 and II.14) show how Marx was continuously his own main critic. This shows his thorough scientific attitude. It is most likely that would he have lived longer this would have been prolonged. The best tribute to Marx is to not only interpret his texts (with all their problems—section 1.2) but to be a critic of Marx in his vein and go on to reconstruct and expand his project. The worst attitude, alien to Marx, is to consider his writings as the final truth.

### 1.6 Marx's “Averages” Account in *Capital I*

A final issue that the rest of this article will draw on—an issue that has received too little attention in the literature—regards Marx's “averages” account in *Capital I* especially. I stressed this in a 2004 paper, It was greatly highlighted again by Vollgraf (2012:50–51). He indicates that Marx was influenced by the Belgian mathematician and statistician Quételet, who in a work of 1835 was the first to apply “averages” in social science.

Below (section 3) we will see the import of the averages account in Parts 4 and 5 of *Capital I*, which are especially crucial for his conceptualization of value. Marx starts from social averages, moves to deviation from and changes of averages, and then returns back to (new) social averages.

To be sure, this averages account of individual capitals is not the same as a macroeconomic account. Besides, Marx is explicit that only in *Capital II*, Part 3 (where he presents his reproduction schemes) does he move from the individual capital to the “total social capital”—or, what since 1933 is called “macroeconomics.”<sup>4</sup>

## 2. The Static Conceptualization of Value: Averages (*Capital I*, Part 1)

### 2.1 Elements of the Initial Static or Average Account of Value: Chapter 1

In *Capital I*, chapter 1, section 1, Marx posits the duality of the use value and the value of commodities and along with it the duality of concrete labor and abstract labor. In a commodity producing society, products not only have some use value (usefulness)—which is the product of concrete labor—but also an exchange value. The dualities introduced here are core to all of his further exposition in *Capital*.

#### 2.1.a The value of commodities and the concept of abstract labor

This is how 'abstract labour' and 'value' are introduced for the first time:

If then we disregard the use-value of commodities, only one property remains, that of being products of labour. (...) If we make abstraction from its use-value, we abstract also from the material constituents and forms which make it a use-value. (...) [With it] the useful character of the kinds of labour embodied in them also disappears {*aufgelöscht*: dissolves} this in turn entails the disappearance of the different concrete forms of labour. They can no longer be distinguished, but are altogether reduced to the same kind of labour, human labour in the abstract.

(Marx 1890<sup>4</sup> [1867<sup>1</sup>] EBF:128; compare 1890<sup>4</sup> [1867<sup>1</sup>] MEW:52; below I abbreviate the references as MEW for the German, and EBF for the English Fowkes translation; superscripts after a publication year always refer to the edition of a work).

Thus, Marx continues, disregarding the usefulness of commodities:

There is nothing left of them ... but the same phantom-like objectivity; they are merely congealed quantities of homogeneous human labour, i.e., of human labour-power expended without regard to the form of its expenditure. All these things now tell us {*stellen nur noch dar*: are exhibited only as} that human labour-power has been expended to produce them, human labour is accumulated {*aufgehäuft*: amassed} in them. As crystals of this social substance, which is common to them all, they are values – commodity values [*Warenwerte*].

(Marx EBF:128; compare MEW:52)

After this he indicates: "The progress of the investigation will lead us back to exchange-value as the necessary mode of expression, or form of appearance, of value." (In his section 3 and chapters 2 and 3). Somewhat further on we have the one and only time that Marx uses the term measure(ment) of value in the fifty pages of chapter 1:



How is the magnitude of this value to be measured? By means of the quantity of the 'value-forming {*bildenden*: constituting} substance', the labour contained in the article. This quantity is measured by its duration, and the labour-time is itself measured on the particular scale of hours, days , etc.

(Marx EBF: 129; compare MEW:53)

### 2.1.b Socially necessary labor-time and the intensity of labor

Next the terms "average," "socially necessary labour-time," and "intensity of labour" are introduced for the first time.

The total labour-power of society, which is manifested {*sich darstellt*: is exhibited} in the values of the world of commodities, counts here as one homogeneous mass of human labour-power, although composed of innumerable individual units of labour-power. Each of these units is the same as any other, to the extent that it has the character of a socially average unit of labour-power and acts as such; i.e. only needs, in order to produce a commodity, the labour time which is necessary on an average, or in other words is socially necessary. Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society. (...) What exclusively determines the magnitude of the value of any article is therefore the amount of labour socially necessary, or the labour-time socially necessary for its production.<sup>5</sup>

(Marx EBF:129; compare MEW:53–54)

### 2.1.c The productive power of labor

A final general concept regarding Marx's conceptualization of the value of commodities, is that of the "productive power of labour" (German: *Produktivkraft der Arbeit*), which should be distinguished from "labour-power." Note that the term *Produktivkräfte* dates back to the 1845–1846 *German Ideology* (in MECW 5 it is translated as "productive forces"). Unfortunately, the translator of *Capital* has withheld the concept from English readers, translating the phrase as "productivity of labour"—a concept that Marx also uses, but the two are not the same.<sup>6</sup> The concept of the "productive power of labour" will also play an important role in section 3 below (on dynamics), and it is essential to distinguish it from the "intensity of labour" introduced above. Henceforth the translator's error will be corrected by amending his "productivity of labour," putting "productive power of labour" between asterisks. Marx writes:

The value of a commodity would therefore remain constant, if the labour-time required for its production also remained constant. But the latter changes with every variation in the \*productive power of labour\*. This is determined by a wide range of circumstances; it is determined amongst other things by the workers' average degree of skill, the level of development of science and its technological

application, the social organization of the process of production, the extent and effectiveness of the means of production, and the conditions found in the natural environment. (...) The value of a commodity, therefore, varies directly as the quantity, and inversely as the \*productive power\* of the labour which finds its realization {*verwirklichenden*: actualization} within the commodity.

(Marx EBF:130-131; compare MEW:54-55)

So far chapter 1's section 1. Anticipating my section below on dynamics, it is recorded that Marx first introduced the average intensity of labor and then the productive power of labor.

### 2.1.d Complex "empowered labour" and the reduction to simple labor

Marx's Chapter 1, section 2, expands on the duality of labor as producing use values and as producing the value actualized in commodities. I focus on one main issue, namely Marx's conceptualization of "simple average labour." He writes according to the translator:

But the value of a commodity represents {*stellt da*: exhibits} human labour pure and simple {*schlechthin*: plainly}, the expenditure of human labour in general {*überhaupt*}. (...) It is the expenditure of simple labour-power, i.e. of the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way. *Simple average labour*, it is true, varies in character in different countries and at different cultural epochs, but in a particular society it is given. More complex labour counts only as *intensified*, or rather *multiplied* simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labour.

(EBF:135; compare MEW:59)

As a translation from the German, the phrase in the last sentence of "more complex labour counts only as *intensified*, or rather *multiplied* simple labour" is utterly wrong. The German reads: "Kompliziertere Arbeit gilt nur als *potenzierte* oder vielmehr *multiplizierte* einfache Arbeit ... " (MEW:59). That is: "More complex labour counts only as *empowered* or rather *multiplied* simple labour." <sup>7</sup> In section 3.1 we will see the relevance of this amended translation. Here the order of Marx exposition is recorded: he first introduces the average intensity of labor (EBF:129; MEW:53-54), and after his introduction of the concept of the "productive power of labour" (EBF:130; MEW:54) he now introduces the concept of "empowered labour." Immediately after this Marx writes:

Experience shows that this reduction [of empowered into simple labour] is constantly {*Beständig*: continually} being made. A commodity may be the outcome of the most complicated labour, but through its *value* it is posited as equal to the product of simple labour, hence it represents {exhibits} only a specific quantity of simple labour ... The various proportions in which different kinds of labour are reduced to simple labour as their unit of measurement are

established by a social process that goes on behind the backs of the producers; these proportions therefore appear to the producers to have been handed down by tradition. In the interests of simplification, we shall henceforth view every form of labour-power directly as simple labour-power; by this we shall simply be saving ourselves the trouble of making the reduction.<sup>8</sup>

(Marx EBF:135; compare MEW:59)

Marx's concept of "empowered labour" is an important concept (as we will see in my section 3). For now his concept of "reduction" requires a brief comment. Marx does not tell how this reduction of labor power is operationalized. The problem is not that he glosses over this in chapter 1. The problem is that in all three volumes of *Capital* he never returns to this matter. The extent to which this is important depends on whether at some stage one would want to apply this empirically and operationalize it. This simplification precludes the adding up of labor times before settling the trouble of making the reduction.<sup>9</sup> Indeed, this simplifying abstraction (here: assumption) makes a quantitative procedure at the empirical level of adding up concrete premarket hours of labor very dubious.

### **2.1.e Labor creates purely social value in the form of commodities (labor is not itself value)**

In chapter 1, sections 3 to 4, it becomes clear how we must read the earlier sections in retrospect. This article can only highlight two conclusions of Marx from section 3 ("The value-form, or exchange value"). In this section Marx sets out how the value of commodities appears in relations of exchange. At the opening of this section he writes:

Commodities (...) only appear as commodities, or have the form of commodities, in so far as they possess a double form, i.e. natural form and value form. (...) Not an atom of matter enters into the objectivity of commodities as values (...) their objective character as values is therefore purely social.

(Marx, EBF:138-139; compare MEW:62)

Thus, to be sure, when we perceive a single commodity (bread or a car) there is no way to detect its value from that perception. As such, its value seems super-sensuous. The value character of commodities emerges (*hervortreten*) only in their relation to other commodities (EBF:1411-1442; MEW:65) and in particular in their manifestation (*Gestalt*) of the commodities' common value form: that is, the money form (EBF:139; MEW:62; MEW:75 and EBF:162; MEW:84). Early on in this section Marx had already concluded:

Human labour-power in its fluid state, or human labour, creates value, but is not itself value. It becomes value in its coagulated state, in objective form.

(EBF:142; compare MEW:65)

Thus the value of commodities is *explained* by labor time.

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### 2.2 Money as the Measure of Value in Practice: Chapters 2-3

Each of the parts of *Capital* constitutes a unity. The current subsection most briefly focusses the reader's attention on chapters 2-3 of *Capital I*, Part 1.

Marx started chapter 1, section 1, with the exchange value of commodities. He systematically introduces this concept in section 3, where he also posits *the form* of money—expanding on the latter's broad social implications in section 4.

The relatively brief chapter 2 on the process of exchange introduces social actors of exchange and the action of society to turn a particular commodity into the general equivalent “money” (EBF:180) within a society of generalized commodity production (EBF:187). In sum it posits the *prevalence (Dasein)* of money in practice.

Money itself (i.e., its systemic existence) is derived in chapter 3. Notably it is systematically derived from exchange, just as the commodity and value were derived from exchange. It is only later (that is, in the rest of *Capital*) that the role of the money form of value (i.e., money's role in production and in the full circuit of capital) will become explicit. But in order to comprehend this role, chapter 3 is important. From it, only one brief quotation is focused on (taken from its first section on “The Measure of Values”):

Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time

(EBF:188; compare MEW:109).

Marx starts his exposition in this chapter with the sentence: “Throughout this work I assume that gold is the money commodity, for the sake of simplicity” (EBF:188). Whereas this was not strange in 1867, it has nevertheless been controversial among marxian scholars. Three contrary positions, each one plausible in itself, are referred to here that are nevertheless complementary. These are Campbell (1997), Williams (2000), and Bellofiore (2005).

### 2.3. Some Concluding Remarks on the Social Dimensions Adopted by Marx

The result of Part 1 is that in all of *Capital* value entities are expressed in a monetary dimension (using some currency standard such as the Pound Sterling); the same applies to all numerical examples.<sup>10</sup> Throughout, Marx adopts two main social dimensions, namely labor time and monetary value. “Labour, creates value, but is not itself value.” It is important to (re)emphasize the latter since in some interpretations of Marx's *Capital* “value” is itself taken to have a labor-time dimension. Those same accounts often adopt the term “labour values”—a term *never* used in *Capital*.<sup>11</sup> At the level of the production of capital (*Capital I*) Marx aims to *explain* value and surplus value (in the monetary

dimension) in terms of labor time (in Parts 3 to 5)—an explanation in terms of labor time does not mean that value actually ever discards its monetary dimension.<sup>12</sup>

### 3. The Dynamic Conceptualization of Value: Deviation from Averages (*Capital I*, Part 4)

#### 3.1. The Dynamics as Presented in *Capital I*, Part 4

Marx's major dynamic conceptualization of value is in *Capital I*, Part 4 ("The Production of Relative Surplus-Value"). Starting from averages, he next considers changes in the value of commodities due to changes in labor's productivity. There are two factors affecting such changes. Each of these had already been briefly treated in chapter 1 (see section 2.1 above under *b* and *c*).

##### 3.1.a The intensity of labor

Taking the degree of "empowerment of labour" as given (see under heading (*b*)), the productivity of labor will change with the "intensity of labour," that is, the effort and strain of labor, as initiated by some capitalist in some sector. Along with it Marx introduces the concept of the "degree of density" of labor, implying that clock time is an insufficient measure.<sup>13</sup> He treats this matter in Part 4, chapter 15 (chapter 13 of the German edition). He writes:

It [intensification of labour] imposes on the worker an increased expenditure of labour within a time which remains constant, a heightened tension of labour-power, and a closer filling-up of the pores of the working day, i.e. a condensation of labour, to a degree which can only be attained within the limits of the shortened working day. This compression of a greater mass of labour into a given period now counts for what it really is, namely an increase of the quantity of labour. In addition to the measure of its 'extensive magnitude', labour-time now acquires a measure of its degree of density. (,,,) [T]he same mass of value is now produced for the capitalist by, say, 3½ hours of surplus labour and 6⅔ hours of necessary labour, as was previously produced by 4 hours of surplus labour and 8 hours of necessary labour.<sup>14</sup>

(Marx 1890<sup>4</sup> [1867<sup>1</sup>] EBF:534; compare Marx 1890<sup>4</sup> [1867<sup>1</sup>] MEW:432–433)

According to Marx, however, differences in the intensity of labor tend to be leveled by way of competition between workers. This may perhaps seem obvious within some sector (branch) of production, though less so between sectors of production. Given the current skills of labor, a leveling between sectors would seem a medium or long-term matter. As long as this is not effectuated, we would have diverging rates of surplus-value between sectors.

### 3.1.b The empowerment of labor

The second factor affecting changes in the productivity of labor is the “empowerment of labour.” It is treated in chapter 12 (chapter 10 of the German edition), where Marx systematically introduces the “productive power of labour” (German: *Produktivkraft der Arbeit*). Again the English translator renders *Produktivkraft* into “productivity.” In all quotations below this is amended, as marked by asterisks. Marx writes:

[I]ncrease in the \*productive power of labour\* (...) cannot be done except by an alteration in his [the labourer's] tools or in his mode of working, or both. (...) By an increase in the \*productive power of labour\*, we mean an alteration in the labour process of such a kind as to shorten the labour-time socially necessary for the production of a commodity, whence a smaller quantity of labour acquires the power of producing a greater quantity of use-value.

(EBF:431 amended; compare MEW:333)

And:

The technical and social conditions of the labour process and consequently the mode of production itself must be revolutionized before the \*productive power of labour\* can be increased.

(EBF:432 amended; compare MEW:334)

Regarding the “empowerment of labour” the following is the key sentence:

The labour operating at this exceptional productive power acts as empowered labour; it creates in equal periods of time greater values than average social labour of the same kind.

(MEW:337, my translation; compare EBF:435)<sup>15</sup>

Fowkes (and hence all English-language readers) completely misses the point because he translates the German “potenzierte Arbeit” by “intensified labour” thereby muddling it with the distinction introduced above under (a).<sup>16</sup>

This beyond-average value-creating empowerment of labor cannot simply be measured in clock time. (The latter's insufficiency is the one similarity between the intensity and the empowerment of labor.) Marx continues:

Hence, the capitalist who applies the improved method of production, appropriates as surplus-labour a greater portion of the working-day than the other capitalists in the same business. (...) On the other hand, however, this extra surplus-value vanishes, as soon as the new method of production is generalized ...

(EBF:436; compare MEW:337)

This is correct. Note, however, that Marx feels (rightfully) constrained to exhibit a change in the social-average productive power as a change *within one sector* of production. He (rightfully) *posits no mechanism for generalizations of the productive powers* between sectors.

In the absence of such a mechanism, and given the value-generating empowerment, Marx's exposition here *implies divergences in rates of surplus value between sectors*. These stem from diverging technical changes, a factor independent of the intensity of labor, even if the two can be combined—as Marx indicates.<sup>17</sup>

### 3.2 The New Matter About Technique-Related Empowerment of Labor: Comparison with 1861-1863 and 1864 Manuscripts

All the evidence that we have establishes that Marx developed his insights regarding the “empowerment of labour” related to technique only in 1866-1867 when he worked on the final draft for the first edition of *Capital I*. Regarding the 1861-1863 text this can be checked since we have these texts: MECW 30 and 34 (based on MEGA II/3). Because the 1863-1864 penultimate draft for *Capital I* was blended into the ultimate draft, except for the 1864 *Results* (section 1.4, Table 1), the latter might provide a further indication. In this text Marx presents an extensive treatment of technical change. Nevertheless, as in the earlier manuscripts, here he treats only the intensity of labor.

### 3.3 *Capital I*, Part 4: Return to Averages

In chapter 17 of Part 5 (German edition, chapter 15)—synthesizing Parts 3 and 4—the main focus is again on social averages (this also applies for the next and last chapter of this part). Given Marx's method in *Capital I* there is nothing wrong with this. For the purposes of this article it is merely recorded that he continues to make a clear distinction between the intensity and the productive power of labor. Thus, he writes that at a given average real-wage rate per “normal working day,” the rate of surplus value depends on:

(1) the length of the working day, or the extensive magnitude of labour, (2) the normal intensity of labour, or its intensive magnitude, whereby a given quantity of labour is expended in a given time and (3) the \*productive power\* of labour, whereby the same quantity of labour yields, in a given time, a greater or a smaller quantity of the product, depending on the degree of development attained by the conditions of production.

(EDF:655; compare MEW:542)

Marx emphasizes that the three determinants mentioned in this passage are not only variable, but they also may occur separately or in several combinations. In what follows after this passage, he analyzes each of these in turn, in four separate sections. Marx here usually assumes that the determinants have been generalized across the economy,

whereas the previous chapters (briefly discussed in section 3.1) also treated (the initiation of) changes.

## 4. Manifestation of Value in Prices of Production (the *Capital III* Manuscript for its Part 2)

*Capital III* presents “The manifestations (*Gestaltungen*) of capitalist production.”<sup>18</sup> Engels turned this title of Marx in his manuscript into: “The production process as a whole.” This section briefly presents the third main stage of Marx’s conceptualization of value: the “transformation” of the value of commodities into “prices of production” (Part 2 of *Capital III*).<sup>19</sup>

### 4.1 Marx’s 1864–1865 Manuscript for *Capital III*: Prices of Production

At the beginning of Part 2 (in the manuscript the full Part is one single chapter), Marx immediately delimits the scope of his theorizing about the rate of surplus value. He writes: “In this chapter [i.e. Part] we ... assume that the degree of exploitation of labour, i.e. the rate of surplus-value, and the length of the working day, is the same in all the spheres of production ...” (Marx 1894, EDF:241).

Below the following notation is used:  $s$  = surplus value;  $v$  = the wages sum;  $s'$  = the rate of surplus value ( $s' = s/v$ );  $c$  = constant capital (means of production used up);  $c/v$  = the “composition of capital” (abbreviated CC);  $r'$  = the rate of profit ( $r' = s/(c+v)$ ). Subscripts  $i$  and  $j$  refer to any sector. Later on  $\rho$  is used for the post-transformation profits.

In chapter 8 Marx sets out the following prepositions, indicating a hypothetical state *prior* to the transformation:

[A]	Commodities are sold “at their values”.	
[B]	Rates of surplus value are equalized.	$s'_i = s'_j$
[C]	Compositions of capital diverge.	$(c/v)_i \neq (c/v)_j$
[D]	Hence [A-C] equal capitals produce unequal surplus value or profit.	$[s/(c+v)]_i \neq [s/(c+v)]_j$
	Therefore we obtain diverging rates of profit.	$r'_i \neq r'_j$

(See Table 2, left box: “*Capital I* in apparent hindsight”.)



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[E]	Yet, in fact, we have (tendentially) equalized profit rates.	$r'_i = r'_j$
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Hence this set of presuppositions[A-E] is incompatible. At least one of these must be wrong.

In chapter 9 Marx introduces the new concept of “production price,” which is predicated on preposition [E]. The production price is a “transformation of value.” Here he sets out three numerical schemes. The first and the second scheme apply presuppositions [A]–[D]. The third scheme applies [B]–[C] and [E] and introduces prices of production. For the sake of brevity, Table 2 compresses these three schemes into one.

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Table 2. Reduced Transformation Scheme: Expressions in Money

	<i>Capital I</i> in apparent hindsight					<i>Capital III</i> after transformation				
	c	v	s	c+v +s	$r' = \frac{s}{(c+v)}$	c	v	distributi on $\rho$	c+v + $\rho$	$\Pi = \frac{\rho}{(c+v)}$
low CC	70	30	30	130	30%	70	30	30 - <b>10</b>	130 - <b>10</b>	20%
<b>ave rag e CC</b>	80	20	20	120	20%	80	20	20	120	20%
high CC	90	10	10	110	10%	90	10	10 + <b>10</b>	110 + <b>10</b>	20%
<i>total</i>	<i>240</i>	<i>60</i>	<i>60</i>	<i>360</i> †	<i>20%</i>	<i>240</i>	<i>60</i>	<i>60</i>	<i>360</i> ‡	<i>20%</i>

(†) values

(‡) prices of production

Thus Marx drops sales at value (presupposition A), introduces production prices instead, and thereby gets rid of diverging profit rates (presupposition D). He does this with hardly any argument. Note that he maintains the *production* of surplus value, which is now redistributed as profits  $\rho$ .

However, presupposition [A] is not abandoned altogether. Marx posits two aggregate equalities: that of aggregate surplus value and profits and that of aggregate values and production prices (see the bottom row of Table 2).

For Marx's exposition in chapter 10 of how this transformation actually comes about as a process, see Reuten (2018), section 2.4. Here the focus is on one main aspect of it. Marx writes about the constellation prior to the transformation and the surplus value *produced* after it:

[E]quality in the *grade of exploitation of labour* or the *rate of surplus-value* (...) presupposes competition among the workers and an equalization that takes place by their continuous migration from one sphere of production to another."

(Marx {1864–1865ms} 1993<sup>1</sup> MEGA:250, my translation; compare Marx {1864–1865ms} 2016, EBF:286, and compare Marx 1894, EDF:275)

Thus regarding the rate of surplus value he has merely the intensity of labor in mind, because only this would be relevant for the migration.

## 5. Incompatibilities: Interpretation Versus Reconstruction

### 5.1 Incompatibilities

Many commentators on Marx have rightly pointed to the defects of this transformation (Marx was aware of quite a number of them), as well as its incompatibilities with his *Capital I* text. This is not the place to review these defects, and there is not one independent review of the positions. that I could refer to. A novice reader of Marx might perhaps start with the now "classic" Sweezy ([1942] 1968:109–130).

### 5.2 A Reconstruction

We have seen that in *Capital I*, after the dynamic account of Part 4, Marx in Part 5 returns to the account of average "socially necessary labour time." There is nothing wrong with this. However, when considering different spheres of production as in (the draft for) *Capital III*, these averages are inadequate as the (presumably structural) between-sector deviations from the average are the crux. Marx's intersector differing compositions of capital are one part of the relevant matter. The other part pertains to the differing technique related empowerment of labor, whence rates of surplus value differ between sectors (see section 3.1). However, in the *Capital III* draft for Part 2 Marx neglects this,

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which is even more remarkable because in Part 3 he directly associates the composition of capital with the productive power of labor.<sup>20</sup> (He “neglects” it; perhaps he was not yet aware of it—see the following subsection.)

In Reuten 2017, section 4, it is shown that it is not difficult to reconstruct Marx's account of value in *Capital III*, Part 2. In brief: cross out the “redistribution” of surplus value and cross out “prices of production.” We have *differing productive powers of labor* between sectors that in equilibrium—because of intra-labor competition regarding the intensity of labor (effort and strain)—reduce to *differing empowerments of labor*. The latter are associated with technique-determined differing compositions of capital. As a result, the rates of surplus value differ between sectors. In equilibrium we have thus equalized rates of profit.

Hence the stylized example of Table 2 turns simply into that of Table 3.

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Table 3. "Capital III," Part 2, Reconstructed in Face of Capital I: Expressions in Money

	<b>c</b>	<b>v</b>	<b>s</b>	<b>c+v+s</b>	<b>r' = s/ (c+v)</b>	<b>s/v</b>
low CC	70	30	20	120	20%	67%
<b>average CC</b>	80	20	20	120	20%	100%
high CC	90	10	20	120	20%	200%
<i>total</i>	<i>240</i>	<i>60</i>	<i>60</i>	<i>360</i> †	<i>20%</i>	<i>100%</i> ‡

(†) values

(‡) average

Thus the core matter is that capitalists are out to raise the accumulation of capital by way of raising the rate of surplus value via technical change: that is, change of the empowerment of labor associated with the productive powers. This is in line with all of Marx's exposition in *Capital I*.<sup>21</sup>

All along we have the dimension of value as expressed in money. Furthermore, this reconstruction can be directly applied empirically, with two qualifications. Firstly, we have to neglect Marx's "reduction to simple labour" (see section 2.1 above, under *d*). As indicated, Marx himself never returned to this matter—and it also plays no role in his transformation to prices of production. Secondly, the distinction between the intensity and the empowerment of labor is important, but the intensity of labor is difficult to measure in an operational way and especially so between sectors. Thus I assume (as does Marx) that in the *long* run it is leveled out between sectors. (This is not to say that the intensity of labor should be neglected; it is an important field for empirical research.)

### 5.3 Philological Puzzles

The final point regards the question why Marx, as well as marxian political economists working in his tradition, never came up with the simple reconstruction set out above.

It seems that—as indicated in section 3.2—the technique-determined empowerment of labor was only developed by Marx during 1866–1867. We might then hypothesize that he left for later the working out of its consequences for his *Capital III* draft. (We can be glad that he gave priority to the far more important reproduction schemes of *Capital II*, where we find his foundation of macroeconomics *avant la lettre*.)

Against this hypothesis weighs a letter he wrote to Engels on April 30, 1868. Here he starts out from the presupposition of equalized rates of surplus value between sectors.<sup>22</sup> Marx apparently continued to have in mind the ideas about the transformation found in the 1861–1863 manuscripts, as well as his *Capital I*, Part 5 "return to averages" account. Apparently Marx's mind was fixed on equalizing rates of surplus value, at least at that time.

There is a small manuscript of six pages—published for the first time in 2003—that dates probably from 1878 (see Vollgraf and Roth 2003:697). Consider the following two passages:<sup>23</sup>

*For [the] calculation of the rate of profit that the social capital yields it was assumed {angenommen}, 1) that the rate of surplus-value {is} uniform for the different heaps of capital {Kapitalmassen} in different branches of industry, 2) and neglecting turnover, i.e. the turnover of the social capital over the year posited = 1. In fact for the different heaps of capital different rates of surplus-value and different turnover times.*

(Marx {1878ms} 2003:158, my translation)

The clarification following it (after seven printed lines on the calibration of turnover times) is very interesting. Note Marx's usage of the term pure (*rein*) which he reserves for lawlike entities.

These are just differences {Differenzen} emerging from the pure economic conditions, namely *different* {verschiedne} *magnitudes of the capitals invested in business sectors, different rates of exploitation of labour-power, different turnover times*. However [there are] other aspects of the equalization such as unattractiveness, danger and standing of the work.

(Marx {1878ms} 2003:158, my translation)<sup>24</sup>

As for the 1864–1865 *Capital III* manuscript or the 1868 letter, this text cannot be taken as definitive. The greatness of Marx was that for him nothing was definitive (see section 1.5). This is what I have learnt, and what all interpreters of Marx could learn from him.

## Summary

In the methodological stages approach of Marx, he starts in chapter 1 of *Capital I* with a static and averages conceptualization of the value of commodities. Positing a distinction between the use value and the value of commodities, and abstracting from the concrete aspect of labor creating use value, the remaining aspect of qualitatively homogeneous value is determined by qualitatively homogeneous social average labor: the quantity of commodities' value being determined by the amount of time this social average labor is used for their production. Marx arrives at this in the first two sections of the chapter, where he also specifies the determinants he posits as constant in this, what I have called, "static" approach. These are the intensity of labor and the empowerment of labor—the latter itself being determined by the "productive power of labour," which includes technology and techniques. In the last two sections of the chapter, and continuing in chapters 2 and 3, he derives the exchange value of commodities, the concept of money, and finally money as the measure of value in practice (section 2).

In Part 4 of *Capital I* Marx gets to what I have called the "dynamics" of his conceptualization of value. Here he considers changes and variations between sectors of production of, first, the intensity of labor and, secondly, the "productive powers" determined empowerment of labor. Each one of these implies, firstly, that a clock-time measure of labor time is an insufficient measure of the immanent value of commodities, and secondly, that the rates of surplus value diverge between sectors of production (initially also within sectors of production). A specific and important point is that he posits no mechanism for between-sector generalizations of the productive powers—hence the same goes for the empowerment of labor. In Part 5 Marx returns to the averages account. It has been indicated here that all the information we have establishes that Marx developed his insights regarding the technique related "empowerment of labour" only in

1866–1867, when he worked on the final draft for the first edition of *Capital I*. This applies for Part 4 as well as for Part 1 (section 3).

Section 4 briefly summarized Marx's transformation of values into prices of production, as written in 1864–1865. In face of the foregoing sections the most important point is that Marx keeps here the rates of surplus-value as equalized between sectors of production. In fact *this* is what made him construct the prices of production framework (given the rather evident diverging compositions of capital and equalising rates of profit).

Section 4 concluded that Marx's *Capital I* and the "Capital III" manuscript views are incompatible (unless we would assume equalizing productive powers and compositions of capital across sectors—which is contrary to all the empirical evidence that we have hitherto). On the basis of *Capital I* Part Four, however, a most simple reconstruction is obvious: erase the 1864–1865 equalized rates of surplus value and erase its prices of production.

Given that Marx was a continuous critic of himself (section 1), it is proper—as an interpretation—to give dominant weight to his last version of *Capital I*, and his last brief manuscript on the matter of 1878 in which he seems to widen his perspective toward sector-wise diverging rates of surplus value. However, for those that would not want to give weight to this brief manuscript, I propose the reconstruction indicated without that manuscript. In this way the whole of *Capital* makes sense—that is within its constraints.

## Acknowledgments

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General note. Superscripts after a year of publication refer to the edition of a work. For references to Marx see the second part of note 3. Regarding the German language collective works of Marx and Engels, the *Marx-Engels Gesamtausgabe* (MEGA), the first number in Roman refers to the division of the MEGA (below this is always division II, on *Capital* and the preparations for it); the second number in Arabic refers to the volume number (some volumes are again subdivided, in which case we have, e.g., *MEGA II/4.2*, where the last digit is the subdivision). Note that there is also an earlier German collective works series around (the *Marx-Engels Werke*, MEW, which is fully available online). Quite a number of these works (not all of the MEGA) are available in English translation as the *Marx Engels Collective Works* (MECW).

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### Notes:

(<sup>1</sup>) One exception is a single phrase in the Postface to the second edition of *Capital I*, and the other a single phrase in *Capital III*, chapter 8.

(<sup>2</sup>) Throughout the article there is a distinction made between Marx's works and marxian works (no capital) indicating with the latter the work of those working in Marx's tradition or paradigm.

(<sup>3</sup>) Because each of the exact translations and the exact dating of Marx's manuscripts is quite important throughout this article, the following conventions are adopted. In all quotations emphasis by Marx is in *italics*; my own emphasis is underlined. In all quotations insertions in [square brackets] are either by the translator or editor as in the edition quoted from, or by me to complete an ellipsis. Insertions in {braces} are mine, usually regarding the German to English translation; the German terms in this case are in *italics*. Ellipses within one, or at the end of, a sentence are indicated by three dots ... Ellipses indicated by three dots within brackets (...) regard those of one or several sentences.

My references to Marx include mostly an English and a German version. For these, the following convention is used: (a) for texts published by Marx or Engels, as "Marx 1890<sup>4</sup> [1867<sup>1</sup>] MEW,"

where the dates with superscripts denote the edition and the addition MEW the edition quoted from (in this case *Marx-Engels Werke*) or the addition EDF (in this case English translation by David Fernbach); (b) for manuscripts (ms) not published literally by Marx or Engels, as "Marx {1864-1865ms} 1993 MEGA," where the date in braces indicates the (probable) year of the manuscript, the year following it is the first year of publication, and the addition the edition quoted from (in this case *Marx-Engels-Gesamtausgabe*) or the addition EBF (in this case English translation by Ben Fowkes). I refer to the MEW for those texts not digitally available in the MEGA at the time of writing.

(<sup>4</sup>) Marx 1893 [1885<sup>1</sup>] EBF, especially pp. 427-430 and 469-470.

(<sup>5</sup>) The term "unit" in this and the following sentence brings in a certain emphasis that is not in the German text. Marx has, literally, "individual labour powers" (MEW:53).

(<sup>6</sup>) In the earlier translation by Moore and Aveling (originally 1887) the same mistake is made: their translation is "productiveness" (see *MECW* 35:50).

(<sup>7</sup>) Again, in the Moore and Aveling translation we have roughly the same mistake: "Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour..." (*MECW* 35:54).

(<sup>8</sup>) It seems to me that "constant" has too much the connotation of a constant factor (*Konstant* in German), though English writers are often not precise in this respect.

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<sup>(9)</sup> However, actually settling the trouble might then take one into Adam Smith's labor-commanded waters, or the realm of J. M. Keynes's wage unit.

<sup>(10)</sup> Elson (1979) pointed this out.

<sup>(11)</sup> For example, Schefold (who is generally well acquainted with the field) does presume this. Thus, in his introduction to *Capital III*, Schefold (2004:874) erroneously writes 'Arbeitswerten (wie Marx sie nannte)' {"Labour-values (as Marx called them)" }. Possibly Marx used this expression in some writing prior to *Capital*— Schefold cites no source— but that would be surprising.

<sup>(12)</sup> Reuten (2004: section 1.1), traces the dimensions and measures adopted by Marx in Parts 3 to 5 of *Capital I*.

<sup>(13)</sup> Throughout the 1861–1863 manuscript he uses the term "condensation" instead of "density" (*MECW* 33:382–87).

<sup>(14)</sup> Before the phrase "degree of density," the translator adds: "intensity, or."

<sup>(15)</sup> The German text reads: "Die Arbeit von ausnahmsweiser Produktivkraft wirkt als potenzierte Arbeit oder schafft in gleichen Zeiträumen höhere Werte als die gesellschaftliche Durchschnittsarbeit derselben Art" (*MEW*:337). This text is identical in the first edition of *Capital I* (*MEGA* II/5). (In Reuten 2017 "potenzierte" is translated as "potentiated" instead of "empowered.")

<sup>(16)</sup> The same applies for the Moore and Aveling translation: "The exceptionally productive labour operates as intensified labour ..." (*MECW* 35:323).

<sup>(17)</sup> For more details about the issues of this subsection see Reuten 2017, sections 3.2–3.4.

<sup>(18)</sup> Compare Marx {1864–1865 ms} 2016 EBF:47. Fowkes translates *Gestaltungen* as "forms."

<sup>(19)</sup> For further details, comments, and page references to the manuscript, see Reuten (2018), section 2.

<sup>(20)</sup> In Part 2, chapter 9, we read: "The specific degree of development of the social \*productive power of labour\* differs from one particular sphere of production to another, being higher or lower according to the quantity of means of production set in motion by a certain specific amount of labour ... Hence its degree of development depends on how small a quantity of labour is required for a certain quantity of means of production. We therefore call capitals that contain a greater percentage of constant capital than the social average ... capitals of *higher* composition" (*EDF*:263–64; compare *MEW*:173).

In Part 3, chapter 13, Marx identifies the productive power of labor even more directly with the composition of capital: "It has been shown to be a law of the capitalist mode of production that its development does in fact involve a relative decline in the relation of

variable capital to constant, and hence also to the total capital set in motion. (...) This progressive decline ... is identical with the progressively rising organic composition, on average, of the social capital as a whole. It is just another expression for the progressive development of the social \*productive power of labour\* ..." (EDF:318; compare MEW:222)

Regarding the productive power of labor (*Produktivkraft der Arbeit*) Fowkes, the translator of the "Capital III" manuscript, makes the same mistake again (Marx {1864–1865 ms} 2016; EBF).

(<sup>21</sup>) In an interesting paper, Smith (2002) rightfully points out that "innovation trajectories" diverge between sectors (158) and he creatively "reconstructs" their theorization in terms of structural "surplus profits from innovation" at the level of *Capital III*—over prices of production. In face of the divergent empowerment of labor associated with productive powers, this can now be theorized in terms of super profits associated with super rates of surplus value.

(<sup>22</sup>) In this letter Marx sets out his transformation of value to prices of production in about fifty printed lines, including the following key phrases: "... assuming *the rate of surplus value*, i.e. the exploitation of labour, as *equal*, the production of value and therefore the production of surplus value and therefore the *rate of profit* are *different* in different branches of production.... this means that the *price determination* of the commodities must *deviate* from their *values*.... The price ... which divides up the social surplus value equally among the various masses of capital in proportion to their sizes, is the *price of production* of commodities, the centre around which the oscillation of the market prices moves." (MECW 43:23–24).

(<sup>23</sup>) It is extremely difficult to translate these texts. Marx's texts are unpolished and continuously mixed with shorthand phrases. Insertions in square brackets are from the MEGA editors. Insertions in braces with German original terms are mine.

(<sup>24</sup>) A few more comments are in Reuten 2009:227–228, from which the text above is taken.

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## Oxford Handbooks Online

### Value and Class

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### Abstract and Keywords

This chapter studies Marx's theory of class, with particular reference to Volume III, often misunderstood as a narrowly "economic" work, where the full power of Marx's theory of value becomes apparent as he applies it to merchants, money owners, and landowners. A class, for Marx, is defined by a type of property, in contrast to modern social theory which defines classes by income or status. Each special type of property generates a type of revenue such as interest or rent. In contrast to neoclassical economics this revenue is not the price of a "factor of production" but an entitlement, conferred on a property owner by the rights which society grants, and drawn from the general pool of surplus-value created by labor. These classes, notably finance, are thus neither distortions of capitalism nor pre-capitalist survivals; they are the product of capitalism itself, and the site therefore of its most explosive contradictions.

Keywords: Marx, value, class, capitalism

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Alan Freeman

## 1. Marxism without Marx

The reduction of economics to a positivist celebration of perfect markets, unconnected to their human subjects (DeMartino and McCloskey 2016, Earle et al 2016, Freeman 2007, R. Nelson 2014) is the best-known casualty of a wider Weberian reconstruction of the social sciences (Desai 2016) which systematically segregates "pure" economics from its related subjects.

However, the related subjects have suffered collateral damage. Politics, sociology, psychology and the humanities, denied access to the rigorous study of the commodity form, have been denied the only rational basis for studying human interactions compressed into relations of exchange.

The concept of class is the most striking victim. Reduced to a set of income thresholds owing more to marketing strategy than sociological science, the idea has been so far removed from reality that the people known everywhere else as “workers” are routinely described in North America as “middle class.” This accounts in no small measure for the unpreparedness of media commentators for Trump on the one hand and Jeremy Corbyn on the other.

Arguably, critical Marxist scholarship has a duty to counter this artificial separation. Yet the Western academic Marxist tradition (Freeman 2010a) has tacitly endorsed it, methodically carving slices of Marx’s analysis of politics, class, culture, and history from the carcass of his economic theories. This practice, dating from the nineteenth century, accelerated after the last war as Brecht’s wickedly accurate cultural critiques dissolved into Adorno’s ([1944]1997) fastidious objections to commercial art.<sup>1</sup> The late twentieth-century “cultural turn” finally facilitated a general Marxist flight from sordid economic matters into rarefied aesthetic criticism.<sup>2</sup>

Principal responsibility, however, rests with the Marxist economists. Their singular inattention to Marx’s analyses of social, political and cultural phenomena, expressed both in his writings on contemporary events, notably the civil wars in France (Marx 1852) and America (Marx and Engels [1871]2016) and in the rich structure of class conflicts discussed in *Capital* itself, ranging from English banking (Marx [1894]1993:672–699, Lapavistas 1994) to the American Midwest (Marx [1894]1993:808–811), produced a denatured “pure Marxist economics,” and quarantined class analysis within the Marxist political movement.

Most of what remains of Marx’s understanding of class is therefore to be found among political actors, who confront it at every turn. The Bolsheviks (Lenin [1964]1899) and the Chinese People’s Army drew on detailed studies of classes on the land. Class analysis was integral to classical discussions of imperialism<sup>3</sup> on which Marxist theory draws to this day. Notably, political engagement was the prime locus of the most outstanding postwar contributors to Marxist theory (Rosdolsky 1977, Mandel 1974). Ironically, the actors who take the Eleventh Thesis most seriously are the least accredited by the philosophers.

Repelled by the crudities of raw class struggle, “Marxist economics” retreated into a narrow academicized literature littered with mathematical niceties and more intent on proving Marx’s errors than advancing his theory. Under the impact of the Austrian assault on Marx led by Böhm-Bawerk ([1884]2014) and the responses of the Russian Legal Marxists (Dmitriev [1898–1902]1974), the Austro-Marxists, and their contemporaries (Bortkiewicz [1905]1952), the influential Marxist economist Paul Sweezy ([1942] 1970) emphatically endorsed Bortkiewicz’s recasting of Marx’s theory of value as a variant of neoclassical general equilibrium. The end result (Steedman 1971, Morishima 1973, Roemer 1981) was a rejection of Marx’s own theory on the grounds, now discredited (Freeman and Carchedi 1996, Kliman 2007, Kliman et al. 2016, Freeman et al. 2001) that his conclusions could only be reached by discarding his methods.



These conclusions were reduced to the simplistic proposition that workers were exploited. Scant trace remained of landlords, merchants, peasants, or bankers, not to mention the nation, imperialism, capitalist slavery, or racism.

The process led to the de facto disappearance of political economy from most Western writing on Marx's economics, foreshadowing its elimination from university curricula. The end result (Freeman 2010a) was to reduce Marxist thinking into two distinct theoretical practices: Marxism without economics, and economics without Marx.

The damage to Marx's economic theory as such is well documented (Kliman et al. 2013, Desai 2016). This chapter reasserts an equally damaged but no less essential aspect of Marx's value analysis: his theory of class.

## 2. Classical Political Economy and the Problem of Distribution

It is customary to view Marx's value theory as answering the question, "Where does wealth come from?" This begs the equally burning question, "Where does it go?" It is likewise traditional to present the classicals as forerunners of the "labor theory of value"—a term coined by Kautsky (1905), and never used by Marx. Consider, however, the opening paragraphs of Ricardo's signature work:

The produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, **is divided among** three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated ... To determine the laws which **regulate this distribution**, is the principal problem in Political Economy.

(Ricardo 1817:1, my emphasis)

As a contribution to the "labor theory of value" these sentences barely pass muster: wealth is the "produce of the earth," derived from the "united application" of labor, machinery and capital. The laborers "by whose industry it is cultivated" are relegated to a mere instrument.

Yet Ricardo was hardly unaware of labor's role in production; the point is that his inquiry does not start there. The "principal" problem is to determine "the laws which regulate this distribution."

However, this logically presupposes some substance, produced in one place, and transferred to another: value. In short, the search for a concept of value distribution provides the classical rationale for a theory of value production. In furnishing this theory, did Marx abandon classical concerns with distribution, substituting a narrower enquiry into the reproduction and breakdown of the capitalist economy?

Textual evidence suggests the opposite. Volume III develops and applies his theory of value to lay bare the mysteries of capitalist distribution; and in an important sense, everything up to chapter 16 is just a prelude to the real meat—the remaining thirty-seven chapters, presenting Marx’s theory of class, organized around the principle that value is appropriated by social actors by virtue of the type of property they own.

This finally suggests a rather different interpretation of Marx’s announced aim to “reveal the economic law of motion” of capitalist society (Marx [1867]1992:92), which is easy to misread as confined to “pure” economic matters like prices, exploitation, or the profit rate. However, Marx’s concept of “law” (Freeman 2010b) is social. It concerns the reproduction of capitalist society as a whole—in particular its classes, both materially in feeding their members, and politically in maintaining the legal, cultural, and political relations that define them as a class.

Marx, therefore, has to explain how each class obtains the value it needs to reproduce itself as a class. He can then show how classes behave and interact, and thus identify the “law” of the social and political conflicts, wars, and revolutions that are the end result of capitalism’s economic contradictions. His class theory is thus integral not just to his theory of history or politics but also to his economic theory itself. No achievement could be more relevant today.

### 3. The Capitalist Mode of Production and its Historical Predecessors

The first fifteen chapters of *Capital* Volume III show how a general profit rate is formed by showing how competition creates a general pool of surplus value. The purpose is not, as is frequently supposed, the narrow aim of solving Ricardo’s difficulties with the transformation of values into prices of production; it is the foundation of a theory of distribution. The remaining thirty-seven chapters show how this surplus value is allocated to classes specializing in particular types of property: merchants, bankers, landowners, and so on.

Of fundamental importance is that Marx grounds this analysis in the insistence that these are capitalist and not pre-capitalist classes. Their revenues constitute a part of the total surplus value of society. This is required both logically, as we discuss below, and historically: capitalism really had, by the time Marx wrote, replaced almost all prior classes, and all prior mechanisms for extracting surplus labor, with specifically capitalist equivalents. Superficially, classes such as usurers or landlords appear to be survivals from earlier times, creating the illusion that they are alien to “pure” capitalism, and that the problems they create are a distortion.

Volume III therefore shows how capitalism subsumes apparently separate, unique sources of revenue, originally contingent on special legal rights such as aristocratic privilege or merchant monopolies, and thereby transforms them into mere assets, accessible to any

legal person with money to buy them. He thereby sweeps away all attempts to dismiss or explain these revenues, and their effects, as aberrations or special cases.

The most famous result is his refutation of Proudhon's claim that exploitation arose from a failure to trade at the "fair prices," determined by socially necessary labor time. Marx ([1867]1992:258-270, see also Marx [1846] 2008) shows in Chapter 5 of Volume I that no deviation of price from value can account for profit, since exchange can only redistribute value and cannot modify its total magnitude. Then, in chapters 6 and 7 (Marx [1867]1992: 271-293) he shows how surplus value, the difference between the value produced by labor power and the value received in exchange, arises from the wage-relation itself, not in the "noisy sphere of the market" but in the "hidden abode of production."

Capitalism itself, neither its maladministration nor alien forces within or without, is thus responsible for the existence, exploitation, and subjugation of the working class.

However, the principle extends beyond the wage relation. The surplus is subdivided into the revenues of classes, whose competitive struggle, excepting great revolutionary moments, constitutes the actual business of bourgeois civil politics.

Marx analyses these in their most developed, capitalist form to show how capitalism itself, not a failure of regulation or an intrusion of classes prior or antithetical to it, gives rise to the conduct of bankers, landlords, or merchants. This shows how it produces all the adverse phenomena associated with it yet blamed by its apologists on influences alien to it: regular financial crashes, the impoverishment of preexisting civilizations, the rapine of the earth's resources, and its incessant drive to war.

To commence our study of this point, let us consider first the majestic section on ground rent, which opens thus:

The analysis of landed property in its various historical forms lies outside the scope of the present work. We are concerned with it only in so far as a portion of the surplus-value that capital produces falls to the share of the landowner. We assume therefore that agriculture, just like manufacturing, is dominated by the capitalist mode of production, i.e. that rural production is pursued by capitalists, who are distinguished from other capitalists, first of all, simply by the element in which their capital and the wage-labour that it sets in motion are invested.

(Marx [1894]1993: 751)

He continues, in a paragraph which applies across the whole of the volume:

The assumption that the capitalist mode of production has taken control of agriculture implies also that it dominates all spheres of production and bourgeois society, so that its preconditions, such as the free competition of capitals, their transferability from one sphere of production to another, and equal rate of average profit, etc, are also present in their full development. The form of landed property

with which we are dealing is a specific historical form, **a form transformed by the intervention of capital and the capitalist mode of production.**

(Marx [1894]1993:751, my emphasis)

This is a unifying principle. Marx neither denies that property owners may specialize in one type of property such as land, interest-bearing capital or commerce, nor that their original patrimony predates capitalism. He simply shows how, when they meet capitalism, these larval ancient rights metamorphose into new, specifically capitalist forms.

The mechanism of the mutation is the formation of a general pool of profit on which any propertied class can draw, provided it accepts a money revenue and makes its assets and products available to moneyed purchasers. This arises because capital ceaselessly migrates from one sphere of activity to any other in the unending pursuit of an additional, surplus profit above the general rate:

The specific productivity of labour in one particular sphere, or in one individual business in this sphere, concerns the capitalists directly involved in it only insofar as it enables this particular sphere to make an extra profit in relation to the total capital, or the individual capitalist in relation to his sphere.

(Marx [1894]1993:300)

The pursuit of surplus profit is not only the dynamic motor of the capitalist economy (Mandel 1974) but the key to its historical evolution. When a property type becomes alienable, it metamorphoses. It takes flight as a money sum, entitled to a return from that universal honeypot which the worker bees replenish day after day. All “antediluvian forms” of property are thus transformed into capitalist forms of the same type of property. These are governed both by the general search to maximize this return and by laws specific to their function within capitalism.

These specific laws are also capitalist laws, independent of their precapitalist origins. This is clearest for investments yielding rent (minerals, housing, etc.), which arises because the resource they deal with is limited. Now, natural limits of course exist in all modes of production. But when access to a resource is converted from a privilege of birth to something bought and sold, the money that that buys it is a capital like any other. And once it yields a money revenue, its owner gets access to the all wondrous products of the industrial world. This is why on the one hand, a mine or an oil well is an investment like any other; but on the other, today’s extraction industries are the most rapacious the world has seen.

Marx does not of course deny that pre- or non-capitalist classes may also exist, and even rival capitalists in destructiveness. The crucial point is we do not logically need to assume them. The solution to capitalism’s problems does not lie, therefore, in mindless assaults on influences allegedly external to it: we can defeat them all, but the problems will

remain. We can no more suppose that regulating finance, or controlling rent, will eliminate crisis and rapine, than that fair wages will eliminate exploitation.

Politically, socially, and culturally, property-owning capitals of all types are furthermore thereby bound to the general interest of all capital in securing the greatest possible “pot” of surplus from which, in “friendly” competition, they can draw their share:

We thus have a mathematically exact demonstration of why the capitalists, no matter how little love is lost among them in their mutual competition, are nevertheless united by a real freemasonry vis-à-vis the working class as a whole.

(Marx [1894]1993:300)

This “Proudhon Principle” also sheds light on Marxist discussion concerning “stages of development,” for example whether Peonage, or the Latifundia system in Latin America, caste in India, or so-called economic backwardness in the former colonial world, are precapitalist survivals or an imperialist imposition. The issue originates in the splits among Russian revolutionaries over whether a “stage” of capitalist development was necessary before post-capitalist institutions could be introduced. A general concept of “historical stages” through which any national society had to pass.<sup>4</sup> This included primitive Communism, slavery, feudalism, capitalism and socialism, and then came Marxist dogma.

This creates insuperable problems when it imposes the idea that each separate national society has to pass through each separate stage. For Marx ([1867]1992:579–580), the whole world was capitalist once it was trading in capitalistically produced commodities, somewhere around the mid-eighteenth century:

By ruining handicraft production of finished articles in other countries, machinery forcibly converts them into fields for the supply of its raw material ... A new and international division of labour springs up, one suited to the requirements of the main industrial countries, and it converts one part of the globe into a chiefly agricultural field of production for supplying the other part, which remains a pre-eminently industrial field.

The allegedly “pre-capitalist” classes of Stages Theory were then mostly converted into capitalist classes of a specific type, as is made clear by the neglected chapter 30 of Volume I, dealing with the “so-called Primitive Accumulation.” Consider thus Marx ([1867]1992: 915):

The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalled the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief moments of primitive accumulation.

Is Marx describing precapitalist institutions—or the classes which capitalism itself creates? Writers following Brenner (1977) consider slavery a transhistorical category, by definition non-capitalist, since it involves forced labor while the characteristic labor form of capitalism is waged or “free” labor.<sup>5</sup> Yet the produce of capitalist slaves is sold on the market in competition with that from wage labor; they work on machines and being commodities, constitute capital themselves.<sup>6</sup> Marx’s writings on the Civil War (Marx and Engels. [1871–1873] 2016) demonstrate an acute awareness of the modern and capitalist character of “the peculiar institution.”

In these passages one sees how Marx viewed both the barbarity that capital showed itself capable of and the hypocrisy of its liberal apologists. Far from presenting capitalism as the apotheosis of freedom, he lambasts it as the organizer of all prior forms of enslavement, bringing to a high point their primary purpose of extracting the greatest possible surplus labor to the benefit of all property-owning classes.

Marx’s analysis also illuminates the political structures that secure capitalist domination. Capitalism offers, to any class of property-owners willing to monetize its assets and sell its produce, an economically superior way of achieving their precapitalist ends, and this is the source of their political compliance. Only thus can we understand historical facts such as the survival of monarchy (Mayer 2010:136), including figures such as King Leopold II of Belgium (Hochschild 1999)—personally credited with the death of ten million Africans—or the apparently incomprehensible alliance between the US state, Israel, and the Saudi monarchy.

The reader who truly desires to enter Marx’s world must abandon all hope of finding progressive capitalist antagonisms to its predecessors, beyond those that directly block the accumulation of money. The word “reactionary” appears only three times in all of *Capital*; for every crime that liberal opinion ascribes to reaction, he squarely indicts capitalism, to which he ascribes only one progressive function: it nourishes the gravedigger of all classes, the working class.

## 4. Property and Revenue in the Classics and Marx

Why is the category of value necessary to reach such conclusions? To shed light on this we step back to ask how, in general, property-owning classes receive their revenue when it takes the form of money that they use to buy commodities.

Marx’s differences with the classical legacy can be distilled into two: what rigorous meaning can be assigned to the “produce” of society and to “receiving” a portion of it? Both problems center on the concept of property. Distribution is not a physical transfer; it is an act of social appropriation. Capitalists are not allocated heaps of grain or gold. They get an entitlement: the legally enforced right to dispose of their property and its usufruct,

and to exclude others from all claims on them: that which the Romans termed *jus utendis et abutendis*—the right to use and abuse.

The end result, and distinguishing feature, of capitalist property is that it can be *alienated*: exchanged for money. All early capital accumulated in the form of movable goods, be they sheep, cloth, corn, spices, armaments precious metals or slaves: these were most easily prized from the cold dead hands of the feudal lord to be converted first into the property of merchants, then the produce of capitalists. The right to own, buy, and sell land was a central focus of the European bourgeoisie's political demands from Cromwell to Robespierre.

As capitalism advances, sphere after sphere of human activity, from credit to childcare, are packaged to be bought and sold. Capitalist property is thus from the get-go intertwined with the commodity; Marx ([1867]1992:125) begins by describing capitalism as an "immense collection of commodities." Distribution, then, consists of the exchange of titles to commodities.

This characteristic property form that makes this possible is often misrepresented as "individual"; yet its essence is corporate, which is why the concept of "legal person" is preeminent in jurisprudence. Even the neoclassical "consumer" is the household. The word "private" simply signals that the owner is the sole owner. This is one of the reasons we may speak of "classes" as semi-collective owners of specific types of property and indeed, it is characteristic of classes that they form alliances, associations, and parties to protect the corporate interests of their class.

The issue "what is production?" can then be approached from a different angle; even by speaking of it, we distinguish it from distribution. We have already noted Marx's simple point that since capitalist distribution consists of exchanging commodities, it cannot by definition modify the value already produced. This immediately tells us that money, for example, cannot be the substance of value, since money prices can rise or fall with no change to the commodities in existence.<sup>7</sup> It also explains why, as the only commodity that is directly engaged in the production of all other commodities, labor power is the obvious and only candidate for the source of value.

This then has to be squared with the characteristic principle of capitalist distribution that revenue is an entitlement of a type of property. The classical inquiry therefore amounts to asking how a type of private property—in land, capital, or the laboring capacity of the person—entitles its owner to a particular part of the value that society produces.

Marx overcomes the inadequacy of the classical answer by recognizing the legitimacy of the classical question. This is evident in his scrupulous attention to Smith's "adding-up" conception of value:<sup>8</sup>

Adam Smith first explains that exchange-value resolves itself into a certain quantity of labour and that after deducting raw materials etc., the value contained in exchange-value is resolved into that part of labour for which the labourer is

paid and that part for which he is not paid, the latter part consists of profit and rent (the profit in turn may be resolved into profit and interest). Having shown this, he suddenly turns about and instead of resolving exchange-value into wages, profit and rent, he declares these to be the elements forming exchange-value, he makes them into independent exchange-values that form the exchange-value of the product; he constructs the exchange-value of the commodity from the values of wages, profit and rent, which are determined independently and separately. Instead of having their source in value, they become the source of value.

(Marx [1863]1963:217)

Marx students can find this puzzling if they view it as a purely arithmetic question. A definite quantity of social output is a sum of value  $L$  comprising wages  $V$ , and surplus  $S$ , which is in turn composed of rent  $R$  and profits  $P$ . Surely, then

$$L = V + R + P$$

is just the same as  $V + R + P = L$

Smith's own formulations clarify the issue:

The whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance which can regulate the quantity which it ought commonly to purchase, command or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

(Smith [1776]2008:55)

If we read these passages Whiggishly, as incomplete formulations of a finished labor theory of value, our attention is riveted on the words "the whole produce of labor does not always belong to the laborer."<sup>9</sup> Is this not simply a clumsy statement of Marx's labor/labor power distinction? No, because "an additional quantity, it is evident, *must* be due for the profits of the stock."

The difference is this: for Marx, profit is necessary for social, not economic reasons; it maintains a class of people that specialize in owning the stock. For Smith the reasons are economic, not social: the capitalist supplies something integral to production; a "factor" of which profit is the "price." For Marx profit is then a deduction, just like taxes (which neoclassicals without shame refrain from treating as a reward to the factor of government). But for Smith it is an addition because it contributes to production in some economically meaningful sense.



Yet if it is a factor of production, it is a very odd one: it is not “used up”—consumed—in production, and doesn’t even have a measure, other than the money paid for it. The issue is thrown into sharp relief by Smith’s treatment of rent:

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the licence to gather them, and must give up to the landlord a portion of what his labour either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities, makes a third component part.

(Smith [1776]2008:56)

Rent, for Smith and even more clearly for Ricardo, arises not because the landlord supplies anything, but because he has enclosed it. The landowner “reaps where he has never sowed”; the actual factor of production is supplied by nature—it is a “natural fruit of the earth.” Rent, like capital, is a payment due to an owner by virtue of being an owner, not the cost of the used material. But unlike capital, the owner has only enclosed what is already there; he has not supplied it. In Ricardo (1815:9), the difference comes to the fore. “Rent,” he says:

is in all cases a portion of the profits previously obtained on the land. It is never a new creation of revenue, but always a part of a revenue already created.

This conclusion expresses, it is well known, the hostility of the rising industrial bourgeoisie to the entrenched privilege of the aristocratic classes. Unfortunately for the classical tradition, it opened the door to Hodgskin’s ([1825] 1992) Ricardian Socialist conclusion that profit, just like rent, was a deduction from the produce of labor.

Economists were well aware of the danger that, in James Mill’s words (Dobb 1973:98) “if [Hodgskin’s ideas] were to spread they would be subversive of civilised society,” leading to a concentrated reaction against Ricardo. It was left to Marx to render rigorous, and coherent, two ideas that wrestle with each other in the writings of the classicals and were formally interred in the Marginalist (counter-) revolution.

The first of these is that the whole produce of capitalist society divides into two parts of which one rewards the producers and the other the property owners. This remainder, for Marx, constitutes surplus value, the pool that supplies all capitalist profit. The second idea is that this profit itself divides into streams of revenue, each appropriated by a distinct group of capitalists (merchants, landowners, bankers, and so on) by virtue of specific laws that govern the way their capital enters the reproduction of capital as a whole; these distinct groups make up the property-owning classes.

We now turn to this central, second, proposition.

# 5. The General Rate of Profit and the Revenue of Classes

Marx opens the section of Volume III dealing with merchant capital as follows:

Commercial capital is involved in the equalization of surplus value that forms average profit; therefore, even though it is not involved in the production of this surplus-value. The general rate of profit thus already takes account of the deduction from the surplus-value which falls to commercial capital, **i.e. a deduction from the profit of industrial capital.**

(Marx [1894]1993:400, my emphasis)

He thus departs from the classicals by beginning with merchant capital, which he divides into two branches: commercial capital proper, dealing in commodities, and money-dealing capital. It is the starting point of his theory of distribution for several reasons, of which the most important is that the circuit of social capital includes not just production but realization—the sale of commodities for money. This simple observation lays the basis for an account of the key new classes of capitalism.

Both traders and money-dealers interpose themselves in the M-C-M part of the circuit of capital. Traders buy commodities from the direct producer and then sell to consumers or other industries. Money-dealers manage hoards and lend it out; they also create loan-capital from bills of trade or credit.

Trading profit is the simplest to understand; it comes from the difference between purchase and sale price. Consequently, it adds nothing to the value created by society:

Commercial capital, therefore, stripped of all the heterogeneous functions that might be linked to it, such as storage, dispatch, transport, distribution and retailing, and confined to its true function of buying in order to sell, creates neither value nor surplus-value, but simply facilitates their realization.

(Marx [1894]1993:395)

Three related questions then arise: first, since commercial capital creates “neither value nor surplus value,” how does it get the profit which it did not generate? Second, why is this tolerated? Why do the industrial capitalists not simply eliminate this drain on their own revenue, if only by squeezing the margins of the merchants or taking on their functions themselves? Third, and perhaps most important, what are the limits of the services that merchant capital can render, given that it is in some sense functional for capital as a whole?

Marx's answer to the first two questions lies in the formation of a general profit rate. An important error, in the Bortkiewicz-inspired interpretation of this theory, is the idea that a general profit rate implies profit rates are actually equal.

Marx in contrast clearly assumes profit rates are statistically distributed around an average (Farjoun and Machover 1983). This is not dissimilar to Keynes's (1973) concept of a marginal efficiency schedule (Chick and Freeman 2018); at any given time, there are many different returns on capital, forming a distribution of rates whose average is the general rate. Capital constantly migrates from lower to higher rates in search of a surplus profit, as discussed earlier:

The rate of profit ... can vary even within the same sphere, given the same market price, according to the different conditions in which individual capitals produce the same commodity: for the profit rate on an individual capital is not determined simply by the market price of the commodity but rather by the difference between market price and cost price. And these various rates of profit, firstly within the same sphere and then within the various different spheres, can be equalized only through constant fluctuations.

(Marx [1894]1993:490)

Commercial profit is a product of this process. If there were no profit on commerce, capital would migrate out of it and into industry. This would reduce the supply of retail goods while raising their price, and it would reduce the supply of the producer's goods, lowering their price and restoring the merchant's margin:

Yet, since the circulation phase of industrial capital forms just as much a phase in the reproduction process as production does, the capital that functions independently in the circulation process must yield the average profit just as much as the capital that functions in the various branches of production. If commercial capital were to yield a higher average profit than industrial capital, a part of industrial capital would change into commercial capital. If it yielded a lower rate, the opposite process would take place.

(Marx [1894]1993:395)

But this average profit is now determined differently. It is determined by the total profit that the total productive capital produces.

(Marx [1894] [1894]1993:399)

However, this function is not simply parasitic; it is a requirement of the reproduction process at a whole. It reduces the time of circulation and thereby the volume of commodities tied up as unsold inventory. It does so efficiently, by specializing in the purely commercial side of realization, reducing the mass of capital which exerts a claim

on the general pool of surplus value available for distribution and so—in the good times—raising the general rate of profit, even while extracting a tribute for these services.

The paradox is that this function breaks down at the moment of crisis:

By virtue of this autonomy [from industrial capital], its movement is within certain limits independent of the reproduction process and its barriers, and hence it also drives this process beyond its own barriers. This... drives commercial capital to a point where its inner connection is forcibly re-established by way of a crisis.

(Marx [1894]1993:419)

A characteristic of capitalist classes now comes to the fore in Marx's treatment of money capital: the classes most necessary to capitalism are the source of its greatest difficulties.

## 6. Money, Money Capital, and Fictitious Capital: Storm Center of Crisis

Marx, like Keynes, rejected Say's Fallacy, which claims there can be no general overproduction or glut, since producers put purchasing power in the hands of the suppliers of their inputs, which must eventually buy their produce.<sup>10</sup> Marx's objection is simple: products do not exchange for products but for money:

The conception adopted by Ricardo from the tedious Say, that overproduction is not possible or at least that no general glut of the market is possible, is based on the proposition that products are exchanged against products.

(Marx [1867]1992:493)

The money that the producers parted with can simply be retained, to accumulate as a "hoard."

The function of money as means of payment develops out of simple commodity circulation, so that a relation of creditor and debtor is formed...this spontaneous basis for the credit system is expanded, generalized and elaborated. By and large, money now functions only as means of payment, i.e. commodities are not sold for money, but for a written promise to pay at a later date.

(Marx [1894]1993:525)

These hoards are part of normal reproduction: producers must set aside reserves for daily purchases and to replace fixed capital as it depreciates. Like commercial capital, money capital plays a necessary role for capital as a whole, facilitating credit and processing transactions efficiently:

The purely technical movements that money undergoes in the circulation process ... having acquired autonomy as the function of a special capital which practices them, and them alone, as its specific operations, transforms this capital into money-dealing capital ... A definite part of the total capital now separates off and becomes autonomous in the form of money capital, its capitalist function consisting exclusively in that it performs these operations for the entire class of industrial and commercial capitalists.

(Marx [1894]1993:431)

However, the money-lending classes have a different character from the commodity traders: they neither buy nor sell any consumed or produced thing. Their revenue arises from interest, a charge made by the lender in return for a new use of money as capital:

On the basis of capitalist production, money ... is turned from a given, fixed value into a self-valorizing value capable of increasing itself. It produces profit, i.e. it enables the capitalist to extract and appropriate for himself a certain quantity of unpaid labour, surplus product and surplus-value. In this way, the money receives, besides the use-value which it possesses as money, an additional use-value, namely the ability to function as capital ... it becomes a commodity. (Marx [1894]1993:459)

The use-value of money lent out is its capacity to function as capital and as such to produce the average profit under the average conditions.

(Marx [1894]1993:474)

This is a specifically capitalist use of money; it exists symbiotically with industrial capital, because the industrialists have no option but to share their surplus value with the money capitalists. *Money capital* appears on the scene:

The prevailing average rate of interest in a country...cannot be determined by any law. There is no natural rate of interest, therefore, in the sense that economists speak of a natural rate of profit and a natural rate of wages.

(Marx [1894]1993:485)

Some caution is required. Money-dealing revenue is not the rate of interest charged to borrowers but the difference between this and the charge to lenders (Marx 1993[1894]: 531). "Plain vanilla" banking plays the simpler function of credit broking, borrowing from those with money they cannot use and lending to those with uses they cannot fund. Nevertheless, Marx's point stands: money-dealing revenue is not governed by the price of commodities.

A contradiction now swims into view; just as in commodity trading, the most rational solution to the problem of realization becomes a key factor in crises of realization, money capital becomes the stormcenter of crisis. Recessions—prolonged periods of

overproduction accompanied by unemployment and idle capacity (Freeman 2017)—are the most general expression of realization crises. However, they are almost always touched off by financial shocks, which then become mistaken for their actual cause. Why? The answer lies in the nature of accumulation itself, the final step in the imposing logic that underpins Marx's theory of class.

Having established that even simple forms of money—whether currency or trade debt makes no difference—can function as loan capital, part Four of Volume III extends to the full gamut of banking, credit, and financial capital, belying all-too-frequent assertions that Marx thought precious metals the only form of money. Credit and finance enter at this point because in their fully capitalist form they are tributaries of industrial capital. To introduce credit at the beginning, as a premise of industrial capital, would make the argument circular.

On this foundation, he analyzes the money and banking system. A full discussion is beyond our scope.<sup>11</sup> We focus on the category of *fictitious capital*, which brings the operation of all propertied classes within the orbit of the already autonomous circuit of money or loan-capital, giving rise to its hallmark characteristics of semi-independence with respect to industrial capital, rising to a kind of illusory subsumption of industrial capital to its whims and the great political power it enjoys, side-by-side with its place at the storm-center of all capitalism's crises.

We already encountered Marx's formulation that capital constitutes not only a use value in its own right but a commodity, insofar as it is bought and sold. At first sight this contradicts Volume I's insistence that commodities are products of labor. Marx could conceivably have made the difference terminological, perhaps describing it as a fictitious commodity, just as he distinguished labor from labor power.

Nevertheless, the distinction is conceptually very clear, and Marx describes it at length. Loan-capital does not function like other commodities. It is not "used up," and it does not even have a measure independent of its function as capital. Insofar as it is a commodity, it is a commodity of an entirely different type, an exception that proves, rather than contradicting, the rule that all commodities are a direct product of labor.

In Chapter 29, Marx does clearly set aside the name "fictitious capital" for loan capital that has been alienated and is sold as a monetary instrument—a bond, equity, mortgage, or other interest-bearing title.<sup>12</sup>

Alongside this money-dealing, the other side of the credit system also develops, the management of interest-bearing capital. ... The form of interest-bearing capital is responsible for the fact that every definite and regular money revenue appears as interest on some capital, whether it arises from some capital or not. The money income is first converted into interest, and from the interest one can determine the capital from which it arises. In like manner, in the case of interest-bearing capital, every sum of value appears as capital as long as it is not expended as revenue ... The formation of a fictitious capital is called capitalisation. Every

periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £400 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%.

(Marx [1894]1993:596–597)

This leads to three consequences fatal for this form of capital.

First, in the form of monetary instruments (as opposed to a merely personal loan, for example from a friend or an old-style personal banker) it competes with all other possible uses of capital in the course of the formation of the general rate of profit. Just as capital can leave the sphere of industry in favor of commerce, and vice versa, or leave a low-productivity enterprise for a higher one, it can leave the world of genuine commodities altogether when the owner acquires a debt instrument.

Second, precisely because money-dealing capital has developed refined machinery for processing money transactions, capital moves around in the financial sphere much faster. Buying a factory is a drawn-out process; a bond changes hands in a millisecond.

Third, and critically, the mechanism of equalization is inverted. Productive capital consists of goods whose value is fixed in the past and cannot be changed other than by the slow process of moral depreciation. Their rate of return adjusts through changes in revenue. A financial investment, in contrast, consists of a variable capital sum whose magnitude is fixed in the day-to-day fluctuations of the market. Their rate of return therefore adjusts by means of a change in price of the asset itself.

Marx does not refer to “expectations” and it is not clear he needs to: the key point is simply that the price of a financial asset is formed on the basis of estimates calculated from the past; as time moves forward, new information becomes available and a new estimate of future income is formed. At that time the asset’s price—its magnitude—adjusts instantly. If the direction is downward and a large enough volume and spread of assets is involved, these downward falls feed off each other and produce the crash.<sup>13</sup>

## 7. Finance as the Organizer of Capital and the Center of its Contradictions

Are crashes avoidable? Can a “rational” organization of finance and commerce insulate capitalism from the alternation of recessions and booms that Schumpeter (Freeman 2014) credits Marx with discovering? Financial regulation, which probably began with the 1610

Dutch prohibition of short selling, is as old as capitalism; and it is associated with a strong tradition in political economy, not least that of Keynes.

There are few reasons to doubt that regulation matters; almost no nation has enjoyed a prolonged period of growth without it; today's star performers, notably China (Ross 2016), are precisely those that retain the strongest financial controls. However, these controls on their own are insufficient, if we accept Marx's analysis, to remove the root cause of instability.

First, all capital, industrial capital included, passes through a money stage. No matter how engaged in production, all capitalist classes must therefore pay due regard to the management of money.

The underlying problem is Say's Fallacy. All equilibrium-based analyses of capitalist reproduction simply assume that any surplus, above and beyond what is consumed, must eventually be accumulated as productive assets. This is simply not so. Surplus capital—unspent money—can accumulate in many forms other than productive assets, which then acquire a monetary character, whether commodity futures, real estate, fine art collections, bitcoin, football teams, or just plain bonds, stocks, and derivatives.

Financial markets convert this mountain of assets into revenue streams by adding “glamour”—the rate at which their prices are rising—to the actual revenue, which may well be zero or even negative. This results in a positive feedback frenzy as capital pours into asset speculation in the hope of a killing, until the crash, which is inevitable.

If there were a “normal” course of capitalist development this would remain a cyclic phenomenon with the assets reentering production in the boom phase, after the crash has restored asset prices to a rational level. The long-run decline in the profit rate, however, changes all bets. As Marx showed, this arises from capitalist accumulation itself, which constantly adds to the value of the denominator of the profit rate without increasing the numerator. This accumulated value is *not* eliminated in financial crashes, unlike the fictitious overvaluation of monetary assets based on it.

As the return on productive investment declines, the cut-off point at which financial assets become more attractive sinks ever lower. Financial speculation then becomes a systemic, not a conjunctural substitute for productive investment. Between 1987 and 2009, net purchases of financial assets by the UK corporate sector (Freeman 2012) were 20% higher than its acquisition of fixed (productive) assets.

This “law of economic motion” is non-reversible: it does not spontaneously bring about the circumstances of its own correction. It is reversed only when a significant part of a nation's productive investment is removed from profit-maximizing mechanisms, either as a consequence of direct public investment as in the case of China today, or a combination of this and the state direction of private investment, as in boom launched by wartime US expansion.



The 2008 crash was not, therefore, an autonomous crisis of finance; it expressed a wider systemic problem which will not be resolved by merely restoring the regulatory *status quo ante*. This finally brings us to the political role of the moneyed classes, recognizing them not as the agency of economic contradictions but as their most visible and acute expression.

The management of finance becomes the eminent domain of a class which then becomes its chief political representative. This is why neoliberal ideas, which directly express the ideology of the financial class, today dominate economic theory. The financial sector also, however, acquires the semblance of dominating all other classes because it converts every title to a revenue stream, whether issued by Exxon, Walmart, Microsoft, Facebook, or a national government, into a monetary instrument, giving it phenomenal political leverage.

There is good reason, for example, to believe that Argentina's 1989 hyperinflation was a conscious political strategy to oust President Alfonsín, whilst the IMF and World Bank were becoming unaccountable world political forces in their own right, at the apogee of the structural readjustment period dictating social policies to sovereign governments (Freeman 2004a), which halved the living standards of the majority of the world's population.

The financial classes, like the absolutist monarchy, express the dominant system's most devastating contradictions. Reforming capitalism by eliminating financiers is like reforming feudalism by getting rid of kings.

This is why we are today living through a third "Great Depression"—the longest in capitalist history—which thus provides the most striking empirical confirmation of Marx's theory of class conceivable. One hundred and fifty years later, it is time to listen once again.

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### Notes:

<sup>(1)</sup> Kuhn (2007) describes the Frankfurt School's hostility to Grossman's economic analyses, which arose from a fear of antagonising rich funders. This ironically nearly destroyed the institute's reserves in the very crisis he accurately predicted.

<sup>(2)</sup> "the force of capitalism is acknowledged but it is turned into a necessary but empty foil for the cultural turn, included certainly, but allowed no life of its own ... 'Cultural' analysis has become more and more sophisticated but it is mixed in with a level of 'economic' analysis which rarely rises above that of anyone who can read a newspaper" (Thrift 1999).

<sup>(3)</sup> Lenin ([1917]1969), Hilferding ([1919]2006), see also Luxemburg ([1913]1973).

<sup>(4)</sup> The Wikipedia entry for "Marx's theory of history" ([https://en.wikipedia.org/wiki/Marx's\\_theory\\_of\\_history](https://en.wikipedia.org/wiki/Marx's_theory_of_history), accessed 10 April 2018), listing no fewer than nine distinct stages of history, speaks for this view more eloquently than could any single citation.

<sup>(5)</sup> "To state the case schematically: 'production for profit via exchange' will have the systematic effect of accumulation and the development of the productive forces only when it expresses certain specific social relations of production, namely a system of free wage labour, where labour power is a commodity." (Brenner 1977:8)

<sup>(6)</sup> The most notable machine was Eli Whitney's cotton gin, which made it possible for slaves to process short-staple cotton north of original the plantation belt, virtually guaranteeing the eruption of the Civil War; see Losurdo's (2014) dissection of Liberalism for further elaboration.

(<sup>7</sup>) This is one of the principal difficulties I have with the value-form school (Backhaus 2011)

(<sup>8</sup>) The term “adding-up,” according to Dobb (1973:46), is due to Sraffa (1951).

(<sup>9</sup>) The term comes from the historian Butterfield in his book “The Whig Conception of History” in which he took issue with the practice of interpreting all past history as merely an imperfect form of the present. He argued that one has to interpret the writers of the past in the context of the discussions of their time. So if we read Smith as merely an imperfect Marx, we do not properly understand the questions he was trying to ask (Freeman, Chick, and Kayatekin 2014).

(<sup>10</sup>) A more accurate term than “Say’s Law” by which it is conventionally known. Economics is unique in using the word “law” to describe things that do not happen.

(<sup>11</sup>) The reader may want to consult de Brunhoff (1976), Itoh and Lapavistas (1999), Freeman (2004b), or A. Nelson (2014)

(<sup>12</sup>) In Chapter 25 (Marx [1894]1993:525) the term is used in a different sense of a swindle, which gives rise to the misapprehension that it is some kind of fake or fraud; his usage in chapter 29 is quite different, referring to very “real” things like bonds or land titles.

(<sup>13</sup>) See Egoavil (2009) on Marx’s analysis of the 1856 French bank crash

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## Oxford Handbooks Online

### Money

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### Abstract and Keywords

This chapter explains Marx's concept of money and how it is fundamentally different from other concepts of money in the social sciences. Money is a contradictory object that can be fully understood only through a dialectical approach. Failure to acknowledge the contradictory constitution of money leads to a theoretical misunderstanding of what money in capitalism is. In this regard, the Neoclassical and Keynesian approaches to money are incomplete and inadequate. But the Marxist theory of money also faces its twenty-first-century challenges, among them two in particular: the determination of the value of money and how inconvertible money can function as a measure of value. The last part of the chapter explains how inconvertible money operates in our contemporary international monetary system and how it relates to the existence of fictitious capital.

Keywords: money, value, capital, dialectics, Marx, Hegel, monetary system

For Marx, money derives from the commodity, which he understands as the “elementary form” of the capitalist mode of production. Money for him is an obscure object—obscure in the strict sense of the word: that is, in the sense of what is not clear because it is a contradictory thing. The statement refers, epistemologically, to a non-Kantian world, where contradictions are not exclusive to thought and therefore where real contradictions exist. The Hegelian inspiration is evident, and that is exactly what it is. Marx's approach to money presented here assumes that Marx makes use, in his discussion of capital and the capitalist mode of production, of the dialectics he took from Hegel and adapted for his own purposes. Contradiction here is seen as a negation, which is done by the object itself.

The antinomic character of money derives precisely from its relationship with the commodity. Because of this relationship of opposites, money must look like a commodity, it must move like a commodity, but at the same time it must be its opposite, it must be determined as the negation of the commodity. Without this opposition, it cannot fully function as money. This complicated relationship has its roots in the genesis of money,

developed by Marx at the beginning of his magnum opus, in Chapter 1 of Volume I of *Capital*.

Conventional economics provides strong evidence of this obscurity of money: based in formal logic, it has never been able to create a non-contradictory concept of money. The contradiction, which is internal to the object, passes to the discourse and the discourse contradicts itself.<sup>1</sup> The aim in the first section is therefore to present this difficulty briefly. In the second section, it is shown how Marx is more successful, with an analysis that embraces contradiction instead of trying to escape from it. Finally, in the third section, some contemporary questions concerning Marx's monetary theory are discussed.

# 1. Money, an Obscure Object (and How Economics Contradicts Itself in Trying to Define It)

To achieve the first goal, we begin with the theory of general equilibrium, which constitutes, within the “clear discourse of science” the most exact and perfect model elaborated by economic theory.

## 1.1 Money Out of the World: The General Equilibrium Theory

With his 1874 *Elements d'Économie Politique Pure*, Léon Walras tried to demonstrate the existence—given a decentralized economy where each agent makes decisions individually—of a vector of equilibrium prices. To do so, based on the utility value theory, he elaborated a system of equations in which there is simultaneous determination of prices and quantities and in which prices are fixed in terms of a *numeraire* (one of the *n* goods serving as reference). This construction, however, presented some deficiencies, which its followers soon tried to solve.

However, it is only in 1954 that K. J. Arrow and G. Debreu give a rigorous proof of existence of this equilibrium in their famous paper in *Econometrica*. In the Arrow and Debreu (A-D) model, the individual agents—all price takers—are divided into two categories: firms and families. Firms choose, from a menu, what and how much they will produce throughout their uptime. The goods produced are distinguished from each other by their physical properties, their location in space and time (the date of delivery), and the “state of nature” (a complete description of the environment surrounding the commodity). Each of these goods, so detailed, has a market—that is, they have a price. Families have a utility function and an initial endowment. They choose from a menu the packages of goods they will acquire with their given resources and that they will consume throughout their lives. Finally, it is assumed that there is an infinite number of agents, that there are no significant economies of scale in production, and that information is costless and complete.



Given these assumptions, Arrow and Debreu prove mathematically that there exists, in terms of the *numeraire*, a vector of non-negative prices such that demand does not exceed supply in any direction. The problem with this demonstration is that it does not leave any place for money. In the words of Hahn, “The most serious challenge that the existence of money poses to the theorist is this: the best developed model of the economy cannot find room for it. The best developed model is, of course, the Arrow-Debreu version of a Walrasian general equilibrium” (1983:1).

Considering that in the A-D model the absolute price level remained undetermined, D. Patinkin (1956) tried to solve the problem using the *real balance effect* of A. C. Pigou. With this, equilibrium quantities become a function not only of relative prices but also of the real money supply, the addition of which determines the absolute level of prices. According to Hahn (1984), Patinkin’s solution is not valid because it implies the introduction of two additional assumptions to the A-D model. The first is that all individuals are exactly the same, which will allow the use of the fixed-point theorem and hence a strictly positive exchange value for currency throughout the whole process; the second ensures that the demand for money is always strictly positive. To justify the latter assumption, Patinkin calls for a presumed uncertainty regarding the exact moment when sales and purchases will occur, and it is this call for uncertainty that compromises his solution.

For Hahn the A-D model’s assumption that the future prices of all goods and factors as well as all changes in all the relevant variables to eternity are perfectly predictable is untenable. This assumption, Hahn contends, means that time is liquidated because all the relevant elements of the economic decisions are brought to the present moment. Thus, “If one interprets the economy in a Debreuan fashion ... the invisible hand—if it works successively—must be taken as working once and for all” (Hahn 1984:92). Therefore, if any unforeseen event happens in this world, Patinkin’s justification for adopting the assumption of an ever-positive currency demand is invalid.<sup>2</sup>

In the absence of these additional assumptions, Patinkin’s solution may yield a currency with a price of zero. But what does a zero-price mean? It means that the good is free. But does a free currency make any sense from an economic point of view? Clearly not! Even worse, the probability of this zero-price appearing is high because currency is precisely the good that has no intrinsic utility at all. It seems therefore that no solution exists. The only analytically perfect solution that proves the existence of the equilibrium in market forces is the world of the A-D model, but there is no logical place for money there.

### **1.2 Money in a World That Is Not Real: The Classical and Neoclassical Dichotomous View**

In the first half of the nineteenth century, David Ricardo was the great name of English political economy. It was from his pen that there arose the theoretical practice of treating the economic world in two distinct compartments, one with relations between the real variables and another in which monetary prices appear. According to Deane, “although

the later classical theorists, like J. S. Mill, had been aware that theories formulated in real/physical terms could not be applied to the complex system of credit prevailing in the leading commercialised countries, they settled rather readily for the relatively simple monetarist doctrines they had inherited from Ricardo" (1978:163).

Ricardo's vision had important practical consequences, such as the intransigent defense of a rigid link between paper money and gold, and the permission to issue paper only on the condition that its stock floats along with the gold stock. Of course, there were discordant voices, such as that of Thomas Tooke, but the confluence between the theoretical discussions and the practical problems of the English economy at the time, in parallel with "Ricardo's staggering authority,"<sup>3</sup> made the *Currency school* victorious in the famous confrontation with the *Banking school*.

Thus, Ricardo's doctrine dominates and becomes the basis of orthodox monetary theory that reigns alone in conventional economics until the advent of the Keynesian revolution a century later. In this contradictory view, money is an external and foreign being, a being that has no importance in the determination of the variables of the real economic world but even so is a dangerous figure that must be arrested and controlled all the time.<sup>4</sup> The twentieth-century version of this orthodox vision is the *monetarism* of Milton Friedman (in the 1950s) and, later, the *theory of rational expectations* of Robert Lucas and Thomas Sargent (in the 1970s).

In all of these neoclassical versions, currency is a mere multiplicative factor; it makes no difference and can be ignored. All that really matters happens in the real world, and money comes in from the outside, through the equation of exchange ( $MV = PQ$ , where  $M$  is the amount of money supply,  $V$  its velocity,  $P$  is the price level and  $Q$  is an index of real expenditures). Even when this equation is understood as a description of the demand for money, as in the Cambridge version ( $M = kPQ$ , where  $k = 1/V$ ), the problem remains because it implies the need to find a utility for the currency itself. Not only this, it suggests the possibility of transactions outside of equilibrium prices, which contradicts the neoclassical assumptions.

Hansen (1970) further recalls that, conceived in this way, the neoclassical world lacks explanations for how money prices move from one equilibrium to another, which would be a consequence of the fact that money does not appear in the real part of the system. In the A-D model, which is the foundation of the neoclassical approach, money is only a *numeraire*. To integrate it with the real side of the system, Patinkin tried to turn *money* (not the simple *numeraire*) into a commodity like any other and was not successful.

An interesting thing is that in monetarism, for example, what is required is precisely to show that money is a commodity *different* from the others, because changes in its quantity do not alter the relative prices and the equilibrium quantities of the system. However, for Friedman, the demand for money can be analyzed in a way formally identical to that of any other good, and his studies of the stability of this demand underlie much of his theory. Departing from this assumption, a whole set of normative propositions can be deduced, and it is not even necessary to know what money is. James Tobin, in a

conversation with Arjo Klamer, recalls a story of Friedman lecturing on Chicago's monetary theory at Yale. At some point, a graduate student interrupted him and asked, "In your model, money is the basic concept, and yet, you haven't ever told us exactly what money is conceptually. Could you help us understand it now?" (Klamer 1983:105). According to Tobin, Friedman cut the student down, telling him that he did not understand scientific methods, saying that Newton did not have to explain what gravity is, he only had to tell what it does, and that the same could be applied to money.

### 1.3 Money Inside the Real World but Without Identity: The Economics of Keynes

John Maynard Keynes's *General Theory of Employment, Interest and Money* (GT), was published in 1936 and provoked a revolution. Among the various Keynesianisms that have emerged since then, the most faithful version to his original ideas, present in the so-called post-Keynesian authors, places the emphasis of such a revolution on the innovative way Keynes saw money. Keynes's difference from (neoclassical) orthodoxy lies precisely in the fact that he analyzed a *monetary economy* and not a *real economy with money* (this world in two pieces linked by a bridge called the *equation of exchange*).

Thus, unlike the previous paradigm, money becomes part of the world and affects the forces that determine the real variables. There is a specific demand for it, the speculative-motive demand, which is associated with a different view of interest. In this vision, interest is not a reward for not spending, but a reward for not hoarding. Therefore, Keynes would have succeeded in giving a true life to money, in this way escaping from the contradiction in which his predecessors had become entangled. Nevertheless, working in the framework of analytical knowledge, Keynes was not immune to the obscurity of the object he studied.

In the GT drafts, available in Keynes's Collected Writings (CWJMK), he defines the economy in which we actually live as a *monetary economy*. To do this, Keynes employs Marx's schemes, which he considers "a pregnant observation": "He [Marx—LMP] pointed out that the nature of production in the actual world is not, as economists seem often to suppose, a case of C-M-C' .... That may be the standpoint of the private consumer. But it is not the attitude of *business*, which is a case of M-C-M'..." (Keynes 1979:81).<sup>5</sup> In other words, Keynes says that what makes the real economy different from the one in the minds of economists is the pecuniary motive of production.<sup>6</sup> He therefore misses a theory in which money is not a mere link between real transactions. In an article written for a German magazine in 1933, he says: "Accordingly I believe that the next task is to work out in some detail a monetary theory of production ... At any rate that is the task on which I am now occupying myself, in some confidence I am not wasting my time" (Keynes 1973:411).

However, the result was not exactly that. Instead of following his intuition and constructing a theory of a *monetary economy*, Keynes constructed a *general* theory and considered the existing theory as a special case of it, the case of *full employment*. But the

coincidence of formal results that appears in this case was not enough to alter radically the nature of the actual economic system Keynes had realized before. Because of this pretension to do a *general* theory, he gives to money the status of an asset like any other. He recognizes that money has a special role in imposing a limit on the volume of employment. However, he attributes this not to the fact that it is the standard of value and the purpose of production, but rather to its special characteristics, which make it *different* from other assets: zero elasticity of production, zero elasticity of substitution, and a difference between the liquidity premium and the carrying costs that is higher for money than for any other asset.

In the analytical framework in which he works, it would be inadmissible for Keynes to assert that money is at once equal to and different from other goods. Keynes needs to show that money is different, that it has its own identity and that this is precisely the problem, but in GT he does this by saying that money is equal to other goods. Like his predecessors, Keynes is trapped in the “equal but different, different but equal” antinomy that marks the relation between money and the other commodities.

And with Keynes we end our journey with conventional economic theory, showing the headache that money gives to its scholars when they try to define it and, in the framework of formal logic (and of knowledge as representation), to construct a coherent concept for it. Marx, in contrast, takes money as a Concept, in the Hegelian sense. In this approach, he can account for the contradiction, rather than being run over by it.<sup>7</sup>

## 2. The Dialectics of Money in Marx

The dialectics implicit in Marx’s analysis should not be seen as a method but rather as a logic that is also ontology: that is, a logic that is determined by the object itself—dictated by it, so to speak. The founding principle of this logic is that the *concept* is not itself if it is not posited. In other words, in this logic *existence* is also *determination*—contrary to the Kantian world where existence (*noumenon*) is separated, as if by an abyss, from knowledge, which occurs through the *phenomenon* (representation). The *position*, identified with *existence*, implies the suppression of *possibility*. To that extent, the *presupposed* stands as that *possible*, that not yet posited, that contradictory, that which is and is not. It constitutes therefore a shadow zone in the discourse.

Nevertheless, the presupposition has another sense, which is also constitutive of this zone, that of the position *as negation*: the presupposed is not only that not yet posited, but also that posited *as denied*, that posited *as presupposed*. In this shadow zone, the enlightenment has no time. The clear discourse confuses, it obscures. Only a discourse of obscurity can, in this case, embrace the good cause of rationality.<sup>8</sup> It is by using the position/presupposition pair that the dialectics of money in Marx will be presented here.

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### 2.1 Money as Currency (Presupposition as No Position)

For Marx, there are in the commodity two determinations that are opposed to each other, *use value* and *value*. Value is the ground of the phenomenal form *exchange value*, which characterizes commodity production. What makes it possible to say that what is different is equal—that is, the foundation of the equality revealed by the exchange equation (linen = coat, in the classical example of Marx)—is that both things carry value. The substance of this foundation is socially necessary abstract labor time, expressed purely quantitatively. Use value and value are thus opposed to each other because to express value as a pure *quantum*, it is necessary first to abstract from the commodity's use value and, to that extent, from its qualitative attributes. It is only by denying the natural qualities of commodities that value can express itself. The value equation ( $x$  of A =  $y$  of B), which has on the left side its *relative form* and on the right side its *equivalent form*, does just this: it compares the commodities only quantitatively, making the value manifest as exchange value. The exchange value is thus “the necessary mode of expression of value” (Marx [1867] 1990:128).

The appropriate exchange value for a society where the market is already the form par excellence of material reproduction (i.e., where the relative form has already reached much of the production of goods and services) is the *general equivalent*. The general equivalent is a commodity that appears in common on the right-hand side of the expression of value of all commodities shows itself as *money* and transforms the exchange value into *price*. The first determination of money, therefore, is to be the *measure of value*, able “to say” the value of all commodities.<sup>9</sup> The money form of value allows the resolution of the constitutive contradiction internal to the commodity between use value and value because it externalizes it. Within the commodity/money relation this contradiction can move.

With the existence of money, everything happens as if the use value stays always on the left side and the value always on the right side of the exchange equation. Another way of reading the same expression is to say that on the side of the relative form stay commodities, in their infinite diversity and on the side of the equivalent form stays money, in its singularity—a commodity equal to those on the left side but at the same time opposed to them. Money appears as the *general commodity*, since it is the value that became autonomous of use value—that is, value that no longer needs use value as its support. Its use value is now only formal (and social), that of functioning as *measure of value* and *means of circulation*. This last role (to be *means of circulation*), which constitutes for Marx the second determination of money, subsumes and presupposes the first (to be *measure of value*).

However, as long as it is reduced to this configuration, money is not yet money: it is mere currency. It is only a medium, strictly speaking, for commodities to change hands; it is a servant of the commodities, and it moves under their command. The resolution of the contradiction that it embodies and the autonomization of the value it provides occur in the benefit of their circulation, of the dance of commodities—in a word, in the benefit of

their use value. Money is, therefore, the *general commodity*, the universal nature of the different commodities as exchange value that has been detached from them and distinguished itself. In order truly to be money, and for value truly to dictate the movement of circulation, it is necessary that it stop to mediate the circulation process. Money needs to conclude the process autonomously, as the *absolute* existence of exchange value, which, as mere currency, it cannot do. In other words, currency is money not yet posited, money that cannot yet be an end in itself, because it is only *a means* for another Subject to move: the commodity, with its prominent use value.

### 2.2 Money as Money (Presupposition as Negated Position)

At first glance, the chapter on money in Volume I of *Capital* (chapter 3) has a rather strange structure. Its first section is called "Measure of Value," the second "Means of Circulation," and the third "Money." The question that immediately arises is, what is Marx talking about in the first and second sections, if money only appears in the third? What is his issue there, after all? The answer is that in the first two sections Marx both is and is not talking about money, because money, while it is means of circulation (and measure of value), is only currency: a becoming money. That is, it is a presupposition; it is, and it is not. To complete its position as money it must overcome itself as currency (overcome in the sense of *Aufhebung*, a negation that conserves) and consider also its third determination. Thus, money cannot be money if it is not currency; however, if it cannot move beyond the currency figure, it cannot become money. In other words, it is currency only for the purpose of becoming money, but when it becomes money, money denies (*aufhebe*) the currency. In the *Grundrisse*, Marx says:

The third determination of money in its full development presupposes the first two and constitutes its unity. Money has, therefore, an autonomous existence, out of circulation .... In this determination, its determinate character of capital is already contained in a latent way.... That is why money is denied as a simple means of exchange.

(Marx [1858] 2011:161–162)

Money, as something autonomous, stands out from circulation and confronts it; it is the negation (negative unity) of its determinations as means of circulation and measure.... As a mere realization of commodity prices, money is the negation of itself; the particular commodity remains, in this case, always the essential.

(Marx [1858] 2011:171–172)

The third and final determination of money consists of two moments: to be the object of *hoarding* and to be the *means of payment*. They complete the position of money as money, but they are opposed to each other. Hence, this position of money as money is not positive, does not bring it an analytically accurate definition, but rather puts it as a presupposition.<sup>10</sup> Despite their opposition, both moments deny circulation and overcome currency: when it acts as means of payment, especially because it involves the possibility

of credit, it is absent from effective circulation; when it acts as an object of hoarding, it withdraws from circulation. As means of payment, it may withdraw from circulation and yet still allow the circulation of commodities: a pure social form, completely abstracted from the concrete obstacles that face it, it functions autonomously to move the system and complete the circulation process. Nevertheless, it does the same thing also for the opposite reason: because it can resist circulation and show itself as the *absolute* material, the concreteness that can be hoarded and is desired when the objective is to have a safe haven for value—that is, in times of economic crisis.

In this third determination, money is essentially a *pure form*, but it cannot appear as such. On the contrary, it has to appear as *absolute matter*, whose truth no one doubts. In the first figure (means of payment), money must be very far from the concreteness of the commodity; it must function as its opposite. In the second (object of hoarding), it must appear as the incarnation of the commodity, and more than this, as the *absolute commodity*. Concisely, the appearance affirms what the essence denies. Marx could not have been clearer about this. In section 3 of the same chapter on money, in his discussion of the working of money as means of payment, he says:

The bourgeois, drunk with prosperity and arrogantly certain of himself, has just declared that money is a purely imagined creation. 'Commodities alone are money,' he said. But now, the opposite cry resounds on the markets of the world: only money is a commodity. As the hart pants after fresh water, so pants his soul after money, the only wealth.

(Marx [1867] 1990:236)

Therefore, just as the commodity has two determinations, use value and value, fully constituted money also has two: it is *commodity* (absolute) in appearance, so that it can be, in its essence, *not commodity*, a pure form. In crises, the commodity determination of money is violently enforced and reveals the contradiction (which is originally of the commodity and which money, in solving, brings into itself).<sup>11</sup>

### 2.3 Money as Commodity (Self-Position as Presupposition)

Fully posited, therefore, money exists as if it did not exist, or exists as a presupposition, because in the effective reality (*Wirklichkeit*) it appears as the opposite of what it is.<sup>12</sup> However, it is fully posited that it confronts commodities as a means of non-circulation—that it ceases, therefore, to be a *means*. As such, it can become an end in itself—that is, put itself in its movement as capital.

But the movement of money does not stop there. It will seek its self-position, a position as Subject. This position as Subject does not happen when it exists without existing—that is, when it acts as means of circulation (being in this sense the *general commodity*), because, as we have seen, it is there at the service of commodities, and therefore, of the use value. Nevertheless, it does not reach this position either when it exists as if it did not exist—that is, when it is already fully constituted as money (and being in this sense the *absolute*

*commodity*). Even when money is placed in the circuit of capital, being already the purpose of the circulation (and the pure form that moves it), it functions as currency when it buys labor power and means of production. It is the nature of these special commodities that it buys—in particular the labor power—that makes it capital, but this only happens if it passes through the ordeal of production and extracts surplus value. In other words, if as currency money is at the service of use value (and of meeting human needs), as money it is at the service of value—but a value that requires the production of useful things. The Subject here continues being the M-C-M' movement, that is, the *capital*. Money is just one of capital's predicates (the other is the commodity).<sup>13</sup>

Marx says early on in chapter 21 of Volume III of *Capital*, that money, “in the basis of capitalist production,” receives an additional use value: to function as capital. This “new” use value consists precisely in the profit it produces when it functions as capital. Money's ability to function as capital is converted into a thing that can be bought and sold. Instead of a movement, capital becomes a thing, money, which has the miraculous property of self-multiplication, “as is the property of pear tree to bear pears” (Marx [1894] 1994:516). Marx also says that to valorize money as interest-bearing capital is to throw it into circulation as a commodity. Its owner “sells” this special commodity he possesses and, as it happens with any commodity, he alienates its use value to another, to retain its value. However, as this is a special commodity, which is never actually sold but only borrowed, this value, or its “price” is the interest rate (a part of the surplus value), which Marx calls then an “irrational price.”

The whole circuit then becomes M-M-C-M'-M'. However, what lies between the extremes (M-C-M') is erased, and only M-M' appears. Later, Marx will show that the two figures, the owner of the money and the working capitalist who borrows it, need not exist for the interest-bearing capital to be effective. Even when the capitalist works with his own capital and not with third-party capital, he divides the income in two parts: the interest, to which he is entitled merely by his ownership of money, and his gain as entrepreneur, which is what he receives by putting capital to work. The first part of this income, thus perceived, confirms money as a thing, which has the property of being capital, *even without functioning as capital*. It is only, therefore, with the expulsion of the commodity, with the transformation of itself into commodity, that money completes its development and puts itself as Subject.

Nevertheless, money is not successful in this last move. Initially this is because of a “formal” consideration, so to speak: money can only put itself as Subject by denying itself, by showing itself as commodity, its opposite. More important, however, is what this self-position represents substantively. For Marx, the circulation of commodities is the appearance of capitalist production. In this sphere, value appears to be exchanged for equal value (exploitation is not visible); and production, and the consequent meeting of human needs (use value), appears to be the purpose of the process. Money, in this way, provides a last service to capital. Molding in itself the movement of valorization, making it the property of a thing posited as commodity, money consummates capitalism's appearance as a mere mercantile society. Money puts itself as Subject for the affirmation



of capital, the true Subject. This process thus produces the last layer of the constitutive obscurity of money. The circuit M-M' is its last figure, the same one Marx describes as "the capital mystification in the most flagrant form" (Marx [1894] 1994:516).

### 3. Money in Contemporary Capitalism and Marx's Monetary Theory

#### 3.1 World Money and the Current International Monetary System

A third subsection of the section called *Money* in chapter 3 of Volume 1 succeeds the previous two (*Hoarding* and *Means of Payment*): *World Money*. This may seem to suggest that this is another determination of money, a fourth determination. In the early version of *Contribution to the Critique of Political Economy*, Marx clarifies:

This determination of money serving as international medium of exchange and international means of payment is not really a new determination that would join the ones it already possess as simply money, the general equivalent — and hence as hoarding and means of payment (...) Money as international medium of exchange and international means of payment, is therefore not really one of the particular forms of money: This is only one of its uses as money.

(Marx [1858]1977:244-246)

In this same subsection of chapter 3, Marx goes on to say that it is in this use of it—that is in its functioning in the world market that "its mode of existence becomes adequate to its concept" (Marx [1867]1990:241). This means that, in some way, the space for money par excellence—that is, the space where it makes effective the vocation of infinitude that constitutes it as *general commodity* and, more than that, as *absolute commodity*—is the worldwide market, free of national limitations, barriers and conventions. This is the form of existence in which it is posited effectively as a concept, in the Hegelian sense.

The complication is that Marx also says that in their functioning as world money, representatives are not accepted, "it is always the genuine money-commodity, gold and silver, in their physical form which is required" (Marx [1867]1990:243). This statement clearly clashes with the current reality of commercial transactions and international capital flows. As it is well known, from the early 1970s on, in addition to national currencies, world money loses its link, even remote, to gold or any other "real" commodity produced by human labor. It was replaced by the dollar, the sign of value of the United States. Therefore, world money today, as I have said elsewhere (Paulani 2014), is a purely fiduciary currency; it is inconvertible money, money without redemption, and with no association with any "real" commodity that can redeem it from its condition of pure "abstraction."

The substantive question that this situation poses has to do with money's function as measure of value: for Marx, in order to fulfill this function money needs to be a true commodity. This requirement is associated with the need for money, already in its role as currency, to measure value, a complicated task for inconvertible money. To discuss this question and to prove the relevance of Marx's monetary theory in contemporary capitalism, even with this complication, a lot of work concerning what money is today and how its value would be determined has appeared.

### 3.2 Inconvertible Money and the Value of Money

Worried with this problem, in 2003 Fred Moseley organized a conference at Mount Holyoke College in Massachusetts to discuss Marx's theory of money in times of inconvertible money. The result of the conference was Moseley (2005). As the introduction written by Moseley himself makes clear, there seems to be a general understanding, through various arguments, that Marx's monetary theory is compatible with the contemporary reality of inconvertible world money.<sup>14</sup> However, if this is true then one needs to answer the question concerning the value of money in the twenty-first century. In what follows, some of the answers that appeared in that volume will be briefly presented, besides others that existed already or that appeared later.<sup>15</sup>

Moseley argues that the assertion "'the measure of value must possess value' is a historical contingency, not a theoretical necessity" (Moseley 2005:14).<sup>16</sup> According to the author, Marx himself had already dealt with the issue by studying the inconvertible fiat money of his time. We need only to follow his clues to discuss and understand today's inconvertible credit money. The value of money, or the monetary expression of labor time (MELT), depends on the ratio of the quantity of money (adjusted for velocity) and the total quantity of socially necessary labor time. Despite its similarities with the quantitative theory of money, in this solution, prices are not determined directly, but indirectly, through the MELT; more important, it explains the necessity of money and provides the basis for a theory of surplus value.

Lapavistas, in a 2000 paper, and Saad-Filho, in a 2002 book, suggest that the problem of inconvertible money as a measure of value ceases to be an effective problem when we move to the level of the competition between capitals. After the transformation of values into prices of production, "...the measure of value is no longer the money-commodity but the general profit rate, which is the peg of the relative price system" (Saad-Filho 2002: 99). As absolute prices are now determined after the relative prices, no commodity can fulfil the function of measure of value.<sup>17</sup>

Foley argues that, for Marx, "... 'abstract, social, necessary labour' which is the 'substance' of value emerges jointly with the expression of exchange value in the pricing of commodities in terms of money" (Foley 2005:38). Reuten also argues that, "... value has no existence without money" (Reuten 2005:80). In his view, abstract labor would be only an immanent measure of value, whose necessary exteriorization would take place through money. If Foley and Reuten are right, the problem changes a little—it becomes

more difficult then to discard Marx's theory of money because present money is inconvertible—but it must be faced nonetheless. After discussing some empirical questions concerning the quantification of the relation between social labor time and money today, Foley states, "the MELT (... ) can be applied transparently to monetary systems based on inconvertible national currencies. What is hanging theoretically is the determination of the value of national currencies, particularly the value of the US dollar" (Foley 2005:43). In any case, he suggests that a central bank note is not a valueless token: "The dollar is not a name for scarce cash tokens, but the unit in which the debt of US government is denominated. Debts of the state are the measure of value and means of purchase and payment" (Foley 2005:44–45).

Prado, by different paths, also points out the importance of the state in this matter. For him, today, as capitalist production passed through the control of the state—state that should subsidize accumulation—economic policy must be separated from the constraints of gold standard and "to make this possible ... the suppression of the functional activity of the general equivalent became a necessity" (Prado 2016:21). For him, throughout the twentieth century, a new way was discovered to support the credit system: instead of being anchored in the labor already established as value (in gold), it began to be anchored in the labor *to be done*, that is to Central Bank securities, a State form of fictitious capital.

With the mention of fictitious capital, we can return to the movement of money in its difficult task of putting itself as a Subject: fictitious capital derives directly from interest-bearing capital, the last figure taken over by money and which gives it the role of providing "the capital mystification in the most flagrant form." Departing from this return, the discussion of inconvertible money and its value will be resumed.

### 3.3 Money as a Concept, Inconvertible Money, Fictitious Capital, and Financialization

We began by asserting that, for Marx, money is an obscure thing and the fundamental reason of this obscurity is its contradictory relationship with the commodity. As such, money is the main character of a process of autonomization of the capitalist social forms which, in my view, Marx presents in *Capital*, and which leads from commodity to fictitious capital. This process is always a struggle between the abstract and the concrete, in which the former is victorious. At each stage, this tension is resolved, but is then replaced at the next, higher level. Let us look briefly at these movements.<sup>18</sup>

- 1) With the introduction of money, posited as general equivalent, value becomes autonomous from use-value, but internalizes in money the tension internal to commodity between the abstract generality of value, and the concreteness of use-value;
- 2) With the consideration of the role of medium of circulation, money becomes autonomous from the concrete required by the measure of value, but internalizes in the medium of circulation the tension between abstract and concrete that constitutes

the measure of value itself (which appears as the need for the measure of value to be presented as *pattern of prices*);

**3)** With the consideration of the role of means of payment (and hoarding), the medium of circulation becomes autonomous from the circulation itself, but internalizes in the means of payment the contradiction that exists inside the medium of circulation between its abstract, immaterial nature (which points logically to inconvertible money) and the concreteness of the circulation it serves;

**4)** With the development of money, fully constituted, in its figure of credit (which naturally follows its position as means of payment), the accumulation process becomes autonomous from the production and realization of the surplus value, but internalizes in credit the contradiction that constitutes this process between the dialectical impulse of indefinitely valorising value in general and the dependence that such valorisation has on the production of material and real wealth (that is, that has use-value as content); and finally

**5)** With the introduction of interest-bearing capital and the capitalization—its instrument of operation par excellence—capital becomes autonomous from itself; it turns out in fictitious capital, but moulds in itself as a commodity the contradiction, already existing in the figure of credit, of appearing to be autonomous from the production and realization of surplus value while continuing to be totally dependent on it.

If we consider the second and third movements together, it is easy to perceive the existence of the conditions for money to become free from the intrinsic value that commodity-money bears. Money can assume therefore the form of inconvertible money, resolving the contradiction between the matter of money and the social role it should play. Commodity money is ambiguous, since its monetary function can affect its value, even without alteration in the quantity of labor necessary to produce it. In other words, the categorical evolution of money results in a need for the expulsion of the materiality of money—that is, its “natural” logical movement leads it to a figure that is no longer connected with a genuine (produced by labor) commodity.

It is clear that the expulsion of the materiality from the world money—an expulsion that has existed historically since the early 1970s—raises questions concerning the measure of value and has motivated the current discussions inside Marxism that we reported in last section. These questions make sense, because if we consider money as a pure sign, entirely produced by social convention embodied by the state, we would then be tempted to conclude that there is no substance in value—in other words, we might conclude that it is determined only by exchange, which evidently conflicts with Marxian theory.

Moseley shows algebraically that even with inconvertible money MELT continues to exist and therefore so does the value of money. But what determines this value remains an unanswered question. Saad-Filho, as well as Lapavistas, draw attention to an important point, namely that in the level of competition between capitals, values are presupposed, because what are there posited are the prices of production. If they are right, the question about the value of money is not so important because the role of money as

measure of value is overcome by the role of money as means of circulation (and the effective circulation is that which happens at the level of competition between capitals, not at the level of capital *in general*). Nevertheless, to be presupposed does not mean that value can be simply denied, in the sense of a vulgar negation, because prices of production cannot be constituted without passing through values. Thus, the question of the value of commodities, and therefore of the value of money, remains relevant.

The solutions suggested by Foley and Prado, although different, both have the merit of showing that the money issued by the state is not a pure product of convention, is not a direct sign of value because there is something that mediates the relation between value and monetary prices. However, because the thing that effects this mediation is not an ordinary commodity like gold, but fictitious capital, the question still seems unresolved. It might be resolved if we recall that when the umbilical cord that linked the money form to the commodity form was cut (in 1971), the American dollar value of goods shifted in relation to other currencies, but they kept between themselves the relations that had been produced previously by their labor values (prices of production), backed in gold (even if only very remotely). In other words, if there is any special role for gold today in the contemporary system it has to do with a kind of “ancestral trace of value” that it bequeathed to commodities. Their relative prices, formerly maintained by gold, were sent to American bonds, which are now in gold’s place. From the moment of its replacement on, gold ceases to have any importance in determining the prices of the commodities and in functioning as money.

Currently, even on the world level, we have a money that is a *sign* (the sign of value from the United States) and, as such, a world money whose fundamental relations are with other signs, not with a commodity (as in times of money as a *symbol*, as in the *Bretton Woods* dollar-gold standard). From another perspective, Hegelian inspired as well, we can say that just as the process of exteriorization of Man in language led to the passage from spoken language to symbolic writing and finally to written and sign language (which is the primordial instrument of knowledge), the exteriorization of Man with the constitution of the labor process is only consummated with the position of abstract labor through the generalization of the market economy. Nevertheless, in this dual exteriorization (through language and through labor), in which Hegel saw the full position of Man as Subject, Marx saw the extreme development of the fetishist capacity of commodity and money and the position of capital as Subject (Paulani and Müller 2010).

The position of world money itself as a sign emerges as the conclusion of this process of externalization, autonomization and fetish, embodied in the sequence of representations: exchange value, general equivalent, money, commodity-money, world money-symbol, world money-sign. It is only in this immaterial matter, which today occupies the place of money, that the fetish is actually at home. With this modern world money, backed by fictitious capital, floodgates are opened to the full position of capital as a commodity, “the capital mystification in the most flagrant form.” The name of this current moment in the process of capitalist reproduction is financialization, which has hardly been studied by Marxists for more than two decades.<sup>19</sup> Considering that in our modern societies capital

continued to be the Subject, and today even in a stronger manner, it is not difficult to conclude that it would not remain constrained by golden handcuffs. Financialization and an inconvertible world money backed by fictitious capital are faces of the same coin.

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## Notes:

(<sup>1</sup>) The inspiration here is Fausto (1987).

(<sup>2</sup>) Analyzing the first assumption, Caldentey (2015) proves also that Patinkin's solution involves considering a world with a unique individual, which denies the existence of the economic problem itself (the coordination of the decisions of different individuals).

(<sup>3</sup>) The words are from Deane, echoing Malthus (1978:53).

(<sup>4</sup>) Following other paths, Sayad (2015) says the same thing.

(<sup>5</sup>) C = Commodity, M = Money. The orthographical sign “ ‘ ” means “with an increment.”

(<sup>6</sup>) The reader will find in Belluzzo (2013) interesting digression on the confluence of Marx and Keynes in this issue.

(<sup>7</sup>) Much of on the following discussion, as well as previous observations about money in conventional science, are in my PhD dissertation (*Paulani 1992*)

(<sup>8</sup>) All these considerations on position and presupposition and on dialectics as a discourse of the shadow are based on Fausto (1987).

(<sup>9</sup>) I use here the terminology used by Marx in *Grundrisse*. There, he does not speak, as in *Capital*, in terms of the *roles* of money; he speaks in terms of *determinations* (*Bestimmung*), which gives them their due ontological weight, which is lost when they are reduced to mere functions. The dialectics of money itself is more explicit there than in *Capital*. The non-use of these terms and this open dialectics in his larger work is due to Marx's constant concern to make his discoveries accessible to the working class.

(<sup>10</sup>) The contradictions that mark money go beyond this tension existing inside its third determination. We do not have here, however, space to develop them in their fullness. The interested reader can see Paulani (2014).

(<sup>11</sup>) Within Marxist historiography, there are very distinct interpretations of Marx's theory of money. The roots of these differences are generally found in methodological issues. One of the best known is that of Suzanne de Brunnhof. For her, who embraces an Althusserian-type of reading that is averse to dialectics, Marx would have initially studied the currency (in the first section of *Capital*) “outside capitalism” to determine the nature of money and avoid “confusion” between money and commodity. The study of simple circulation would then be a “fruitful simplification or abstraction” indispensable for Marx to be able to create his *general theory of money* and in that sequence to analyze it under capitalism. Read in a dialectical approach, Marx's theory of money produces quite different conclusions. To mention only one point in this interpretation, simple circulation (or the sphere of circulation) is not an abstraction, but the appearance of the system; therefore, in this reading, Marx is speaking of capitalist money since the first line of *Capital*. It is worth noting that in her later works, Brunnhof recognizes that commodity production develops only in capitalism and because of this Marx's analysis in the first three chapters of *Capital* is the analysis of the mercantile character of capitalism.



(<sup>12</sup>) The *Wirklichkeit* is the moment in Hegel's logic of the essence in which what exists appears. Appearance is a necessary condition of existence and as such is part of the very essence, that is, it is a necessary appearance, not an accident.

(<sup>13</sup>) See note 5 for the meaning of the capital letters and signs of these schemes.

(<sup>14</sup>) There is only one exception to this general understanding (Germer 2005), but there are also those who argue for something even stronger: that Marx's monetary theory **is** the theory of inconvertible money (Campbell 2005).

(<sup>15</sup>) I benefit here from a review already presented in Rotta and Paulani (2009).

(<sup>16</sup>) See also Moseley 2011.

(<sup>17</sup>) Arthur (2005), by different paths, arrives at results similar to those of Saad-Filho and Lapavistas.

(<sup>18</sup>) See Paulani (2014) for their full development.

(<sup>19</sup>) Among the many contributions of Marxists to this theme, I mention that of François Chesnais, one of the first who tried to discuss the issue. In his 1994 *La Mondialization du Capital*, which studies the reorganization of productive capital in the new liberalized world, there is a chapter entirely dedicated to the issue. His last book (Chesnais 2016) provides answers to many of the questions left open and a very good review of the debate.

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# Oxford Handbooks Online

## Capital

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## Abstract and Keywords

This chapter explicates Marx's concept of capital and highlights its centrality to his book *Capital*, arguing that *Capital* is specifically about capital, not all of capitalist society. In Marx's conception, capital has two forms, money and means of production, but capital itself is the process of self-expansion of value, or valorization. The commodity fetish and subsumption of labor under capital are explored in relation to this. Employing Marx's concept of the circuit of capital, the chapter considers his theory that value self-expands by extracting surplus labor and his understanding of the reproduction and accumulation of capital. It also argues that failure to rigorously respect the difference between constant capital and the value of means of production is one source of allegations that Marx's value theory and falling-rate-of-profit theory are logically inconsistent or incorrect. Finally, his theory of surplus-value is compared to the view that interest is a "return to capital."

Keywords: concept of capital, Karl Marx, self-expanding value, theory of surplus value, valorization

Karl Marx's major critique of political economy bears a one-word title: *Capital*. This is testimony to the central role that the concept of capital plays within that critique. The concept is foundational to all of *Capital's* major theories, analyses, and historical projections. Yet while the latter have always been the subject of intense debate, Marx's concept of capital as such has not been controversial.

This does not mean that his concept is generally accepted; it is not. The point is rather that, when considered in abstraction from their employment within theories and analyses, concepts are stipulative definitions, about which there can be little argument.

This article therefore contains little review of controversies. Instead, it will explicate Marx's concept of capital and exemplify its central place within his critique of political economy. Before turning to those matters, however, we will discuss Marx's conception of the relation between capital and capitalist society. Clarification of that relation is needed

in order to avoid giving readers the impression that by making the concept of capital central to *Capital*, Marx in effect reduced all major aspects of capitalist society and modern life to capital, turned them into mere expressions of its “logic.”

# 1. Capital and Capitalist Society

The concept of capital is central to Marx’s *Capital* for a very simple, almost tautological, reason: it is a book about capital and it focuses almost exclusively on it. It is not a book about the whole of capitalist society; much less is it about everything important that takes place within capitalist societies (Kliman 2016).

Marx understood capital to be “self-expanding” value. Almost the whole of *Capital* is directly or indirectly about this self-expansion. Volume I focuses on the production process of capital, the physical production process in and through which value self-expands, becomes a bigger amount of value. Volume II focuses on the circulation process of capital—the purchases and sales of capitalist companies, and the relations between purchases and sales that are needed in order for the production process and the self-expansion of value to resume on the same or larger scale. Volume III focuses on what Marx called “forms of the process as a whole” (quoted in Rosdolsky 1977:13)—the splitting-up of the expanded value (surplus-value) into various forms of property income, and the forms in which the processes of production and circulation are reflected, imperfectly, in the thinking of economists and business people.

Marx was well aware that these topics do not encompass the whole of capitalist society. To appreciate how specific *Capital*’s subject matter is—that is, what it does not encompass—it is helpful to consider the extent to which he narrowed down his projected work over the course of two decades.

He originally intended to publish a critique that would deal not only with political economy, but also with philosophy, law, ethics, politics, civil life, and perhaps other topics. But in 1844, 23 years before volume 1 of *Capital* was published, he concluded that it would not be fruitful to deal with all these matters in the same work (Marx 1975:280–282).

When Marx returned to his critique of political economy in 1857–1858, he envisioned a work consisting of six books. Only the first book was to be about capital—capital in general, competition, the credit system, and share capital (stock ownership). The “capital in general” section was to include three main topics: the production process of capital; the circulation process of capital; and profit and interest (see Rosdolsky 1977:11–12). The remaining five books were to be about landed property, wage-labor, the state, foreign trade, and the world market and economic crises.

The 1857–1858 plan includes only economic topics (with the possible partial exception of the book on the state), and, although it covers quite a lot of ground, it seems not to cover the entire economic dimension of capitalist societies. For example, it seems to omit

systematic treatment of consumption and non-capitalist production within capitalist society.

Yet this plan encompasses far more than what became the three volumes of *Capital*. These three volumes correspond more or less to what Marx had projected as the “capital in general” section. This was only the first of four sections of the projected book on capital, which in turn was only one of six projected books.

*Capital* does contain some extensive discussions but no systematic treatment, of economic crises, landed property, and wage labor. The extent to which it incorporates what Marx had wished to say about these topics is unclear. And there are only scattered and brief discussions in *Capital* of competition, the credit system, share capital, the state, foreign trade, and the world market.

In sum, a great deal of what Marx considered important about capitalist society did not find a place in *Capital* because he restricted it to a critique of political economy. And even much of what he considered important about capitalist economies—at minimum, the state, foreign trade, and the world market—is absent from *Capital* because these topics are not encompassed within the concept of capital as he construed it.

## 2. Dual Character of Capital

Marx critically appropriated two definitions of capital that already existed and are still in common use (see, e.g., Pearce 1992: 49–50). According to one definition, capital refers to physical means of production—buildings, machines, raw materials, and so forth—that were themselves previously produced within the economy. According to the second definition, capital refers to financial assets such as money, bonds, and shares of stock.

Marx called attention to both definitions of capital when he first explicated the concept of capital in chapter 4 of *Capital*, Volume I: “If we pin down the specific forms of appearance assumed in turn by self-valorizing value [i.e., capital] in the course of its life, we reach the following elucidation: capital is money, capital is commodities” (Marx [1867] 1990a:255). An accompanying footnote quotes one author who referred to capital as “[c]urrency” and another who wrote that “[c]apital is commodities.”

The distinctive and novel aspect of Marx’s treatment of capital is that the two definitions are dialectically transformed (sublated) by being integrated into a single, more comprehensive concept instead of lying side by side as opposites. Marx regarded physical and money capital as “mere forms” in which capital appears. He understood capital itself, as distinct from these forms, to be a process; and he defined it as “value in process” (Marx [1867] 1990a:256).

Marx *provisionally* expressed this process as the following “circuit of capital”:

$$M - C - M'$$

## Capital

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where M denotes money, C denotes commodities, M' is another amount of money, greater than M, and the dashes refer to exchanges. For example, \$100 of value, which exists in the form of money, is advanced (invested) and used to buy \$100 worth of commodities. Later, \$100 worth of commodities is sold for, say, \$110 of value in money form. The additional \$10 is what Marx called "surplus-value" or profit.

In this process, the physical form of value changes, from money to commodities and back to money, but value itself persists throughout and increases during the process. Hence the circuit of capital is a process of "self-expansion of value" or "valorization of value" (*die Verwertung des Werts*) (Marx [1867] 1990a:252).<sup>1</sup> "[V]alue is here the subject of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorizes itself independently" (Marx [1867] 1990a: 255).

### 2.1 Historical Specificity of Capital

Although he recognized that means of production are a form of capital, and that means of production have been in existence since human beings first began to use tools, Marx did not accept the common view that capital has existed since that time. In his view, means of production by themselves are not capital, nor does the role they play in physical production make them capital. They become capital only under certain social conditions that have not always existed and that were rarely present prior to the emergence of capitalist societies. In a lecture delivered 20 years before the publication of *Capital*, Marx ([1849] 1902:35, emphasis in original) said,

A negro is a negro. Only under certain conditions does he become a slave. A cotton-spinning machine is a machine for spinning cotton. Only under certain conditions does it become *capital*. Torn away from these conditions, it is as little capital as gold is itself money, or sugar is the price of sugar.

The same idea reappears in Volume III of *Capital*:

capital is not a thing, it is a definite social relation of production relation pertaining to a particular historical social formation, which simply takes the form of a thing and gives this thing a specific social character. Capital is not the sum of the material and produced means of production. Capital is the means of production as transformed into capital, these being no more capital in themselves than gold or silver are money

[Marx [1894] 1991:953]

In Marx's view, what turns means of production into capital is their employment in a production process the purpose of which is to create surplus value. Thus, not all means of production are capital even in 21st-century society. For example, household appliances

are not and nor are means of production used by those independent owner-operators who neither hire employees nor exploit themselves, because they do not create surplus value.<sup>2</sup>

### 2.2 Critique of the Dual Character of Capital

Marx was sharply critical of the dual character of capital. He wrote about “the bewitched, distorted and upside-down world haunted by Monsieur le Capital and Madame la Terre, who are at the same time social characters and mere things” (Marx [1894] 1991:969). (Capital has a “social character” by virtue of having value and being a means to create surplus value; as a means of production, it is a “mere thing.”) In Marx’s view, this is an important instance of the fetish character of commodities. When they function as capital, means of production are, like commodities generally, “products of [men’s hands that] appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race” (Marx [1867] 1990a:165).

Marx applied the term *fetishism* to this situation because he regarded it as analogous to situations in which people ascribe powers to totems or fetishes that they themselves have produced. He objected to the loss (alienation) of human power that this involves. Instead of being in control of things they have produced, and using them to enhance their self-development and well-being, people become dependent on and controlled by the things.

In the case of capital (and commodities generally), the transfer of power to the object is not, in Marx’s view, an illusion or a misunderstanding of the actual facts (see Dunayevskaya [1958] 2000:100). The producers’ social relations “appear [to them] as *what they are* ... material relations between persons and social relations between things” (Marx [1867] 1990a:165–166, emphasis added). “These things, far from being under their control, in fact control them” (Marx [1867] 1990a:167–168).<sup>3</sup> Indeed, Marx ([1867] 1990a:772) regarded this subservience to things as the essence of capitalist production and the diametrical opposite of the new humanist society he envisioned:

In [the capitalist] mode of production ... the worker exists to satisfy the need of the existing values for valorization, as opposed to the inverse situation, in which objective wealth is there to satisfy the worker’s own need for development. Just as man is governed, in religion, by the products of his own brain, so, in capitalist production, he is governed by the products of his own hand.

This “inversion of subject into object and *vice versa*” (Marx 1990b:990) is closely related to what Marx ([1867] 1990a:645; 1990b:1019–1038) called the “subsumption of labour under capital.” This subsumption comes in two flavors. “Formal subsumption,” which arose at the start of capitalism, refers to the facts that workers work for, and under the direction of, capitalists; that their labor power (ability to work) assumes the form of capital within the production process (Marx [1867] 1990a:736); and that the purpose of their activity is not their own, but the self-expansion of value. With the industrial revolution, the “real subsumption” of labor under capital also emerged. Whereas formal subsumption is about the subordination of laborers to capitalists, real subsumption is

about the subordination of labor itself—the activity—to physical capital, particularly machines.

According to Marx (1990a, chapters 14–15), the crucial difference between manufacture and machinofacture (production by hand vs. machine-dominated production) pertains to workers' control over the production process. In manufacture, workers are central to the physical production process and control the tools they work with; but in machinofacture, the tools are component parts of machines and controlled by machines, which the workers serve as “living appendages” (Marx [1867] 1990a:548). Thus, although it is true that in “[e]very kind of capitalist production, ... it is not the worker who employs the conditions of his work, but rather the reverse, ... it is only with the coming of machinery that this inversion first acquires a technical and palpable reality” (Marx [1867] 1990a: 548).

### 3. Features of the Valorization Process

In his discussion of the circuit of capital  $M - C - M'$ , Marx called attention to several noteworthy features of the valorization process. First,

- Value existing in money form is both the starting point and the end point of the process.

This has two immediate consequences. One is that

- The valorization process is “endless.”

In other words, it can be “constantly renewed” indefinitely (Marx [1867] 1990a:252, 253). The end point of one circuit of capital can, and generally does, become the starting point of the next. The other consequence is that

- Consumption of commodities is not the purpose of the process (Marx [1867] 1990a: 250, 252, 254).

The person or company that has purchased commodities with the initial sum of money does not consume them; it proceeds to sell these or other commodities for money.

It might therefore seem that the purpose of the valorization process is instead to get money. However, the person or company that gets the money at the end of the process parted with money at the start. This indirect exchange of money for money would be “as purposeless as it is absurd,” according to Marx ([1867] 1990a:251), if it were an exchange of equal sums of money—if, for instance, \$100 were invested in order to get \$100 back. Thus,

- The purpose of the process is actually the self-expansion of value, the generation of profit.

This is a quantitative purpose. It has nothing to do with the form of value (money vs. commodities). For example, Marx (1990b:951–953) discussed the case of farmers who sow seed that they have produced themselves, instead of buying and selling seed in the market. Although such farmers appropriate their surplus value in the commodity form instead of in the money form, Marx regarded them as capitalists and their production as capitalist production, given only that its purpose is the self-expansion of value.

Because it is endless and it has a quantitative purpose,

- The valorization process is “limitless” (Marx [1867] 1990a:253).

The “vocation” of any sum of value invested as capital is “to approach, by quantitative increase, as near as possible to absolute wealth” (Marx [1867] 1990a:252).

Marx seems to be saying here, in a quite florid way, that capitalists are profit maximizers. This is partly correct; he argued that “the possessor of money ... functions as a capitalist” “only in so far as the appropriation of ever more wealth in the abstract [i.e., value] is the sole driving force behind his operations” (Marx [1867] 1990a:254). However, he regarded the limitless self-expansion of value as the purpose of the circuit of capital itself.<sup>4</sup> The capitalist is merely the medium (*Träger*) through which this purpose is realized; Marx’s ([1867] 1990a:254) definition of a capitalist is “capital personified and endowed with consciousness and a will.” Thus,

- The subject (*Subjekt*) of the valorization process is value itself, not the capitalist.

Value is a “self-moving substance which passes through a process of its own” (Marx [1867] 1990a:256).<sup>5</sup>

### 3.1 Uniqueness of the Capitalist Mode of Production

Several of the features of the valorization process previously described serve to distinguish the capitalist mode of production from previous modes of production such as ancient Greek and Roman slavery and medieval European serfdom. Marx held that these other modes of production were exploitative, just like the capitalist mode. However, they did not produce “value,” wealth in the abstract, but only use values, concrete physical products, and services. Consequently, the purpose of production was not to augment the stock of abstract wealth but to satisfy the consumption requirements of the exploiting classes (as well as to preserve the social system, maintain the supply of slaves or serfs, and so forth). Because the consumption requirements of human beings, no matter how extravagant they might be, do have limits, production did not have a limitless purpose. And because production was oriented to human consumption, it is difficult to see how it could be described as having a purpose distinguishable from the purposes of the human beings for whose benefit it was undertaken.



Marx ([1867] 1990a:345) drew attention to several of these differences in a passage in *Capital* that discussed how slavery in the United States changed in response to the slave system's incorporation within the world market:

in any economic formation of society where the use-value rather than the exchange-value of the product predominates, ... no boundless thirst for surplus labour will arise from the character of production itself.... But as soon as peoples ... are drawn into the world market dominated by the capitalist mode of production, whereby the sale of products for export develops into their principal interest, the civilised horrors of over-work are grafted onto the barbaric horrors of slavery, serfdom, etc. Hence the Negro labour in the southern states of the American Union preserved a moderately patriarchal character as long as production was chiefly directed to the satisfaction of immediate local requirements. But in proportion as the export of cotton became of vital interest to those states, the over-working of the Negro, and sometimes the consumption of his life in seven years of labour, became a factor in a calculated and calculating system. It was no longer a question of obtaining from him a certain quantity of useful products, but rather of the production of surplus-value itself.<sup>6</sup>

### 3.2 Capitalists as Personifications of Capital

Why was Marx so concerned to distinguish the purpose of capitalist production itself from the purpose of capitalists? At least part of the answer is that he was convinced that the defects of the capitalist mode of production are systemic unavoidable consequences of this mode of production itself. They are not contingent problems that are brought about by the ill will, distorted priorities, or ignorance of the particular individuals who happen to function as agents of the system at a specific moment. Accordingly, they cannot be undone by putting different people with different priorities in charge of the system. Marx's critique of capitalist production therefore takes care to focus on the system itself rather than on its agents.

In his preface to the first edition of *Capital*, Volume I, he remarked that, although "I do not by any means depict the capitalist and the landlord in rosy colors," neither does he demonize them and blame them for the defects of capitalist production: "individuals are dealt with here only in so far as they are the personifications of economic categories, the bearers [*Träger*] of particular class-relations and interests. My standpoint ... can less than any other make the individual responsible for relations whose creature he remains, socially speaking" (Marx [1867] 1990a:92).

Later in the volume, he argued even more explicitly that the system controls the capitalists, not vice versa. He compared capitalists to "cog[s]" in a machine and argued that "competition subordinates every individual capitalist to the immanent laws of capitalist production, as external and coercive laws" (Marx [1867] 1990a:739).

Thus, capitalists maximize profit not because they choose to do so and not necessarily because they are greedy. Competitive pressures force them to maximize profit. Capitalists who needlessly incur additional costs by raising wages and benefits, improving working conditions, keeping redundant workers on the payroll, and so forth, will lose customers if they raise the prices of their products to cover the higher costs. If they instead keep their prices competitive, the drop in profits that results will hamper the ability of their businesses to grow. In either case, they will tend to be driven out of business, swallowed up by more successful competitors. Over time, therefore, the capitalists who remain capitalists will tend increasingly to be those who *do* function as personifications of capital by scrupulously obeying the imperative to maximize profit.

Marx's ([1867] 1990a:381, 381–382 n82) text provides examples of this phenomenon. He argued that capital's disregard for workers' health and life expectancy "does not depend on the will, either good or bad, of the individual capitalist." An accompanying footnote discusses a petition presented by twenty-six pottery manufacturers who wished to limit the working hours of children they employed but who realized that competitive pressures would not allow them to do so voluntarily. It also discusses a group of small cotton manufacturers who voluntarily reduced the length of the workday in their mills, which caused their output to drop. Larger manufacturers, increasing their own output in response, were able to "extend their own business and thus make great profits at the expense of the small employers."

## 4. How Value "Self-Expands"

After presenting the circuit of capital  $M - C - M'$  Marx ([1867] 1990:258) noted that it contains "contradictions." These contradictions seem to reduce to the following. According to the  $M - C - M'$  formula, the valorization process moves forward by means of exchanges of money for commodities. However, while commodity exchange is an exchange of equivalents, the formula depicts capital self-expanding by means of the second exchange,  $C - M'$ .<sup>7</sup> For example, \$100 worth of commodities are sold for \$110. This contradicts the principle that equivalents are exchanged. Thus, if the principle is valid, it is impossible for value to self-expand by means of exchange.

But what if the principle is invalid? Considering the case of non-equivalent exchange in some detail, Marx demonstrates that it remains impossible for value to self-expand by means of exchange. Some capitalists can make a profit by "buying cheap and selling dear," but Marx shows that their gains come from, and are exactly offset by, the losses of the capitalists with whom they trade. In the system as a whole, value has not self-expanded. Yet what if *all* capitalists sell their products for, say, 10% more than they are worth? Marx shows that they all gain 10% as sellers but lose it as buyers. They are no better off than they would have been had they refrained from inflating their sales prices.<sup>8</sup> "The capitalist class of a given country, taken as a whole, cannot defraud itself" (Marx [1867] 1990:266).

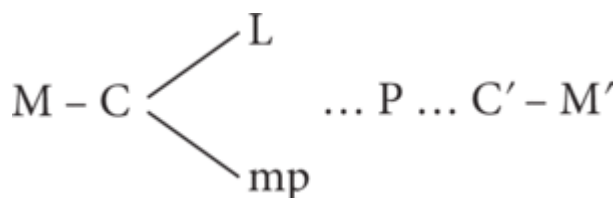
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The upshot is that, although wholesalers do get their profits by buying goods at one price and selling them at a higher price, this only allows them to capture a portion of the already-created surplus value. It does not cause value to self-expand in the system as a whole. By selling its product to a wholesaler at less than the market price, a capitalist firm foregoes a portion of the surplus value it could potentially appropriate; the wholesaler then captures that portion of the surplus value by reselling the product at the market price.)

Hence the  $M - C - M'$  formula is misleading at best. It describes a process of self-expanding value, but its depiction of how value self-expands cannot possibly be correct.<sup>9</sup> So how, in fact, *does* value self-expand?

### 4.1 The Expanded Circuit of Capital

Marx's answer can be explained in terms of an expanded circuit of capital (Marx [1885] 1992:109):



The additional symbols are

Figure 1. Expanded Circuit of Capital.

L	labor-power
mp	means of production
P	the process of production
C'	commodities that contain surplus-value
...	interruption of exchange process

For surplus value to arise, some of the initial investment of money capital,  $M$ , must be an investment of what Marx calls *variable capital*. It purchases labor-power (workers' ability to work). And some must be an investment of what he calls *constant capital*, which purchases means of production (Marx [1867] 1990a, chapter 8). Since Marx has shown that assuming non-equivalent exchange does not help to explain how surplus value arises, he instead assumes equivalent exchange: the sellers of labor power (the workers) and the sellers of means of production are paid what their commodities are really worth.

The labor power and means of production then enter into the workplace (the workers must unfortunately accompany their labor power, since it cannot go to work on its own). The capitalists use the means of production and the labor power to produce commodities.

But to use workers' labor power, their ability to work, is to make them work. Hence, it is means of production and *labor*—not labor power—that together produce commodities. The commodities that emerge from the production process,  $C'$ , are worth more than the initial  $C$  (the combined worth of the labor-power and means of production). They contain surplus value. And the circuit of capital concludes with another equivalent exchange (by assumption); the capitalists sell the newly produced commodities,  $C'$ , for what they are worth,  $M'$ .

### 4.2 Why $C'$ Exceeds $C$

Thus far, this is only a partial explanation of how value can self-expand even though equivalent amounts of value are exchanged. It was stated that the  $C'$  commodities are worth more than the  $C$  commodities, but there has been no justification for that statement. Marx justified it in the following way.

First, although both means of production and labor jointly produce the new commodities in a physical sense, they play different roles in the creation of these commodities' value. No commodity, whether means of production, or labor power, or anything else, creates value; it already has a definite value, and *value does not actually have the power to self-expand*. Marx's references to capital being "self-expanding value" are thus ironic; they mock notions that capital is productive of value, that a sum of money grows into a bigger sum through the magic of compound interest, and so forth.<sup>10</sup> Means of production therefore do not add additional value, on top of their own value, to the commodities they produce. Instead, the price of the means of production is "transferred" to the product. Thus, if a \$100 motherboard is inserted into a computer, this contributes \$100 to the computer's value.

But the labor's contribution to the formation of value differs, because labor is not a commodity; it is an activity. According to the value theory that Marx took over, albeit with some important modifications, from classical economists such as Adam Smith and David Ricardo, "living" (newly performed) labor is the sole source of new value.

Second, Marx contends that what capitalists purchase from workers is not their labor but only their *ability* to labor (labor power). In support of this claim, we may note that the amount of work that capitalists manage to get out of workers is not determined in the labor market. In exchange for their wages, workers are committed to doing "a fair day's work," but that is a rather indefinite commitment. There is a long history of workers' struggles over the length of the workday. To lessen this indeterminacy, employers often pay hourly wages or piece rates rather than daily or weekly wages, but the success of these methods is limited. There is also a long history of struggles of the following kinds: workers contest the speed at which the production line flows; they contest the length of mealtimes and breaks; they engage in "work-to-rule" actions, doing only the minimum required by contract; and they engage in various informal means of restricting output, to keep redundant workers from being laid off and to prevent the raising of production quotas and the lowering of piece rates (Mathewson 1931).

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Marx assumes for simplicity that the workers are paid the full value of their labor power. The value of labor power is determined by the cost of the consumer goods and services they need to reproduce their ability to work and to raise a new generation of the working class to replace them. The capitalist's expenditure on labor power does not contribute to the value of the products (because, to repeat, value lacks the power to self-expand). Nor is it "transferred" to the products, because labor power, in contrast to means of production, plays no role in production. The money is simply received by the worker.

But *labor* does add new value to the product. If \$50 of new value is created during each hour of living labor, and the worker works an eight-hour day, she produces \$400 of new value.

Let us also assume that she was paid \$150, the full value of one day of her labor power. She has therefore created  $\$400 - \$150 = \$250$  of surplus value for the capitalist. Or, viewing the matter in terms of labor time, she works eight hours but receives wages and benefits that are the equivalent of only  $\$150/(\$50/\text{hr}) = 3$  hours. So she performs  $8 - 3 = 5$  hours of surplus labor (see note 6).

The value of the product is the sum of the \$400 of new value added by living labor and the value "transferred" to the product from used-up means of production, say \$600. All else being equal, this \$600 is the same amount of money that the capitalist invested, as constant capital, to acquire these means of production. The variable capital investment is the \$150 that was used to hire the worker. Thus, if the product is sold at its value of  $\$400 + \$600 = \$1000$ , the capitalist recoups the  $\$600 + \$150 = \$750$  that was invested as constant and variable capital. He also appropriates an additional  $\$1000 - \$750 = \$250$ , the surplus value created by the worker.

It is clear that Marx's assumption that workers are paid the full value of their labor power is not critical to his explanation of how value self-expands. If wages and benefits are greater or less than the value of labor power, this will affect only the amount of surplus value that is created, not the existence of surplus value. What is critical to Marx's explanation is that workers are made to perform more labor than the amount of labor that is equivalent to the wages and benefits they receive.

Although he believed the worker to be exploited in the sense that she performs a certain amount of work for which she is paid no equivalent, Marx ([1867] 1990a:729–733) argued that the capitalist has not cheated her. What she sold was her labor power, not her labor, and the capitalist paid her (by assumption) the full value of her labor-power. Nor did the capitalist rob her of her property. The labor-market contract did not give her ownership rights to any of the product, so none of it has been taken away from her. Her "property" is her labor power, and the capitalist paid her just enough to keep the value of her labor power intact.

Whether this explanation of why the C' commodities are worth more than the C commodities is correct—and thus, whether Marx correctly explained how value self-expands—reduces to two questions. First, do capitalists in fact purchase workers' labor-

power instead of their labor? Second, is living labor in fact the sole source of new value? Previously this article provided grounds for an affirmative answer to the first question. The second question is exceedingly controversial, which is not surprising when one considers its politically charged implications. This is not the place to try to answer it.<sup>11</sup>

## 5. Reproduction and Accumulation of Capital

For the valorization process to continue in an ongoing manner, the process itself must repeatedly “reproduce” the initial conditions with which it begins. That is, it must be a process in which money capital ends up in the hands of capitalists, enabling them to invest capital once again; in which appropriate quantities and types of new means of production have been produced and can be purchased with constant capital; and in which labor-power is reproduced *as a commodity*, available on the market once again to be purchased with variable capital.

Volume II of *Capital* discusses the complexities of the first two conditions in great detail. Yet in Marx’s view, the last condition—the reproduction of labor power as a commodity—is by far the most important, for two reasons. First, the existence of labor power as a commodity is the distinguishing feature of the capitalist mode of production and capitalist society. Capital “arises only when the owner of the means of production and subsistence finds the free worker available, on the market, as the seller of his own labour-power. And this one historical pre-condition comprises a world’s history” (Marx [1867] 1990a:274).

Second, capital and wage-labor are not two distinct things but two sides of the same coin:

*Capital ... presupposes wage-labor; wage-labor presupposes capital. They condition each other; each brings the other into existence.... Capital can multiply itself only by exchanging itself for labor-power ... The labor-power of the worker can exchange itself for capital only by increasing capital .... [C]apital and wage-labor are two sides of one and the same relation.*<sup>12</sup>

Marx was convinced, partly because of the historical record (Marx [1867] 1990a, chapter 33) that workers who had access to their own means of production, or who owned sufficient property, would assiduously avoid working under the domination of capital. He therefore argued that the continual re-appearance of labor power as a commodity requires that workers perpetually be “free and rightless”—“free from, unencumbered by, any means of production of their own” and without property rights to the commodities they produce (Marx [1867] 1990a:895, 847).

One thing that serves to perpetuate workers’ dependence on capital is the labor market contract, which gives them no ownership rights to the product. The main factor, however, is that wages and benefits never rise to levels high enough to allow more than a small fraction of the working class to acquire its own means of production or otherwise avoid working under the domination of capital. Marx argued that the vicissitudes of the

business cycle ensure that wages and benefits never rise to such levels. Once an increase in workers' pay is great enough to seriously cut into profits, capitalists respond by curtailing new investment and the hiring of additional workers, which counteracts the rising trend of wages and benefits. "The rise of wages is therefore confined within limits that ... leave intact the foundations of the capitalist system" (Marx [1867] 1990a:771).

Although recurrent economic downturns are an important feature of capitalist production, over the long term the volume of output it produces has increased, as has employment. In terms of value, this expansion requires ongoing *accumulation of capital*; in physical terms, it requires the *expanded reproduction of capital*, employment of a greater volume of means of production and labor power. Capital is accumulated when a capitalist does not spend the entire surplus-value received by his business as *revenue*—to purchase consumption goods and services "for his esteemed self and family" (Marx [1885] 1992:146), to pay dividends to shareholders, and so forth—but transforms a portion of the surplus value into additional *capital* that purchases additional means of production and labor power. All new capital is therefore *capitalized* surplus value.

Marx ([1867] 1990a:741) suggests that capitalists face "a Faustian conflict between the passion for accumulation and the desire for enjoyment," and thus a conflict between capitalizing surplus value and consuming it as revenue. Yet they function as true representatives of capital, as "capital personified," only to the extent that the former motive predominates. Marx ([1867] 1990a:741) contends that it does generally predominate, since the pressure of competition "compels [the capitalist] to keep extending his capital, so as to preserve it." Businesses that fail to expand will tend to be swallowed up by those that do.

In his exploration of accumulation and reproduction of capital, Marx employed the term *capital* in many additional ways. For example, he correctly anticipated continuing *concentration and centralization of capital*; the former refers to the increasing size of capitalistic businesses, the latter to a diminution of the number of units among which capital is dispersed, as a result of bankruptcies, mergers, and acquisitions. The *composition of capital* measures how the total advanced capital is allocated between means of production and labor power; Marx ([1867] 1990a:762) regarded it as "the most important factor" for understanding the "influence of the growth of capital on the fate of the working class." He correctly anticipated that continuing technological revolutions would cause an increasing share of total capital to be constant rather than variable capital, so that, additional investments of capital of a given size would create fewer and fewer additional jobs over time. And when discussing the reproduction of capital, Marx employed the classical economists' distinction between *circulating or fluid capital* and *fixed capital*.<sup>13</sup> The former are used-up in one period of production and thus need to be replaced each period; the latter last more than one period, so the funds needed for their eventual replacement must be accumulated gradually.

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# 6. Financial Capital

When discussing the division of surplus-value in *Capital*, Volume III, Marx distinguished different kinds of capital in terms of their function. *Industrial capital* is the capital of businesses that produce the surplus value; they received the portion of surplus value he calls industrial profit. *Commercial capital* is the capital of businesses that buy and sell commodities produced by industrial capitals; they receive commercial profit. *Interest-bearing capital* consists of loans and other credit instruments such as bonds; the lenders receive interest. Marx also made some additional distinctions pertaining to the capital of the financial sector.

Among the most important of the latter is the distinction between *real capital* and *fictitious capital*. Marx ([1894] 1991:594–595) regarded all securities—bonds, shares of stock, mortgage loans, and so forth—as fictitious capital. The reason is not that they are overvalued (though they sometimes are) but that they are not actually capital at all. A corporation’s capital “does not exist twice over, once as the capital value of the ownership titles, the shares, and then again as the capital actually invested” ([1894] 1991:597). Only the latter is genuine capital. Stock share and other securities are instead just ownership titles to flows of income that are expected in the future. They have prices, not because they represent capital in the here and now but simply because investors are willing to pay for the right to appropriate expected future flows of income.

For example, if a security entitles its owner to receive a flow of \$500 per year, and the going rate of interest is 5%, the security is worth \$10,000, since annual interest of \$500 on a \$10,000 investment yields the investor a 5% return. This process of determining securities’ prices, already well-established in Marx’s ([1894] 1991:597) day, is known as *capitalization*, the conversion of a flow of income into an amount of (fictitious) capital.

# 7. Constant Capital Versus the Value of the Means of Production

Marx ([1867] 1990:320) defined *constant capital* as “the sum of money laid out on [i.e., advanced for, invested in] means of production.” However, many writers have employed the term loosely, to refer to the value of the means of production and/or the means of production themselves. This has proven to have unfortunate consequences. In particular, charges that Marx’s value theory is logically inconsistent, and that his falling-rate-of-profit theory cannot possibly be correct, are based partly on a failure to understand or rigorously respect the difference between constant capital and the value of means of production.

There are two main reasons that constant capital differs from the value of means of production. First, means of production (like commodities generally) are almost always purchased at prices that differ from their values. Second, technological and other changes cause continual changes in the value of any particular means of production, but



the sum of money that a company invested in that means of production can obviously never change after the fact.

Marx drew attention to the first reason in a passage that discusses *cost price*, the term he used in *Capital* to refer to the portion of a commodity's value that "replaces the price of the means of production consumed and the labour-power employed" (Marx [1867] 1991: 118)—that is, the sum of the constant-capital and variable-capital portions of its value. He issued the following warning:

It was originally assumed that the cost price of a commodity equalled the *value* of the commodities consumed in its production. But ... [just as] the price of production of a commodity can diverge from its value, so [can] the cost price of a commodity .... It is necessary to bear in mind this modified significance of the cost price, and therefore to bear in mind too that if the cost price of a commodity is equated with the value of the means of production used up in producing it, it is always possible to go wrong.

[Marx 1991: 264–265, emphasis in original]<sup>14</sup>

This warning is of critical importance for an understanding of Marx's ([1894] 1991, chapter 9) account of the "transformation of commodity values into prices of production."<sup>15</sup> For more than a century, many Marxist and non-Marxist authors have alleged that Marx's account of the "transformation" is internally inconsistent. They charge that he transformed the value of outputs (products) into prices of production but "forgot" to transform the values of the inputs (means of production and labor power). And when this supposed error is "corrected," it seems that Marx's value theory cannot explain real-world prices and profits: contrary to what he maintained, the economy-wide rate of profit that results from real-world price determination differs from the theory's value-determined rate of profit; and either total profit differs from total surplus value or the total price of output differs from its total value.

However, while the critics' attempted demonstrations of internal inconsistency claim that Marx's account starts with the "untransformed" values of means of production and labor power, his actual text starts with commodities' cost prices and investments of constant and variable capital. If one takes seriously his warning about the difference between the value of the means of production and the cost price (and construes it as a warning), there is no internal inconsistency in his account, nothing in need of correction. Because their magnitudes are determined by the prices, not the values, of the physical inputs, the cost prices and capital investments do not need to be "transformed."<sup>16</sup>

The second reason for the difference between the value of means of production and the constant capital that was invested—the former continually changes while the latter cannot—is especially pertinent to Marx's falling-rate-of-profit theory. He and the classical economists who preceded him regarded the rate of profit's tendency to fall as an established fact. Marx's ([1894] 1991, chapters 13–15) "law of the tendential fall in the rate of profit" is his explanation of this fact and a crucial component of his understanding

of capitalism's economic crises and downturns. Roughly speaking, the law is that labor-saving technological change under capitalism tends to depress the rate of profit because it causes an ever-decreasing share of capital investment to be directed toward the hiring of workers whose surplus labor is the exclusive source of surplus value (profit).

"Okishio's theorem" says that this law cannot possibly be correct. Okishio (1961) supposedly proved that, if firms introduce only those new technologies that boost their expected rate of profit (as estimated on the basis of current prices and wages), technological advances can *never* cause the economy-wide equilibrium rate of profit to fall.<sup>17</sup> For decades, this result was widely taken to be conclusive.

However, Okishio's "rate of profit" is not a rate of profit in the normal sense. What business people and investors refer to—and what Marx's law refers to—when they employ the term *rate of profit* is profit as a percentage of the actual capital that was invested *in the past*. But Okishio was referring to profit as a percentage of the *current* cost of the means of production (plus workers' means of subsistence). Although labor-saving technological change cannot cause the latter rate to fall under the conditions that Okishio assumed, it can certainly cause a fall in what is normally called the rate of profit.<sup>18</sup>

## 8. Interest as a "Return to Capital"

Marx argued that interest on capital, along with the other forms of property income (industrial and commercial profit, rental income, etc.), is a portion of the surplus value created in the production process of capital. This differs from the dominant view of interest in current mainstream economic theory.

According to the general equilibrium models of neoclassical economics, which are commonly regarded as the most rigorous formulations of the dominant view, the rate of interest on financial capital depends on preferences for consuming goods and services now instead of in the future, and interest is the compensation that lenders receive in return for abstaining from consumption—lending funds instead of spending them immediately on consumption goods and services. In addition, the rate of interest on any means of production is determined by the value of its marginal product (the increase in the value of output that stems from the employment of an extra unit of the means of production). In a state of general equilibrium, all of these rates of interest are equal.

Although this theory clearly differs from Marx's, it is not obvious that the two theories are *opposed*. They might instead be *incommensurable* (Oberheim and Hoyningen-Huene 2016) because they are not addressing the same issue. This clearly seems to have been Marx's view of the difference between his theory and the abstinence-from-consumption theory. He argued that, while his theory explains the origin of surplus-value, how it arises, the abstinence theory and bourgeois conceptions of other forms of property income only *appear* to explain this. In actual fact, they simply assume that the surplus-value exists;

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and then they offer explanations for how and why it is divided among different kinds of capitalist in a particular way:<sup>19</sup>

[G]rounds of compensation which go to determine the division of surplus-value are turned, in the capitalist's way of conceiving things, into grounds for the (subjective) justification of profit as such.

[Marx [1894] 1991:507]

The ratio in which profit [or surplus-value] is divided, and the different legal titles by which this division takes place, already assume that profit is ready-made and pre-suppose its existence.... The basis for the division of the profit between two kinds of capitalist is thus transformed imperceptibly into the basis of existence of the profit or surplus-value to be divided.... But profit is produced before this division takes place, and before there can be any talk of it.

[Marx [1894] 1991:504–505]

If this view is correct, then the dominant theory does not differ from Marx's by providing a different explanation of how interest income arises or by contending that something other than living labor can create value and surplus value. The difference is instead that, according to the dominant theory, value is not *created* by anything at all. It arises in the market, and its magnitude depends on prices determined by supply and demand.

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## Notes:

(<sup>1</sup>) Although *Verwertung* is a common German word, Marx's use of it is neologistic. "Valorization" preserves the neologistic character, while "self-expansion of value" more closely conveys what Marx intended—a process in which value "begets" additional value (see Marx [1867] 1990a:256).

(<sup>2</sup>) Such independent owner-operators appropriate all of the new value they create. They do not create surplus value because, by definition, surplus value is the portion of newly created value that the direct producer does not appropriate. However, Marx ([1894] 1991 :571) held that legally independent owner-operators who exploit themselves do create surplus value.

(<sup>3</sup>) These remarks are part of Marx's discussion of the fetish character of commodities in the first chapter of *Capital*. A distinct concept, *capital fetish*, which does involve misunderstanding of the facts, appears elsewhere in the work (Marx [1894] 1991:516, 968). Specifically, the nature of capitalist production misleadingly makes it appear that capital is value that creates value, and economists present this appearance as fact. Marx uses the term "capital fetish" to refer to both the misleading appearance and its

theoretical representation. The existence of this distinct concept does not negate the fact that Marx regarded the transfer of power from people to capital as real.

(<sup>4</sup>) Although we typically use terms like “purpose” only in connection with conscious, intentional agents, Marx’s usage has a long history. For example, Aristotle held that the purpose (*telos*) of an acorn’s developmental process is to become an oak tree. See note 5.

(<sup>5</sup>) Though his text lacks a citation here, Marx was evidently drawing on Hegel’s ([1807] 1977, para. 22, emphases in original) description of “purpose” in the preface to his *Phenomenology of Spirit*: “in the sense in which Aristotle, too, defines Nature as purposive activity, purpose is what is immediate and *at rest*, the unmoved which is also *self-moving*, and as such is Subject.”

(<sup>6</sup>) *Surplus labor* is Marx’s ([1867] 1990a:325) term for labor that working classes perform in excess of the amount of labor needed to produce the goods and services they consume (i.e., labor performed for the benefit of the exploiting classes).

(<sup>7</sup>) This has been the taken-for-granted assumption among economists, both before and after Marx. It might even be true by definition. The *Macmillan Dictionary* defines *exchange* as “a situation in which one person gives another person something and receives something else of a similar type or value in return.”

(<sup>8</sup>) Kliman (2011:186–188) shows that these demonstrations do not depend upon the assumption that commodities exchange at their values. They instead follow from Marx’s ([1867] 1990:360) premise that commodities have determinate prices, as well as values, before they enter the market.

(<sup>9</sup>) This is why I previously described this depiction of the circuit of capital as provisional.

(<sup>10</sup>) See note 3 on the concept of *capital fetish*.

(<sup>11</sup>) Attempts to prove Marx’s value theory to be logically flawed have failed (see Kliman 2007). It is immune to many of the simpler attempts to refute it empirically, which rest on elementary misunderstandings of what the theory says and doesn’t say, such as what Cooney (2010) has called the “MudPie argument”: although labor is used to produce mudpies, they have no value. I consider the theory to be an empirical one and, as such, incapable of being either proven or disproven by deductive arguments. (I do not think that Marx tried to prove it deductively.) But there cannot be *direct* empirical evidence either for or against the proposition that living labor is the sole source of new value. The appropriate test is instead whether theories that employ this proposition can explain the phenomena they are meant to explain. I do not know of any credible evidence that they are not.

(<sup>12</sup>) Marx ([1849] 1902:40–41, emphases in original). The original version of this 1847 lecture referred to “labor” instead of “labor-power,” a concept Marx did not develop until the late 1850s.

(<sup>13</sup>) However, Marx rejected the classical economists' conflation of this distinction with the distinction between what he called variable capital and constant capital. He also corrected confusions in previous writers' attempts to distinguish between circulating and fixed capital.

(<sup>14</sup>) This passage (from the uncorrected manuscript of Volume III of *Capital*) does not mention the price of the labor power employed, which is part of the cost price. Marx was implicitly either including it as part of the price of "means of production" or discussing only the constant-capital portion of the cost price.

(<sup>15</sup>) *Price of production* is Marx's term for the hypothetical sales price that provides the seller an average rate of profit.

(<sup>16</sup>) See Kliman (2007, chapters 8 and 9) for further discussion of these issues.

(<sup>17</sup>) Okishio did not deny that the rate of profit can fall if some other change, such as a rise in real wages or an economic downturn, accompanies technological innovation. But in such cases, his "theorem" implies that the other change, not the technological innovation, is the *cause* of the fall in the rate of profit.

(<sup>18</sup>) See Kliman (2007, chapter 7) for further discussion of this issue.

(<sup>19</sup>) The marginal productivity theory, which Marx seems never to have commented on directly, is often misinterpreted as an explanation of the origin of interest: means of production *create* additional value that is appropriated as interest. Actually, however, the theory says that the value of the product is a determinant of the marginal productivity, not vice versa.

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# Oxford Handbooks Online

## Capital: A Revolutionary Social Form

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## Abstract and Keywords

Capital is the fundamental concept of modern social theory because capital is the foundation of bourgeois society. Unlike produced means of production, capital is a specific social form of production. A vast gulf separates Marx from the mainstream notion that capital is produced means of production. Inattention to production's social form, a feature of the "bourgeois horizon," shackles social theory: it puts capital out of sight. Capital is value whose value is increased. Value is enigmatic; a strange, "supersensible" social form of wealth, it results from commodity-producing labor. The topic of labor's social form falls outside economics. Capital shapes and subsumes society in various ways. Marx identifies several forms of subsumption: formal, real, and ideal, as well as "hybrid forms." Commerce makes capitalist society appear classless; however, capital presupposes a class division of the means of production and subsistence. Crises are seeded in the dichotomous character of commodities.

Keywords: capital, value, money, social form, subsumption, bourgeois horizon, class, crisis

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Capital, Marx tells us, is the fundamental concept of modern social theory because capital is the foundation of bourgeois society: "The exact development of the concept of capital [is] necessary, since it [is] the fundamental concept of modern economics, just as capital itself ... [is] the foundation of bourgeois society" (Marx 1973:331). Unlike produced means of production—a factor of production common to all societies—capital is specific to those societies where the capitalist mode of production is dominant. Capital, a specific social form of production, constitutes those societies as capitalist.<sup>1</sup> A vast gulf separates Marx's concept of capital from the mainstream notion that capital is any produced means of production. Simon Clarke identifies the source of the breach:

There was a scientific revolution in nineteenth-century social thought.... It was inaugurated by Marx's critique of the ideological foundations of classical political

economy, which he located in the political economists' neglect of the social form of capitalist production.

(Clarke 1982:240)

Neglect of the social form and purpose of production generates the illusion of an economy-in-general—a provisioning process where needs, wealth, labor, and production have no social form or specific purpose—into which capitalist production disappears. Marx complains of David Ricardo's "inability to grasp the specific form of bourgeois production," which "arises from the obsession that bourgeois production is production as such" (Marx 1968:529). What will be referred to here as "economics" takes "production as such," or an even broader topic, as its object.<sup>2</sup>

In adopting the classical (Ricardian) labor theory of value, traditional Marxism fails to grasp the social forms constitutive of the capitalist provisioning process: it shares the classical universe of discourse, what Marx calls the "bourgeois horizon." Radical economics is still economics. Marx breaks with economics. Marx's concept of capital cannot be developed from generally applicable categories, such as means of production or labor.<sup>3</sup> Obliviousness toward the social form and purpose of production is a disaster for modern social theory: it puts the crucial category, capital, out of sight.

Capital, for Marx, is the form of production that has as its purpose endless profit-making and accumulation of capital. The emergence of capital marks a revolutionary new epoch in human history. Capital is a process, not a thing, though commodities (C) and money (M), which are things constituted by specific social forms, may function as capital. Marx introduces the "general formula for capital" in chapter 4 of *Capital*. He examines M-C-M+ΔM, an abridged version of the circuit of capital, representing capital only insofar as it appears in simple commodity circulation. As it moves through this circuit, "value suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms" (Marx 1976a:256). Capital makes the movement of commodities and money its own. Capital encompasses a totality of socially specific categories involved in its circulation; we may call them value categories, since they all have reference to value. They include the commodity, value, money in its several forms, capital (constant and variable), wage labor, surplus value, valorization, productive labor, profit, interest, rent, and more.<sup>4</sup> The "exact development of the concept of capital" requires developing these value categories across the three volumes of *Capital*.

Marx's concept of capital is cut from different cloth than the mainstream one, which clings to the asocial concept of capital that Marx ridiculed:

No production [is] possible without an instrument of production, even if this instrument is only the hand. No production without stored-up, past labour, even if it is only the facility gathered together and concentrated in the hand of the savage by repeated practice. Capital is, among other things, also an instrument of production, also objectified, past labour. Therefore, capital is a general, eternal



relation of nature; that is, if I leave out just the specific quality which alone makes “instrument of production” and “stored-up labour” into capital.

(Marx 1973:85–86)

The mainstream concept of capital, as produced means of production, is generally applicable: no society can do without produced means of production. Marx has this general concept, too, but he understands why it is not the concept of capital. Conceived of simply as produced means of production, capital is not socially specific and therefore sheds no light on what makes capitalist production capitalist.

The mainstream conception of capital cannot identify, much less understand, what constitutes capitalist production, yet Marx’s concept of capital has largely been passed over by social theory. The mainstream concept of capital is at once too wide and too narrow. It is too wide in that produced means of production function as capital only under special social and historical conditions; the mainstream concept extends to all social situations. It is too narrow because (1) it excludes money and financial instruments such as stocks and bonds from functioning as capital—they do not function directly as means of production—and (2) it excludes commodities produced on a capitalist basis that are destined to be unproductively consumed rather than used as means of production. Strangely, according to the mainstream conception, capital is not traded in capital markets, and the consumer commodities offered for sale by capitalist merchants are not capital. What Marx terms “money” capital—and much of what he calls commodity capital—are excluded from the scope of the mainstream concept of capital. If Marx is right, contemporary social theory is missing the most important concept for understanding the modern world.<sup>5</sup>

## 1. Placing Marx’s Concept of Capital Within the Horizon of His Thought

Considering three correlative topics helps us to place Marx’s concept of capital within the horizon of his thought: (i) his conception of historical materialism, (ii) his criticism of the “bourgeois horizon,” and (iii) his criticism of separating production and distribution.

**(i)** In their early collaboration, Marx and Engels arrived at the idea of historical materialism. They point out that the historically specific social form and purpose of a provisioning process makes it a way of life, not a mere means of survival:

This mode of production [*Produktionsweise*] must not be considered simply as being the reproduction of the physical existence of the individuals. Rather it is a definite form of activity of these individuals, a definite form of expressing their life, a definite *mode of life* [*Lebensweise*] on their part.

(Marx and Engels 1976:31)

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Marx returns to this idea in the *Grundrisse*: “Whenever we speak of production, then, what is meant is always production at a definite stage of social development—production by social individuals” (Marx 1973:85). We can make some general observations about production, but “there is no production in general.” Those general observations include identifying the three factors of production: land, labor, and produced means of production. In acknowledging produced means of production as a general feature of the labor process, Marx does not identify those means with capital. No, wealth and production always have a constitutive social form and purpose. As factors of production, land, labor and produced means of production no more exist in general than production does. In his critique of the “Trinity Formula,” Marx shows how vulgar economics conflates the three factors of the production process: land, labor, and produced means of production, with their capitalist forms (and corresponding forms of revenue): landed property (rent), wage labor (wages), and capital (profit, interest) (Marx 1981:953–970). In capitalism, produced means of production are capital because of the role they play in the circulation of capital as it performs the trick of turning money (M) into more money ( $M + \Delta M$ ), mutating from money capital, to productive capital, to commodity capital, and back to (more) money capital. When produced means of production do not function in this way, they are not capital.

Marx states the kernel of historical materialism: “All production is appropriation of nature on the part of an individual within and through a specific form of society” (Marx 1973:87). This is a phenomenological claim. It asserts a necessity: production is inseparable from its specific social form and purpose. The trouble with economics, with its asocial conception of capital as produced means of production, is its failure to recognize this phenomenological truth. Historical materialism adds an overlooked third question (i.e., what is the social form and purpose of wealth?) to the familiar two: How much wealth is there? How is wealth distributed? With it comes the matching question: what is the social form and purpose of production? Marx addresses the third question starting with the first sentence of *Capital*. His preliminary answer is that, where the capitalist mode of production is dominant, wealth takes the commodity form. Marx goes on to show that the generalization of the commodity form of wealth is one with the capitalist mode of production, for which surplus value is the aim (Marx 1981:1019–1020.) Simple commodity circulation and the circulation of capital are mutually presupposing. As the output of capitalist production, the commodity is commodity capital; it functions as capital.

**(ii)** Marx challenges the “bourgeois horizon,” which he identifies as the mindset that constrains political economy, much of modern philosophy, and many forms of socialism. Bourgeois thinking spins bifurcations: mind vs. world, subjective vs. objective, form vs. content, concept vs. object, and more. The bourgeois mindset is quick to treat as *separable* what can only be *distinguished* in thought. The target of Marx’s early philosophical criticism is less German idealism and the previous materialism than the splitting of experience that makes these one-sided philosophies possible.

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Marx criticizes Proudhon's amalgamation of political economy, idealist philosophy, and socialism, writing to Annenkov that Proudhon "does not rise above the bourgeois horizon" (Marx 1963a:190). Marx attributes the failures of political economy generally to its confinement to the bourgeois standpoint:

Yet even its best representatives remained more or less trapped in the world of illusion their criticism had dissolved, and nothing else is possible from the bourgeois standpoint; they all fell therefore more or less into inconsistencies, half-truths and unresolved contradictions.

(Marx 1981:969)

Marx follows Hegel in rejecting the bifurcation between form and content:

Form and content are a pair of determinations that are frequently employed ... in such a way that the content is considered as what is essential and independent, while the form, on the contrary, is inessential and dependent. Against this, however, it must be remarked that in fact both of them are equally essential.

(Hegel 1991:202)

Marx repeatedly employs this dialectical thought, and the analogous one that the essence *must* appear as something other than itself, in criticizing political economists. To cite two key examples, Marx argues that money is the necessary form of appearance of value and that surplus value necessarily appears as profit, interest, and rent.

The bifurcations characteristic of thinking trapped within the bourgeois horizon lead it to be dismissive of forms and concepts, since they are identified as (purely) subjective, whereas content and object are (purely) objective. Bourgeois thinking veers away from the Aristotelian understanding of forms and concepts as inseparable from content and object that Hegel and Marx adopt. Marx praises Aristotle as that "giant of thinking" [*Denkriese*] and "the great investigator who was the first to analyze the value-form, like so many other forms of thought, society and nature" (Marx 1976a:175, n. 35; Marx 1976a:151). Bourgeois thinking loses the thread of this type of investigation, leading it to conceive of capital as a thing rather than a social form of production.

**(iii)** In the Introduction to the *Grundrisse*, Marx systematically works through the general relations of production to distribution, exchange, and consumption, attacking "the economic notion that the spheres of distribution and of production are independent, autonomous neighbours" (Marx 1973:90). On the contrary, Marx argues, "Distribution is itself a product of production, not only in its object ... but also in its form, in that the specific kind of participation in production determines the specific forms of distribution" (Marx 1973:95). Marx concludes "that production, distribution, exchange and consumption ... all form the members of a totality, distinctions within a unity" (Marx 1973:99). Here we have a phenomenological judgment: in a given social form of the provisioning process, production, distribution, exchange, and consumption are distinguishable but inseparable. For this reason,

accounts of Marx's theory of value that confine it either to the sphere of production or to that of circulation are one-sided.<sup>6</sup> As Moishe Postone puts it, "Value should not be understood merely as a category of the mode of distribution of commodities ... rather, it should be understood as a category of capitalist production itself" (Postone 1993:24). There is no room within Marx's horizon of discourse for conceiving of capital merely as produced means of production. Capital "must have its origin both in circulation and not in circulation" (Marx 1976a:268).

Marx returns to the topic of the relations of production and the relations of distribution late in *Capital* 3. In a powerful résumé of *Capital*, he writes:

The scientific analysis of the capitalist mode of production proves ... that this is a mode of production of a particular kind and a specific historical determinancy ... that the relations of production corresponding to this specific and historically determined mode of production ... have a specific, historical and transitory character; and that finally the relations of distribution are essentially identical with these relations of production, the reverse side of the same coin, so that the two things share the same historically transitory character.

(Marx 1981:1018)

This conception of production and distribution as two sides of the same coin, which we may take as an articulation of the phenomenological point of historical materialism, rules out the mainstream conception of capital as strictly a matter of production (much less an immutable one). Marx exposes the ideological payoff of splitting production and distribution:

production is supposedly represented—see, for example, J.S. Mill—in distinction from distribution etc., as framed in eternal natural laws independent of history; this is the occasion for passing off, in an underhand way, *bourgeois* relations as irrevocable natural laws of society in the abstract. This is the more or less conscious purpose of the whole proceeding.

(Marx 1973:87)

Marx imagines a world without capital; on the mainstream conception, that would be nonsense.

## 2. Capital is Valorized Value

Capital is value that is valorized: a value whose value is increased functions as capital. Marx frequently refers to capital as "self-valorizing value," a phrase that calls for scrutiny since valorization depends on capital's ability to extract surplus labor from wage workers. To grasp capital, we must first grasp value, a point that Jarius Banaji stresses: "The whole understanding of *what capital is* ... depends crucially on the exposition of the theory of value" (Banaji 2015:24). Marx warns us of the difficulty involved: "Value, therefore, does

not have its description branded on its forehead; it rather transforms every product of labour into a social hieroglyphic" (Marx 1976a:167). Value is enigmatic: "not an atom of matter enters into the objectivity of commodities as values ... We may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value" (Marx 1976a:138–139). The value of a commodity does appear, but like a ventriloquist's voice, it manifests itself in another body: that of its opposite value form—money. The difficulties in understanding value lead to setting the task aside: "It is naturally still more convenient to understand by value nothing at all. Then one can without difficulty subsume everything under this category" (Marx 1973:677, n. 6). Economics textbooks take advantage of this convenience, while random discussion of "adding value" is widespread. Mainstream social theory snubs value or understands it as something not socially specific.

Marx continues to be misinterpreted as adopting the classical (Ricardian) labor theory of value and driving it to the radical conclusion that capitalists exploit wage workers as the source of surplus value (profit). In the classical theory, value is embodied labor, making it a transhistorical concept. Neo-Ricardian (Sraffian) Marxism likewise offers an ahistorical theory of prices of production and the rate of profit that is based on "physically specified conditions of production" and "real wages." Michio Morishima writes, "(values) are determined only by technological coefficients ... they are independent of the market, the class-structure of society, taxes and so on" (Morishima 1973:15).<sup>7</sup> Taking Marx to hold the classical labor theory of value or a Sraffian alternative rests on deep misconceptions. Marx's theory of value is about the social form of labor in capitalism—value is "purely social"—whereas the topic of the social form of labor lies outside the discourse of economics. Unlike embodied labor, value for Marx is historically specific and strange. Value is the supersensible social objectivity created by commodity-producing labor, not just any social sort of labor.

The failure to recognize how capitalist society is enchanted results from the denial of the objectivity of value—and with it the denial of the fetish character of the commodity, money, and capital—that comes with ignoring the social specificity of value and the labor that produces it. Because of the social form that labor takes in capitalist production, namely, privately undertaken production for sale in the marketplace, value is necessarily expressed in something other than itself, money (price), which confirms the historical specificity of value. Neither the classical (Ricardian) labor theory of value nor a Sraffian alternative accounts either for the social and historical specificity of value or for the necessity that value be expressed in money.

Jon Elster questions Marx's reasoning in adopting abstract labor as the substance of value. He points out that not all commodities are products of labor and that Marx fails to consider "the potential for human want satisfaction, or utility or use-value" (Elster 1985: 140).<sup>8</sup> Elster's suggestion faces the previous two objections and one more. Since "utility or use-value" is nothing historically specific, it cannot account for the historical specificity of value. Value belongs to the double character of wealth in capitalist societies: commodities are use-values and values. To collapse value into use-value is to eliminate

the commodity's double character and thereby excise its social form. Since there is no necessity to express "utility or usefulness" in money, utility cannot be the substance of value.

Elster writes as if it did not occur to Marx that "utility or use-value" might be the substance of value. Marx does not overlook it; rather, he immediately rules it out: "But clearly the exchange relation of commodities is characterized precisely by its abstraction from their use-values.... As exchange-values they ... do not contain an atom of use-value" (Marx 1976a:127–128). Use-value cannot be the substance of value when value abstracts absolutely from it. Marx and Engels scoffed at utility: "This apparently metaphysical abstraction arises from the fact that in modern bourgeois society all relations are subordinated in practice to the one abstract monetary-commercial relation" (Marx and Engels 1976:409). Utility is a shadow cast by capital. Utility does not reveal value's substance; it masks value and the exploitation involved in extracting surplus value. Marx follows Aristotle in rejecting any metric for usefulness, as utility claims to supply. Utility is a misconception of usefulness: "The usefulness of a thing makes it a use-value. But this usefulness does not dangle in mid-air. It is conditioned by the physical properties of the commodity, and has no existence apart from the latter" (Marx 1976a:126). Since utility abstracts from the useful properties of things—it purports to "dangle in mid-air"—it has nothing to refer to. As such, it is a pseudo-concept. How poorly Marx's theory of value is grasped is one measure of how little his concept of capital is understood.

### 3. How Capital Shapes and Subsumes

Capital's reach is vast; its powers are differentiated: "Capital is the all-dominating economic power of bourgeois society" (Marx 1973:107). Capital shapes and subsumes bourgeois society in various ways and to different degrees. It directly subsumes commerce, industry, and finance, but—shaping where it does not subsume—capital posits other social spheres: the domestic sphere, the for-profit firm, and the state.<sup>9</sup> Because capital presupposes that labor generally takes the form of free wage labor, capital posits a social sphere (the domestic sphere) where laborers can be born and reared, live, and reproduce. It cannot be formally subsumed under capital, since workers would then be owned by capital and not free to sell their labor power.

Marx notes the irony that "labour is systematically divided in every factory, but the workers do not bring about this division by exchanging their individual products. Only the products of mutually independent acts of labour, performed in isolation, can confront each other as commodities" (Marx 1976a:132). For-profit firms produce commodities for the market, but within the firm, goods and services are not bought and sold. Though the firm answers to the market, within the firm there must be social relations and modes of organization other than market relations. With the concentration and centralization that comes with capital's accumulation, firms grow and enlarge this social sphere.

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Capital posits the state as a formally independent social sphere capable of enforcing contracts and protecting property rights, regulating commerce and finance, solving various collective action problems, and carrying out an expanding list of other functions. Though the capitalist state (the state posited by capital) must concern itself with capital's accumulation, capital accumulation is not its direct purpose. Social relations and the organization of tasks take their own forms within the state. The complexity of these modern social spheres posited by capital gives rise to cross pressures and contradictions.<sup>10</sup>

### 3.1 Forms of Subsumption of Labor Under Capital

Marx's ideas about the subsumption of labor under capital, which have become better known in recent decades, help us to recognize capital to be a momentous social form and to articulate its implications.<sup>11</sup> Because Marx is widely thought to be a radical political economist, his fundamental critique of economics for its neglect of specific social forms and purposes gets lost. But there is an evident mismatch between Marx's rubric of subsumption and political economy. To be something that labor can be subsumed under, capital must be a social form, not a thing:

Just as it is convenient for the apologists of capital to confuse it with the use value in which it exists, and to call use value as such capital, in order to present capital as an eternal factor of production, as a relation independent of all social forms, immanent in every labour process, hence immanent in the labour process in general, so equally does it happen that it suits Messieurs the economists ... [to] forget the essential feature of capital, namely that it is value positing itself as value, hence not only self-preserving but at the same time self-multiplying value.

(Marx 1988:33)

If capital is conceived of as a thing, a "use value as such," not a social form, the idea of subsuming labor under capital makes no sense. The failure to recognize capital as a potent social form is a deep error of mainstream social theory. But the breakdown begins with the failure to grasp value. Value and capital, value that preserves and multiplies itself, are epochal social forms under which wealth, labor, and production are subsumed in constituting capitalist societies.

### 3.2 Formal and Real Subsumption Under Capital

Marx identifies several different forms of subsumption under capital. The two best known—they play a central role in *Capital* under the rubrics of absolute and relative surplus value—are formal and real subsumption of labor under capital (Marx 1976b:1024–1025; Marx 1976a:645). When labor is subsumed under capital, workers enter a web of distinctive social relations. With the formal subsumption of labor under capital, (i) the capitalist oversees the labor process and (ii) the capitalist owns the products (Marx 1976a:291–292). Owning the product, the capitalist owns the surplus value it bears. Because the relationship between capitalist and wage-laborer is purely financial, "the

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process of exploitation is stripped of every patriarchal, political or even religious cloak” (Marx 1976b:1027). A measure of self-respect comes with the wage: “It is the worker himself who converts the money into whatever use-values he desires; it is he who buys commodities as he wishes and, as the *owner of money*, as the buyer of goods, he stands in precisely the same relationship to the sellers of goods as any other buyer” (Marx 1976b:1033). Working for pay, workers can develop senses of equality, responsibility, self-control, and indifference to their work. *Merely* formal subsumption does not transform production materially or technically (Marx 1976b:1021). Marx does not identify a historical period of merely formal subsumption.

Real subsumption of labor under capital presupposes formal subsumption (Marx 1976b: 1019), but it involves materially or technically transforming production for the sake of surplus value. Bluntly put, “the machine is a means for producing surplus-value” (Marx 1976a:492). This puts modern technology in an unsettling light, exposing it as specifically capitalist.<sup>12</sup> It challenges both a technological conception of historical materialism, which separates technology (forces of production) from specific social forms and purposes, and a conception of revolution limited to transferring ownership of the means of production.<sup>13</sup>

### 3.3 Ideal Subsumption Under Capital

Marx calls attention to ideal subsumption under capital; in this expression of capital’s power over our imaginations, production that is not formally subsumed under capital is thought of as if it were. Failure to identify what is specific to capitalist production can lead to ideally subsuming non-capitalist production under capital:

The *determinate social character* of the means of production in capitalist production—expressing a particular *production relation*—has so grown together with, and in the mode of thought of bourgeois society is so inseparable from, the material existence of these means of production as means of production, that the same determinateness (categorical determinateness) is assumed even where the relation is in direct contradiction to it.

(Marx 1963b:408)

Marx catches John Stuart Mill in a striking example of this: Mill insists on talking about profit where there is no buying or selling, no money (Marx 1976a:652). Thinking of someone as “self-employed” is an everyday variety of ideal subsumption (Marx 1981: 1015). Goods and services do not function as commodity capital within a firm, but the demands of profit making put pressure on firms to ideally subsume departments, organizing them and handling their accounting as if they were independent capitalist firms.

### 3.4 Subsumption of Pre-Capitalist Commercial Forms Under Capital

Capital subsumes pre-capitalist commercial forms, transforming them. Tony Smith states the point well:



Commodities, money, profits, and so on, can all be found in precapitalist societies. One of Marx's fundamental insights is that these were not the same social forms as commodities, money, and profits in capitalism, although we use the same words. In *Capital*, Marx examines these social forms insofar as they are moments of a social order whose organizing principle is the self-valorisation of value ... This was not the organizing principle of precapitalist societies.

(Smith 1990:336)

This is an important caution regarding what Marx is examining in *Capital*.

### 3.5 Hybrid Forms

Marx mentions hybrid forms where a precapitalist kind of capital exercises power over production that is not formally subsumed (Marx 1976a:645; Marx 1976b:1023, 1044, and 1048). In these hybrid forms "no capital exists yet in the strict sense of the word," for only capital that "has taken control of production ... is the basis of an historical mode of social production of its own" (Marx 1988:32). Marx recognizes two types of hybrid subsumption, one he calls "transitional" (*Übergangsform*), and the other he calls "accompanying" (*Nebensform*). The former is a bridge to modern capitalist social relations. Two sub-types of transitional hybrid subsumption stand out. In one hybrid form, producers do not work under the direct control of capital but borrow from a capitalist lender. In another, producers sell to a capitalist merchant. The accompanying type of hybrid subsumption refers to forms that continue to appear in established capitalism. Hybrid subsumption continues in developed capitalist societies, as we see in the "gig economy."

## 4. The "Qualitative Sociological" Dimensions of Value and Capital

I. I. Rubin observed, "The basic error of the majority of Marx's critics consists of ... their complete failure to grasp the qualitative sociological side of Marx's theory of value" (Rubin 1972:73–74). That error results from mistaking Marx's theory of value, which is a theory of the social form that labor takes in capitalist production, with the theory that value is simply embodied labor. When labor is understood in the latter, general way, there is no conceptual basis for a "qualitative sociological" dimension. Value, as Marx conceives of it, is socially and historically specific. That provides traction for "qualitative sociological" inquiries.

### 4.1 The Kind of Social Power That Value Packs

Let us look into the peculiar kind of social power that value packs: purchasing power. None of the following "qualitative sociological" features are available on a theory that attributes value to "labor." (i) Value's power is abstract and homogeneous; it does not

spring from material characteristics of commodities or money or of buyers or sellers. Indifferent to particularity, value's power is a matter of how much. Value's homogeneity arises from how capital treats human labor: "The labour of every individual in so far as it manifests itself in exchange-values possesses this social character of equality" (Marx 1970:32). (ii) Value is a "radical leveler": anyone can produce value, and anyone can be a buyer or seller of commodities. Value's power is available (in principle) to anyone. (iii) The leveling power of value threatens the social bonds of non-capitalist societies and institutions. Value is a solvent: "All that is solid melts into air: all that is holy is profaned." Martha Campbell echoes Marx: "Because, as value, social interdependence is abstract and embodied as money, atomism is the way people relate to each other" (Campbell 2004: 83–84). Atomism is not the absence of sociality but rather a seemingly asocial variation of it: "Atomism ... combines the contradictory aspects of the 'exclusively individual' and the 'exclusively social'" (Campbell 2004:80; Marx 1973:84; Marx 1993:25). (iv) Value's social power is generally held privately and directed to private ends whose relation to the common good is contingent. (v) Value's power is borne by things; here lies the fetish character of the commodity and money. Value's power is carried like a charm: "The power that each individual exercises over the activity of others or over social wealth exists in him as the owner of *exchange values*, of *money*. He carries his social power, as also his connection with society in his pocket" (Marx 1986:94). (vi) Value's power is, ordinarily, transferable. This enables capital to centralize through mergers and acquisition: Fiat can buy Chrysler. (vii) Purchasing power cannot be preemptory; it requires the voluntary—if constrained—cooperation of other property holders. That includes wage laborers, as the rightful owners of their own labor power. (viii) Value (including the value of money) is subject to revaluations, including unpredictable and drastic devaluations in crises. (ix) Value appears to be natural, not social: "It is a characteristic feature of labour which posits exchange-value [value] that it causes the social relations of individuals to appear in the perverted form of a social relationship between things" (Marx 1970:34). While it is fetishism to treat this "perverted form" as natural, the truth remains that "the social relations between their private labours appear as what they are i.e., they do not appear as direct social relations between persons in their work, but rather as material [*dinglich*] relations between persons and social relations between things" (Marx 1976a:166). Value is a self-concealing form of sociality.

These "sociological features" of value, taken on the conceptual level of simple commodity circulation, pertain to capital. For capital is value that is valorized. Capital undergirds the law of value: "The majority of products take the form of commodities" only "on the basis of one particular mode of production, the capitalist one" (Marx 1976a:273). Because "surplus-value cannot arise from circulation ... something must take place in the background which is not visible in the circulation itself" (Marx 1976a:268). That something is capitalist production. While in commodity exchange "all is 'lovely' [*sheene*]," when we come to capital "it will end in terror [*Schrecken*], and that as a consequence of the law of equivalence" (Marx 1954:90–91; my translation). Marx harkens back to Hegel's account of how the Enlightenment ends in an alarming sequence going from utility, to absolute freedom, to terror [*Schrecken*] as a consequence of the abstract form of

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consciousness (pure insight) that impels it (Hegel 1977). Where Hegel warns, “To make abstractions hold good in actuality means to destroy actuality” (Hegel 1955:425), Marx calls capitalism “rule by abstractions.” Marx’s chilling association of capital with terror highlights the limitations of criticisms of commercial society that confine themselves to money and commodities.

Simple commodity circulation is, for Marx, capital’s cheery face. But Marx argues that simple commodity circulation presupposes production on a capitalist basis.<sup>14</sup> Marx characterizes simple commodity circulation as “an abstract sphere of the bourgeois process of production as a whole, which through its own determinations shows itself to be a moment, a mere form of appearance of some deeper process lying behind it, even resulting from it and producing it” (Marx 1987:482). Consider, in a society where wealth generally takes the commodity form, what must production begin with? Marx reasons that production must start with money in order to purchase everything needed for production. But a circuit of production that starts with a quantity of money is pointless if it ends with the same quantity. No, the circuit must be  $M-C-M+\Delta M$ , the circuit of capital.<sup>15</sup> Consumption of commodities and capitalist production are complementary phenomena: no surplus value, no value. The “sociological features” of Marx’s theory of value must be expanded to include those that come with the shift to capital.

### 4.2 Capital and Class

Simple commodity circulation gives capitalist society the appearance of being classless. With irony, Marx describes it as “a very Eden of the innate rights of man ... the exclusive realm of Freedom, Equality, Property and Bentham” (Marx 1976a:280). The way that capital shapes the modern state and civil society privatizes classifications such as castes, classes, and estates, tending to eliminate hereditary political status and privilege. Marx calls capital’s shaping “the political revolution”:

The political revolution is the revolution of civil society.... The political revolution ... made the political state the business of *all*, that is, an actual state—this revolution inevitably destroyed all estates, corporations, guilds, and privileges ... The political revolution thereby *abolished* the *political character of civil society*.

(Marx 1993:18–19)

Capitalist society is classless in a sense—class is neither politically sanctioned nor hereditary—but that is not the whole story any more than commodity circulation is.

To account for the circulation of capital, Marx introduces considerations that were out of place when examining commodity circulation in abstraction from production. In the formally egalitarian space of the market, social class and the nature of the commodities being exchanged can be disregarded, but they figure into the constitution of capital. Only the sale of labor power by free wage laborers and its consumption by capitalists can explain how capital—value that increases its value—is possible. Capital presupposes a class division of specific use values such that the means of production and subsistence

are in the hands of the capitalist class, while workers own only their labor power, and capital's reproduction requires renewing these class relations:

The capital-relation presupposes a complete separation between the workers and the ownership of the conditions for the realization of their labour. As soon as capitalist production stands on its own two feet, it not only maintains this separation, but reproduces it on a constantly extending scale

(Marx 1976a:874–875).<sup>16</sup>

Though the class relation between free wage laborers and capitalists is constitutive of capital, the non-political status of these classes remains. The inescapable conflicts between these classes over wages, the workday, and the humanity of working conditions are relegated to the private sphere.<sup>17</sup>

Classes are often thought of in terms of how wealth (whether means or production or of subsistence) is distributed but without paying attention to the social form or purpose of that wealth. Against that, Marx insists: “classes in turn are an empty phrase if I am not familiar with the elements on which they rest. E.g., wage labour, capital, etc.” (Marx 1973 :100). A Marxian theory of class in capitalist society presupposes a critical theory of value, money, wage labor, capital, etc.

Tony Smith points out that the capitalist class is a placeholder: capital may be personified and its functions carried out in various ways: “Marx’s critique is of capital, not capitalists. The latter are relevant to his theory only insofar as they function as personifications of the former. In principle, it is possible for a society without capitalists to still be subject to the alien logic of capital” (Smith 2006:333). Again, considered from the mainstream conception of capital as produced means of production, the idea of a critique of capital makes no sense.

## 5. Capital is Crisis Prone

The commodity, with its dichotomous character, is the seed of capital's crisis potentials and tendencies. The contradictory character of the commodity presents itself in the necessarily polar expression of a commodity's value in money. This polarity harbors an antagonism that opens capitalism to crises: “It is by no means self-evident that the form of direct and universal exchangeability (money) is an antagonistic form, as inseparable from its opposite (commodity), the form of non-direct exchangeability, as the positivity of one pole of a magnet is from the negativity of the other pole” (Marx 1976a:161, n. 26). Money splits exchange in two: the seller who wants to buy first must sell; the buyer who wants to sell first must buy, and “it is possible that consonance between them may now be fully attained only by passing through the most extreme dissonances” (Marx 1986:86). “Commodities are in love with money” but “the course of true love never did run smooth” (Marx 1976a:202). In commercial “dissonances” lies a potential for crisis, not a tendency. Crises, where the commodity's love of money goes unrequited, could involve

overproduction or under-consumption or mismatches in the proportion of production goods to consumer goods.

The risk of speculative bubbles lies in the price form. Price expresses value but is not value: “The possibility, therefore of a quantitative incongruity between price and magnitude of value, i.e. the possibility that the price may diverge from the magnitude of value, is inherent in the price-form itself” (Marx 1976a:196). The fact that the value of money fluctuates makes inflation and deflation possible and with them the prospect of economic turmoil. Crisis potentials are native to the commodity form.

Credit is incipient in commodity exchange. Payment and delivery naturally diverge, giving rise to money as means of payment. Credit leverages the accumulation of capital. At first, the credit system draws together “by invisible threads” scattered funds and makes them available to capitalists, but credit “soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism for the centralization of capitals” (Marx 1976a:778). Martha Campbell notes, “the credit system is, in Marx’s view, so essential that no presentation of capital would be complete without it” (Campbell 2002:212). The credit system, however, is a flashpoint for crises, which can jeopardize capital’s financial architecture and its accumulation.

Marx calls the law of the tendency of the rate of profit to fall “the most important law of modern political economy” (Marx 1973:748). Its roots lie in the way that labor is socially validated, which results in the “value treadmill.” Because labor is socially validated *as* abstract labor, while productive power is a concrete feature of labor, the level of productive power does not affect the quantity of value. As labor’s productive power increases, more useful things are produced per hour, but no more value. This divergence leads to what Moishe Postone calls “shearing pressures,” as labor time becomes increasingly dissociated from the mass of produced material wealth (Postone 1993: 348, 369). As commodities get cheaper, the capitalist strategy of relative surplus value surfaces: increasing labor’s productive power cheapens the commodities bought by workers and lowers the value of their labor power, increasing surplus value. But pursuing relative surplus value tends to make production more capital intensive, to raise the organic composition of capital, which tends to lower the rate of profit.<sup>18</sup> Capital’s success in raising the productive power of labor threatens it: capital becomes its own barrier.

## 6. Conclusion: Social Theory Needs Good Concepts, but Capital Covers Its Tracks.

Capital is remarkable for how it shapes the way we think about it, in particular, for how it covers its tracks. As Martha Campbell puts it: “What is, for Marx, the extraordinary feature of economic activity in capitalism” is “that it claims to create wealth ‘pure and simple’ and [to be] organised by this purpose” (Campbell 2004:86). Capital naturally creates “the illusion of the economic.” That illusion of production-in-general projects the

socially barren landscape in which the pseudo-concepts of “the economic,” “utility,” and “instrumental reason and action” spring up.

Social theory needs good fundamental concepts. With his critique of political economy, Marx pioneered key concepts needed to understand capital and the modern world: the commodity, money, value, wage labor, surplus value, profit, interest, rent, and more. Unfortunately, Marx’s categories have been overlooked, misinterpreted, or dismissed, and shadows of capital, “the economic,” utility, and instrumental reason and action, have taken their place.

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### Notes:

(<sup>1</sup>) "Mode of production" here means production in the sense that encompasses the whole of the provisioning process, not production as contrasted with distribution. Marx distinguishes the encompassing from the exclusive meaning (Marx 1973:99).

(<sup>2</sup>) The definition commonly cited in microeconomics texts is Lionel Robbins's: "Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" (Robbins 2008:75).

(<sup>3</sup>) Marx acknowledges general concepts and relations: "It is entirely certain that human production possesses definite *laws* or *relations* which remain the same in all forms of production. These identical characteristics are quite simple and can be summarized in a



very small number of commonplace phases” (Marx 1994:236). No such summary counts as a science.

(<sup>4</sup>) All of these refer to the form they take in modern industrial capitalism.

(<sup>5</sup>) In *Beyond Liberal Egalitarianism: Marx and Normative Social Theory in the Twenty-First Century* (2017), Tony Smith critically assesses liberal egalitarian social theories. They all lack the Marxian concept of capital, which is needed to understand the scope of the normative challenges posed by the capitalist mode of production.

(<sup>6</sup>) See Murray 2016:425–442.

(<sup>7</sup>) Fred Moseley contrasts Marxian with Sraffian theory: “The logical framework of the [Marxian] theory is not a physical quantities input-output matrix, but is instead the circuit of money capital, expressed symbolically as  $M - C \dots P \dots C' - M''$ ” (Moseley 2016:xiii).

(<sup>8</sup>) Marx knew that not all commodities are products of labor. He called that “the last and apparently decisive objection” to the classical labor theory of value and responded: “This problem is solved in the theory of rent” (Marx 1970:63).

(<sup>9</sup>) Even the population not employed by capital is in its grip: “It forms a disposable industrial reserve army, which belongs to capital just as absolutely as if the latter had bred it at its own cost” (Marx 1976a:784).

(<sup>10</sup>) Simon Clarke observes: “Even in a society with quite extensive commodity production and sophisticated political institutions the household and kinship relations continue to provide a powerful model for the conceptualisation of society” (Clarke 1982:8).

(<sup>11</sup>) The only direct mention in *Capital* is when he refers to formal and real subsumption and “hybrid forms” on p. 645. The availability of *Results of the Immediate Production Process* and the *Economic Manuscript of 1861–3*, the two texts in which Marx discusses subsumption concepts in some detail, has given readers access to these concepts. Ernest Mandel and Jon Elster wrongly identify the real subsumption of labor with large-scale industry (Mandel 1976:944; Elster 1985:128). Any capitalist strategy for increasing the productive power of labor counts as real subsumption.

(<sup>12</sup>) See chapter 10 of Murray (2016).

(<sup>13</sup>) Chris Arthur observes, “a considerable reworking of the use-value sphere would be necessary before a socialist mode of production could take root” (Arthur 2003:149, n. 26).

(<sup>14</sup>) Campbell (2013).

(<sup>15</sup>) If commodities and money cannot do without capital, capital (as value that valorizes itself in maintaining itself) cannot do without money: “Value requires above all an independent form by means of which its identity with itself may be asserted. Only in the

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shape of money does it possess this form. Money therefore forms the starting-point and the conclusion of every valorization process" (Marx 1976a:255).

(<sup>16</sup>) Marx comments, "Ordinary economics, which looks only at the things produced, forgets this completely" (Marx 1973:512), reminding us of the failure of economics to pay attention to social forms and purposes.

(<sup>17</sup>) On the problematic nature of this division of public and private, see Smith (2018).

(<sup>18</sup>) There are many significant countertendencies.

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## Oxford Handbooks Online

### The Grammar of *Capital*: Wealth In-Against-and-Beyond Value

John Holloway

The Oxford Handbook of Karl Marx

*Edited by Matt Vidal, Tony Smith, Tomás Rotta, and Paul Prew*

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### Abstract and Keywords

Karl Marx's *Capital* does not start with the commodity, it starts with wealth. This has enormous consequences, both theoretically and politically. To start with the commodity leads into the analysis of capitalism as a system of domination. To start with wealth and its movement in-against-and-beyond the commodity form takes the reader into a world of struggle. In *Capital* there are two antagonistic categorial series. The familiar series of the forms of domination: commodity, value, abstract labor, money, person, capital, profit, interest, rent. These forms have their own grammar: a positive logic that imposes itself on the flow of life. But there is also a series of subversive categories rebelling against the logical chain of derivation: wealth, use value, concrete labor or doing, anti-person, and so on. Here is a negative, defetishizing, detotalizing grammar that moves against the rigid cohesion of the first series.

Keywords: wealth, class, fetishism, subjectivity, anti-identitarian

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## 1. The First Sentence

The first sentence reads: "The wealth of those societies in which the capitalist mode of production prevails, presents itself as an 'immense accumulation of commodities,' its unit being a single commodity." It is followed by the second sentence: "Our investigation must therefore begin with the analysis of the commodity."<sup>1</sup>

The second sentence is enormously confusing. It is simply wrong: the analysis does not begin with the commodity; it has already begun with "the wealth." Are we simply to ignore the first sentence and its subject, the wealth? This is what virtually all commentators on *Capital* do. They start with the commodity and only rarely mention the first sentence. If the subject of the first sentence, the wealth, is mentioned at all, then it is assumed that in those societies in which the capitalist mode of production prevails (and

for the duration of such societies) wealth is an immense collection of commodities. The crucial “presents itself as” is overlooked, and wealth is assumed to be identical to commodities—at least for as long as capital exists. The general acceptance of such a reading bears witness to the force of what Marx says in the first sentence: wealth really does present itself as (or appears as) an immense collection of commodities. It is the force of this appearance that makes us accept that they are identical.

A very different reading is suggested if we remember a striking passage from the *Grundrisse*, the notes for *Capital* that Marx had written some ten years earlier. Here he raises the question of what wealth might look like in a different society:

In fact, however, when the limited bourgeois form is stripped away, what is wealth other than the universality of human needs, capacities, pleasures, productive forces etc., created through universal exchange? The full development of human mastery over the forces of nature, those of so-called nature as well as of humanity's own nature? The absolute working-out of his creative potentialities, with no presupposition other than the previous historic development, which makes this totality of development, i.e. the development of all human powers as such the end in itself, not as measured on a *predetermined* yardstick? Where he does not produce himself in one specificity, but produces his totality? Strives not to remain something he has become, but is in the absolute movement of becoming? In bourgeois economics—and in the epoch of production to which it corresponds—this complete working-out of the human content appears as a complete emptying-out, this universal objectification as total alienation, and the tearing-down of all limited, one-sided aims as sacrifice of the human end-in-itself to an entirely external end

(Marx [1857–1858]1973:488).<sup>2</sup>

This suggests a very different reading of the first sentence of *Capital* and indeed of the whole book. If we understand wealth in the way that Marx suggests in the *Grundrisse*, then we can read the first sentence as: “Wealth, that is to say the absolute movement of human becoming, presents itself in capitalist society as a mass of commodities, that is to say as a complete emptying-out of human creative potentialities.” This is the basis of Marx's critique of political economy.

A number of points follow. First, if the absolute movement of human becoming appears in capitalist society as a complete emptying out of that becoming, it is clear that there is a relation of negation between wealth and commodity. The movement of human becoming exists in the form of its own negation, or, to use Richard Gunn's classic phrase, it exists “in the mode of being denied” (Gunn 1992:23). Wealth exists in the commodity form, and this form denies or negates its substance: wealth as the absolute movement of becoming. This is an asymmetrical relation. Wealth is the denied, the commodity is the denier. Wealth, therefore, is the negative force driving against its negation; the commodity is the

force of positivity, closing from view the absolute movement of becoming which it negates.

The relation is not only negative but antagonistic. If the complete working out of the human content presents itself as, or exists in the form of, its complete emptying out, then it is hard to imagine this relation other than as antagonistic. There is an antagonism between wealth and the commodity. Not an external antagonism, since wealth exists in the form of the commodity, but an internal antagonism, a constant tension, a constant push in-against-and-beyond the commodity form. Struggle is introduced by Marx in the first line of *Capital*.

Thirdly, the relation of wealth to commodity is one of critique. Wealth, in its potentiality as human becoming, stands as critique of what it has become: a collection of commodities. The potential working out of the human content stands as critique of its actual emptying out. There is no neutrality here. We must take a standpoint: either that of wealth or that of the commodity. In this first sentence, Marx takes up his stance on wealth. It is from the standpoint of wealth that he launches the critique against the commodity form and all that follows from that form.

We can broaden this out. The first sentence introduces us to form critique, the critique of forms. But it is clear that the critique of forms must come from the unformed, not in the sense of standing outside the process of formation but in resisting or pushing beyond the forming. The so-called new reading of Marx (*Neue Marxlektüre*) is right to emphasize the importance of form critique as the central theme of *Capital* but completely overlooks the unformed standpoint from which such a critique is inevitably made. We, as critics, are the unformed, or, better, the anti-forming.

Fourthly, Marx is able to criticize only because there is an untruth in what he says in this first sentence. It is true that wealth presents itself or appears as an accumulation of commodities, but if that were totally true, then Marx would not be able to criticize that appearance, and we would not be able to understand that criticism. For us to be able to criticize, there must be some misfitting, some overflow, some sense in which it is also true that wealth does not appear as commodities. Our criticism must have some basis in experience, in the existence of wealth not only in, but also against-and-beyond the commodity form. Marx must be writing in invisible ink. When he says “wealth presents itself as commodities,” he must be saying “wealth does-and-does-not present itself as commodities.” In other words, even in capitalist society (where we live along with Marx), there is not an identity between wealth and commodity. The relation between wealth and commodity is an ec-static one: wealth stands over-and-against the commodity form. It is not that wealth exists outside the commodity form separate from it in some romantic idyll: the dominance and ubiquity of the commodity form means that wealth always exists in negative tension with it. The relation between wealth and commodity is one of non-identity. More than that, the fact that it is not just a mismatch but an antagonism means that it is not just a relation of non-identity but an anti-identitarian relation.

Wealth, that which exists in the mode of being denied by the commodity form, exists not just as denied, crushed, victimized, but rather as a latent, subversive, subterranean force driving against-and-beyond the commodity form. Revolution, Marx tells us in that first sentence, is the self-emancipation of wealth from its commodity form.

Marx, in this first (usually overlooked) sentence, is introducing us to a grammar of revolution. Revolution is not an external clash between black and white, a war between two external armies, or between one self-identical class and another. It is more like a pregnancy: a movement of the force trapped within the commodity form that is pushing against and beyond it. Marx calls this force “wealth,” the absolute movement of human becoming. “Listen,” Marx says, “listen and look and think and we can perceive that which is hidden by the fetishized forms, that pushing towards a different world.” One is reminded of that eminently dialectical comment of Arundhati Roy: “Another world is not only possible, she’s on the way and, on a quiet day, if you listen very carefully you can hear her breathe.”<sup>3</sup>

## 2. The Illogic of Misfitting

The first sentence opens the central narrative of *Capital*. Its hero is a shadowy, subversive, Mephistophelian force: wealth, the absolute movement of human becoming. A force whose constitutive grammar is negative, critical, anti-identitarian. The movement of the unformed or anti-forming. This force is present all the time in *Capital*. Behind the unfolding of the capitalist forms of social relations (commodity, value, money, capital and so on), there is a subterranean un-formed/ anti-forming movement that has received little attention. Wealth moves forward in a number of guises, explicit and implicit: use value, concrete labor, un-person, anti-class, social forces of production.<sup>4</sup>

Use value is the most obvious of these categories, introduced almost immediately. “The utility of a thing makes it a use value” (Marx [1867]1965:36; [1867]1990:126). And then he adds a footnote, quoting Locke who speaks of the “natural worth” of things and adds “in English writers of the 17th century we frequently find “worth” in the sense of value in use, and “value” in the sense of exchange-value. This is quite in accord with the spirit of a language that likes to use a Teutonic word for the actual thing, and a Romance word for its reflexion.” Further on in the same paragraph he tells us that use values “constitute the substance of all wealth, whatever may be the social form of that wealth. In the form of society we are about to consider they are, in addition, the material depositories of exchange-value” (Marx [1867] 1965:36; [1867]1990:126).

Use value or worth—Marx’s distinction between the Teutonic and Romance words is helpful—is the substance of wealth in any society. In capitalist society this worth exists as “the material depositories of exchange value,” just as wealth “presents itself as an ‘immense accumulation of commodities’.” If wealth exists in a negative, critical, anti-identitarian relation to its capitalist form, the commodity, it follows that worth or use value exists in a similar relation to its capitalist form, exchange value (or, more strictly, value). Marx, who is writing a critique of political economy, pursues this negative relation

principally by showing that an increase in use value may be expressed as a fall in value: “An increase in the quantity of use values is an increase in material wealth. With two coats two men may be clothed, with one coat only one. Nevertheless, an increased quantity of material wealth may correspond to a simultaneous fall in the magnitude of its value” (Marx [1867] 1965:45–46; [1867]1990:136–137). Even if we think of wealth simply in terms of material wealth (such as coats), Marx’s critique here is that the pursuit of material wealth comes into conflict with the pursuit of value. The relation between use value and value is again a negative one. It is also critical: in the sentence quoted, Marx takes the side of use value against value. And anti-identitarian: if use value were totally subordinated to value in capitalist society, we would be incapable of conceiving of the emancipation of use value from its capitalist form. The idea of a politics of use value has been a recurrent theme in anti-capitalist movements over the years.

Wealth in-against-and-beyond the commodity, worth (use value) in-against-and-beyond value: not as purely conceptual contrasts but as present subversive force and present struggle. Marx then takes us to the center of everything: the self-antagonistic organization of human activity, what he calls (Marx [1867]1965:41; [1867] 1990:131) “the two-fold character of the labor embodied in commodities” (the title of Section 2 of the first chapter). This two-fold character “is the pivot on which a clear comprehension of Political Economy turns” (Marx [1867] 1965:41; [1867] 1990: 132). One side of the dual character is the labor that produces the use value aspect of a commodity, which Marx calls “useful labor” or “concrete labor.” Engels adds a helpful footnote (Marx: [1867] 1965:47; [1867] 1990:138) in which, without referring to it, he takes up the theme of Marx’s earlier footnote on the use of Teutonic words: “The English language has the advantage of possessing different words for the two aspects of labour here considered. The labour which creates Use-Value, and counts qualitatively, is *Work*, as distinguished from Labour; that which creates Value and counts quantitatively is *Labour*, as distinguished from Work.” It is clear from the two footnotes that both Marx and Engels were aware of the difficulties of giving names to that which is unnamable simply because it exists in the form of something else. “Concrete labor” or “useful labor” are both unfortunate terms to give to the activity that would be necessary to reproduce life in any society, “work” is a bit better if we understand it as “creative activity,” but if we reflect that in many societies there has been no clear distinction between useful and non-useful activity, then simply “doing” or the “conscious life activity” of the 1844 Manuscripts (Marx [1844] 1975:276) seems preferable. This adds another element to our reflections on grammar: that which exists in the form of something else, in the mode of being denied, is latent, undefined, and consequently often difficult to name. If this is the revolutionary force, then our revolution is indeed a “revolution without name,” as Vaneigem suggests ([1967] 1994).

The other side of the dual character of labor has a more satisfactory name: abstract labor. It is of course confusing, because the first reaction is often to think of it as intellectual labor; however, it is accurate in that it points to the abstracting of our activity (concrete labor) into a totality without meaning. Through a process of exchange in which our products count only as quantities, our activity is abstracted from all quality and

particularity and then drawn into a totality measured only in quantity (ultimately, the quantity of profit), which is devoid of all quality. Here our activity is truly converted into labor: an alienated, meaningless obligation we are forced to perform in order to earn the money needed to reproduce ourselves physically. “Abstract labor” is a helpful tautology, reminding us that in this society domination—the daily shaping of our activity for the benefit of capital—is simultaneously abstraction from all particularity. Abstract labor is the totalizing constitution of capitalist society, whereas the other side of the duality, concrete labor or conscious life activity, is a de-totalizing push in the opposite direction, towards particularity and conscious determination. Again, we have a relation not just of subordination (of concrete to abstract labor) but of in-against-and-beyond. It is very palpable in this case because that is exactly what we are doing in this very moment: pitting concrete against abstract labor.

The grammar of in-against-and-beyond goes rolling on through the three volumes of *Capital*. In some cases the duality that is foregrounded in the cases of wealth and commodity, use value and value, concrete and abstract labor, is not even mentioned. Only the capitalist form is mentioned, and we are left with the task of finding that which the form suppresses: the latent that exists in-against-and-beyond its capitalist form. A striking case is that of the person. Abstract labor generates abstract persons. For commodities to be exchanged, there must be a juridical relation established between their owners who perform the transaction simply as commodity-owners, as personifications of their commodity: “The persons exist for one another merely as representatives of, and, therefore, as owners of, commodities” (Marx [1867] 1965:84-85; [1867]1990:126). And Marx continues: “In the course of our investigation we shall find, in general, that the characters who appear on the economic stage are but the personifications of the economic relations that exist between them” (Marx [1867] 1965:85; [1867] 1990:178-179). This is a point that Marx repeats in various places throughout the three volumes. Inevitably, it is and is not true. If we were entirely personified, we would be locked within the social structures of capitalism. Marx would not have been able to write *Capital*, and we would not be able to read and enjoy it. There would be no way out of the catastrophe that is capitalism other than through the intervention of a *deus ex machine*, an idea hopefully long discredited by the disastrous experience of vanguard rule. It is not that there is no personification: we are probably all acutely aware of being drawn into our social roles. But the personification cannot be complete, it can only be a process of personifying. If it were complete, there would be no criticism and no way out. And if it is not complete, there must be a latent underbelly—a non-personified, a humanity struggling against personification. We could not be aware of the character masks that capitalist social relations impose on us if we were not at the same time struggling against those masks. In the same way as Marx points out the dual character of labor, there must also be a dual character of personhood: on the one hand the capitalist person, the personification of capitalist social relations, and on the other hand ... On the other hand we struggle for a word to use: perhaps a “misfit,” someone who does not fit in to the personifications, or perhaps a “rebel”? Or perhaps a *Capital*-reader, or a reader of this book?



A commodity-owning person is an individual: as Marx points out a few pages later (Marx [1867] 1965:87; [1867] 1990:182), it is through commodity exchange that communities are broken and the independent individual is constituted. Not in the richness of her social particularity but as an abstract individual: as subject of legal rights and indeed, as Pashukanis ([1923]1978) would point out later, as citizen of the state. Personification is part of the process of abstraction. The abstraction of our activity away from us and into a totality without meaning is at the same time an abstraction of our concrete social particularity into a multiplicity of roles or abstract *personae*. Or indeed, a multiplicity of social groups or “classes” in the superficial sense so scornfully dismissed by Marx in the closing page of Volume 3.

Is “class” then an abstraction to be ranged beside “commodity,” “value,” “abstract labor,” and so on, as categories specific to capitalist society and to be fought against? We have in *Capital* two antagonistic categorial series. We have the one that is most familiar: commodity—value—abstract labor—money—person—capital—profit—interest—rent. These are all capitalist forms of social relations, historically specific forms, fetishized and fetishizing forms that conceal and repress the human creative activity that is the source of social change. Together they constitute a totality of social relations so coherent that one form can be derived from another—and, as the so-called state derivation debate pointed out, Marx might have added the state to these derived, fetishized, fetishizing forms. These forms have their own grammar: a positive logic, a rigid coherence that imposes itself with terrible consequences on the flow of human life with all its inconsistencies and incoherence. On the other hand, we have a series of subversive categories that are subordinated to and yet rebel against the logical chain of derivation. These categories express the absolute movement of becoming in all its restlessness: wealth, use value or worth, concrete labor or doing or conscious life activity, anti-person (yes, you the reader) and so on: here is a negative, anti-capitalist, fetishizing, detotalizing grammar that moves against the totalizing cohesion of the first series.

And where do we fit “class” into this? It is difficult because we have all been educated to think of class as the force that will break the logic of capital. Not just class: working class. The working class is not a social group but the pole of the antagonism constituted by the everyday process of exploitation. Marx introduces us to this antagonism at the end of chapter 6 (in English, chapter 4 in other languages) of the first volume, where, on leaving the sphere of simple circulation, “We can perceive a change in the physiognomy of our dramatis personae. He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer” (Marx [1867]1965:176; [1867] 1990:280). When we descend into the factory, personifications break down: the money-owner and the possessor of labor power are transformed into capitalist and laborer, in which each is determined not by an ontological abstraction but their antagonistic relation to each other: “The one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but—a hiding” (Marx [1867] 1965:176; [1867] 1990: 280).

The capitalist and the laborer are not identities: they have no existence outside their mutual antagonism. The capitalist does not exist without the laborer, and the laborer does not exist as laborer without the capitalist. And yet Marx does not introduce the term “class” here to refer to the antagonistic poles of the relation of exploitation. It is later that the term “class” comes to the foreground. It is in the discussion of the struggle for the Factory Acts in chapter 10 (in English, chapter 8 in other languages) that class emerges: “For ‘protection’ against the ‘serpent of their agonies’, the laborers must put their heads together, and, as a class, compel the passing of a law, an all-powerful social barrier that shall prevent the very workers from selling, by voluntary contract with capital, themselves and their families into slavery and death” (Marx [1867] 1965:302; [1867] 1990:416). It is striking in Marx’s analysis that the laborers come together as a class not as laborers struggling against labor but as the owners of the commodity labor power, as the personification of their commodity, negotiating a better deal for the sale of their commodity. “Suddenly the voice of the laborer, which had been stifled in the storm and stress of the process of production, rises: the commodity that I have sold to you ...” (Marx [1867] 1965: 233; Marx [1867] 1990:342). And a couple of pages later: “There is here, therefore, an antinomy, right against right, both equally bearing the seal of the law of exchanges. Between equal right force decides. Hence it is that in the history of capitalist production the determination of what is a working-day, presents itself as the result of a struggle, a struggle between collective capital, i.e the class of capitalists, and collective labor, i.e. the working-class” (Marx [1867] 1965:235; [1867] 1990:344). Surprisingly perhaps, the working class is the collectivity, not of laborers but of the owners of the commodity labor power. In other words, a category that arises not from wealth but from the commodity. And later we see the working class described by Marx as an “appendage of capital”: “From a social point of view, therefore, the working-class, even when not directly engaged in the labour-process, is just as much an appendage of capital as the ordinary instruments of labour” (Marx [1867] 1965:573; Marx [1867] 1990:719).

Should we look then for the latent underbelly of class? It seems that we must. If class is a form of capitalist social relations that follows from the commodity, value, abstract labor, and so on, then it imprisons us in the same way as those other categories. If “working class” is to be understood as the group of the owners of the commodity labor power, or as the group of abstract laborers (or wage laborers), then it is indeed an “appendage of capital” and stands against us and the absolute movement of our becoming. Class is a process of classifying, and we exist in-against-and-beyond class, just as we exist in-against-and-beyond the commodity. We do not want to be classified; we do not want to be contained within the working class. The process of classification is very real, just as the abstracting of our activity into the capitalist totality is very real, just as the existence of wealth as commodities is very real. But the movement of our becoming is a movement against abstraction, against personification, against classification. When we read *Capital*, we take a stand against capital. We take a stand, but the ground on which we stand is certainly not that of totality (as Lukács ([1923] 1971) would have it), nor is it that of class. The ground on which we stand is rather that of wealth-against-commodity, worth-against-value, concrete-doing-against-abstract-labor, misfitting-against-personification, the-

absolute-movement-of-our-becoming-in-against-and-beyond-class. Class struggle continues to be central to our understanding of capital, but in the traditional reading it is the struggle of the working class. In the interpretation here it is struggle in-against-and-beyond the classification-identification-definition of the sheer unrest of life.

### 3. And Then?

The grammar of the dominated is most important. Domination is never total, subjects are never completely transformed into objects. We, who are dominated and objectified, would not be able to read or to write this if our subjectivity were simply extinguished, and there is no reason to think that we are exceptional in this respect. We exist in capitalism, but we also exist against and beyond it.

To think of the dominated as objects is to contribute to their objectification, as we saw in the tragic history of “really existing socialism” in the last century. But there is a tradition of objectifying the objectified that lingers on in Marxist debate. This is expressed in the predominant identitarian reading of *Capital*, in which it is simply assumed that content is completely subsumed into form, that wealth is totally subordinated to the commodity, use value to value, concrete to abstract labor, and so on. *Capital* is read as a treatise on domination, not on struggle. Class struggle is treated as something distinct, that happens (if it happens at all) within the objective framework of the unfolding of the laws of capital accumulation. But this separates struggle from everyday life and constitutes normal people as victims, mere objects of the process of capital reproduction. As they are victims, the only possible way out is if they follow a political party that will lead them into a different world. Not only is this an oppressive non-solution, but the “party” no longer exists, so *Capital* becomes a sad story of our domination.

We need to wake up the submerged, subversive categories of *Capital* and to shake them out of the fetishized, identitarian forms that conceal them from view. We need to see that behind these forms is that which exists in the mode of being denied and therefore in revolt against its own denial. We need to read *Capital* through a different grammar.

Did Marx understand his own grammar? Perhaps not always. Perhaps we need to help him a little sometimes. The responsibility is ours. Help!<sup>5</sup>

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### Notes:

<sup>(1)</sup> This article uses the translation by Samuel Moore and Edward Aveling, the Moscow edition of 1965: henceforth (Marx [1867]1965:35). The more recent translation by Ben Fowkes reads: “The wealth of societies in which the capitalist mode of production prevails appears as an “immense collection of commodities”; the individual commodity appears as its elementary form” (Marx [1867]1990:125). In the text that follows, the older edition will be quoted but included will be a reference to the later, Penguin edition. The original German of the first sentence reads: “Der Reichtum der Gesellschaften, in welchen kapitalistische Produktionsweise herrscht, erscheint als eine ‘ungeheure Warensammlung,’ die einzelne Ware als seine Elementarform” (Marx [1867]1985:49).

<sup>(2)</sup> The original German reads: “In fact aber, wenn die bornierte bürgerliche Form abgestreift wird, was ist der Reichtum anders, als die im universellen Austausch erzeugte Universalität der Bedürfnisse, Fähigkeiten, Genüsse, Produktivkräfte etc. der Individuen? Die volle Entwicklung der menschlichen Herrschaft über die Naturkräfte, die der sog. Natur sowohl wie seiner eignen Natur? Das absolute Herausarbeiten seiner schöpferischen Anlagen, ohne andre Voraussetzung als die vorhergegangene historische Entwicklung, die diese Totalität der Entwicklung, d.h. der Entwicklung aller menschlichen Kräfte als solcher, nicht gemessen an einem vorhergegebenen Maßstab, zum Selbstzweck macht? Wo er sich nicht reproduziert in einer Bestimmtheit, sondern seine Totalität produziert? Nicht irgend etwas Gewordnes zu bleiben sucht, sondern in der absoluten Bewegung des Werdens ist? In der bürgerlichen Ökonomie—und der

Produktionsepoche, der sie entspricht—erscheint diese völlige Herausarbeitung des menschlichen Innern als völlige Entleerung; diese universelle Vergegenständlichung als totale Entfremdung und die Niederreiung aller bestimmten einseitigen Zwecke als Aufopferung des Selbstzwecks unter einen ganz ueren Zweck” (Marx [1857–58]1953: 387–388).

(<sup>3</sup>) From a speech entitled “Confronting Empire” given at the World Social Forum in Porto Alegre, 28 January 2003.

(<sup>4</sup>) There is no further discussion here of the “social forces of production.” That will be left to the reader. We all know that the positivist understanding of the “forces of production” under the Soviet regime led to incalculable misery.

(<sup>5</sup>) This article is part of a rolling argument, with myself, with Marx, with Marxists. Other versions can be found in Holloway (2015, 2017a, 2017b, 2018).

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## Oxford Handbooks Online

### **Work and Exploitation in Capitalism: The Labor Process and the Valorization Process**

Matt Vidal

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*Edited by Matt Vidal, Tony Smith, Tomás Rotta, and Paul Prew*

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### **Abstract and Keywords**

Labor process theory has produced important typologies of managerial control and a rich body of empirical case studies. However, it has struggled to deal with genuine cases of upskilling and worker empowerment. This chapter revisits Marx to show that he theorized economic development, technological change and the capitalist labor process as contradictory processes evolving across distinct stages. While Marx saw deskilling as dominant in the earliest stages of capitalism, he also theorized tendencies for upskilling. The chapter then reviews the early debates within labor process theory over deskilling versus responsible autonomy and coercion versus consent. It highlights how labor process research has, with a few important exceptions, neglected to systematically consider the contradictory nature of labor process dynamics. Finally, the chapter proposes that a central contradiction within the labor process is between management-as-coordination versus management-as-discipline. It suggests that this contradiction has become intensified in the current stage of capitalism: post-Fordism.

**Keywords:** labor process, valorization process, contradictions, deskilling, upskilling, empowerment, employee involvement, Fordism, post-Fordism, division of labor

Karl Marx was the first sociologist of work. He saw work—which he called the labor process—as the most fundamental human activity, the purposive realization of a preconceived intention by transforming nature, labor power, and ideas into useful goods and services. For Marx ([1867] 1990:448), both cooperation and conflict are inherent to the capitalist labor process. Work under capitalism is based on cooperation between workers gathered under the authority of a capitalist. It was capitalists that historically brought together “numerous isolated and independent processes into one combined social process,” increasing efficiency via cooperation and the division of labor. Capitalist authority was historically necessary to coordinate the labor process: “through the cooperation of numerous wage-laborers, the command of capital develops into a requirement for carrying on the labor process itself.” Because capitalist authority and the

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division of labor are alienating and degrading for workers, the labor process is characterized by resistance and conflict over labor effort and output.

After Marx, his theory of the labor process was not systematically applied and elaborated as a theoretical framework for the sociology of work until the publication of Braverman's (1974) *Labor and Monopoly Capital*. This book sowed seeds that provided the basis for a flowering of creative theoretical development, a fact that is often overshadowed by a loud chorus of criticism that followed its publication. His contribution was path breaking, coming out just as mainstream organization theory was on the rise and sociology was losing sight of industrial conflict (Burawoy 1982). Braverman's critique of capitalist management was largely a direct—if one-sided—summary of key passages from Marx's *Capital*, but he articulated it in a highly accessible way and extended the analysis of deskilling to scientific management, demonstrating Marx's prescience with regard to the dominant management strategy of the twentieth century.

As many scholars subsequently pointed out, Braverman's argument that a capitalist control imperative necessarily leads to a universal, uniform, and perpetual process of deskilling contrasts with the more dialectical analysis of Marx. Braverman eliminated much of the nuance from Marx, who theorized economic development, technological change, and the capitalist labor process as contradictory processes evolving across distinct stages. As will be demonstrated below, while Marx saw deskilling as dominant in the earliest stages, he also theorized tendencies for upskilling. His theory suggests that as capitalism continues to develop through stages, these contradictory tendencies toward deskilling and upskilling would increasingly come into conflict.

In direct response to Braverman—both his core contribution and his various shortcomings—labor process theory flourished though the late 1970s and early 1980s as an explicitly Marxist research program (Burawoy 1982; Cressey and MacInnes 1980; Cressey, 1980; Edwards 1979; Elger 1979; Friedman 1977; Littler 1982; Nichols and Armstrong 1976; Nichols and Beynon 1977; Smith 1987; Thompson 1983). By the end of the 1980s, however, fissures began to emerge in the labor process soil.

In the edited volume, *Labor Process Theory* (Knights and Willmott 1990), Paul Edwards (1990) and Paul Thompson (1990) rejected Marxist class analysis. While retaining the basic elements of Marx's theory of the labor process, they pitched it as a materialist but non-Marxist theory. In the same volume, Knights (1990) and Willmott (1990) articulated a more fundamental reconstruction of labor process theory along Foucauldian and poststructuralist lines. Subsequently, a poststructuralist faction emerged and split from the labor process community, developing its own "critical management studies" research program.

Labor process theory, which remains a vibrant research program to this day, is neomarxist insofar as it focuses centrally on the political and ideological dynamics associated with the exploitation of labor by capital, but this neomarxism is generally implicit—and occasionally denied. Neomarxist labor process theory has overwhelmingly focused on how capitalist management leads to the degradation of work through

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deskilling or intensification and how workers resist managerial control. The theoretical aim has been to specify diverse managerial control regimes and forms of worker resistance.

While this research program has produced important typologies of managerial control and a rich body of empirical case studies (Thompson and Smith 2009; Thompson and van den Broek 2010), it has struggled to deal with genuine cases of upskilling and worker empowerment in a theoretically systematic and coherent manner. And it has largely missed Marx's argument that capitalist relations of production facilitate epoch-defining technological progress, including rising living standards and education of the working class. Nonetheless, the core Marxist problematic of the need to secure labor effort within the antagonistic context of the capital-labor relation has provided the basis for making labor process theory the most theoretically coherent and empirically cumulative research program in the sociology of work.

This chapter revisits Marx to recover and systematically theorize his notion of capitalist development as contradictory and dynamic, focusing in particular on the contradictory tendencies between deskilling and upskilling.

We will begin with a classical interpretation of Marx focused on the contradictory nature of capitalist development, demonstrating that Marx saw a tendency toward upskilling inherent in capitalist development but retarded by capitalist class relations. Then the article will review the early debates within labor process theory over deskilling versus responsible autonomy and coercion versus consent. This is followed by a review of the subsequent development of labor process research under what Thompson (1990) called the "core theory." The article highlights how research under the core theory has, with a few important exceptions, neglected to systematically consider the contradictory nature of labor process dynamics. Finally, the article proposes that a central contradiction within the labor process is between management-as-coordination versus management-as-discipline. It is posited that this contradiction has intensified in the current stage of capitalism: post-Fordism.

## **1. The Material Contradictions of Capitalism**

In order to properly understand Marx's theory of the labor process, and in particular how it links the analysis of work under capitalism with structural pressures driving the dynamics of organization, power, and technical change within the workplace, it is necessary to understand Marx's theory of how capitalism is based on a series of interrelated and contradictory social relations and processes.

In theorizing capitalism, Marx made a series of key distinctions between contradictory social processes. A material contradiction exists where two social processes are constituted as part of a mutually interdependent social relation, and these two processes are potentially in conflict (Callinicos 2009). The most fundamental distinction of human society is between the forces of production (the technological capacity of society) and the



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relations of production (the class structure of society) (Marx and Engels [1848] 1978). The relations of production are the basis of distinct modes of production: hunting and gathering, slave-based societies, feudalism, and capitalism.

The productive forces include labor power and the means of production: where the latter are broadly conceived to include physical technology and raw materials but also the division of labor and organizational models. The relations of production refer to ownership and control of the means of production. The forces and relations of production are deeply interdependent, at times mutually reinforcing, at times conflicting. Because humans are inherently creative there is an autonomous tendency for the productive forces of society to develop (Cohen 1978; Wright et al. 1992), although this tendency was relatively weak until the development of capitalism, under which technological dynamism and growth is greatly increased due to the drive to produce surplus value. Existing relations of production at first facilitate the growth of productive capacity, but as technology continues to develop, the relations of production eventually begin to retard technological development.

While the contradiction between the forces and relations of production is a transhistorical contradiction, Marx theorized a number of additional contradictions specific to capitalism that flow from it. In *Capital*, Marx ([1867] 1990: 125, 153) began with an analysis of the commodity form—the “elementary form” of capitalist wealth. A commodity contains both a use-value, in that it can satisfy a need, and an exchange-value, in that it can be traded for another commodity. All useful goods and services have a use-value, a qualitative utility for consumption. Within capitalism, goods and services take the form of commodities for sale and hence have exchange value, a quantitative relation between commodities by which one can be exchanged for another. Hidden within the commodity is thus an “internal opposition,” namely, that although every commodity must be useful for human consumption, under capitalism commodities are produced not according to human need but according to the requirements of profit.

In order to understand the true nature of value under capitalism, however, Marx ([1867] 1990:279–280) invited the reader to leave the “noisy ... sphere of circulation ... the exclusive realm of Freedom, Equality, Property and Bentham ... where everything takes place on the surface,” and enter “the hidden abode of production.” Within the production process, Marx made another key distinction. Necessary labor time refers to the labor time required to reproduce a worker and to provide a subsistence according to the normative standard of living of society at a given level of development. Any additional work performed is surplus labor time, which is the source of surplus value and the primary basis of profit. In certain cases, commodities with low labor content can fetch high profits, but these are the result of monopoly power, branding, etc., and not the production of new value.

This series of distinctions leads to a final one that is central to Marx’s ([1867] 1990:450) analysis of work. Within the workplace, the contradiction between the forces and relations of production operates via conflicting pressures associated with the labor

process and the valorization process. The labor process refers to human production in general. As human *techniques* for producing use values, labor processes are part and parcel of the forces of production. The valorization process refers to the creation of surplus value within capitalism, which according to Marx's theory of value means the production of surplus labor. As power relations for the extraction of surplus labor by capital—for exploitation—valorization processes are part of the relations of production. Exploitation in this sense does not refer only to jobs that are low wage or particularly intense or tough. It refers to all forms of wage labor that produce surplus labor for employers, including jobs with high wages and high levels of autonomy and creativity.

## 2. Divisions of Labor and Stages of Development

Marx distinguished two forms of the division of labor. The social division of labor is the spontaneous and anarchical division of society into different specializations, initially based on gender, age, family, and tribe and then into sectors such as military, agriculture, and trades. Within capitalism the social division of labor becomes driven by private property and commodity production. The detail division of labor happens within organizations, when capitalists break work down into simplified operations, traditionally performed by detail workers responsible for a single operation.

For Marx ([1867] 1990:477) both the financial capital and authority of the capitalist were necessary for the development of the detail division of labor, which in turn was necessary for economies of scale. Capitalists played a historically necessary role in ensuring the economies of scale necessary for vast productivity improvements. The technically determined detail division of labor required “the undisputed authority of the capitalist over men, who are merely the members of a total mechanism [the collective worker] which belongs to him.” This detail division of labor is both alienated and degrading for workers.

However, critical to understanding Marx's analysis is an appreciation of his stage theory of growth. He distinguished three stages of growth: cooperation, manufacture, and large-scale industry. The stage of cooperation unfolded over the 15th and 16th centuries, when capitalists began employing many workers together in the same location to work according to a plan but without altering the labor process. Of course, from the ancient world onward slave owners have gathered large numbers together to work in agriculture and construction, while armies have also been assembled under common direction. But Marx is referring to cooperation of free wage laborers to produce commodities for sale on the market, and as a historical fact such cooperation required someone with sufficient capital to pay for wages and means of production (Marx [1867] 1990:448).

Under manufacture, from the sixteenth through the eighteenth centuries, capitalists introduced the detail division of labor, with deskilled workers assigned to a single operation. Against Braverman, Marx ([1857–1858] 1993:469–470) never articulated a

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thesis of universal deskilling. Even under the detailed division of labor there remains “a hierarchy of labour-powers, to which there corresponds a scale of wages.... Alongside of the gradations of the hierarchy, there appears the simple separation of the workers into skilled and unskilled.” The complex functions of skilled labor are simplified but not eliminated.

In his discussion of large-scale industry, which was unfolding during his lifetime, Marx envisioned a progressive tendency conflicting with the regressive tendency of deskilling and retarded by capitalist relations of production:

*Large-scale industry, by its very nature, necessitates variation of labor, fluidity of functions, and mobility of the worker in all directions. But on the other hand, in its capitalist form it reproduces the old division of labor with its ossified particularities. We have seen how this absolute contradiction does away with all repose, all fixity and all security as far as the worker's life-situation is concerned ... in the ceaseless human sacrifices required from the working class .... This is the negative side. But ... large-scale industry, through its very catastrophes, makes the recognition of variation of labor and hence of the fitness of the worker for the maximum number of different kinds of labor into a question of life and death. This possibility of varying labor must become a general law of social production, and the existing relations must be adapted to permit its realization in practice . . . the partially developed individual, who is merely the bearer of one specialized social function, must be replaced by the totally developed individual, for whom the different social functions are different modes of activity he takes up in turn.*

(Marx [1867] 1990:617–618, emphasis added)

Although capitalist competition drives the detail division of labor to extremes that harm workers and generate a reserve army of insecure workers, the forces of production contain a developmental tendency—inherent to large-scale industry—that demands multiskilled, flexible workers.

Marx ([1859] 1978:5) expected that the further development of capitalism would generate a technical need for multiskilled workers. This is what he meant when he wrote that “no social order ever perishes before all the productive forces for which there is room in it have developed.”

Important contributions to Marx's stage theory of development were made by French Marxists. Aglietta ([1976] 2000) and Palloix (1976) added a fourth stage, Fordism, based in automation (the linking of several mechanized processes together, first via the assembly line) and standardized, unskilled labor (i.e., traditional Taylorism). They emphasized the deskilling of the mass of wage labor and their stage model of growth ends with the development of neo-Fordism, that is, job enrichment programs within an otherwise Fordist labor process. They theorized neo-Fordism as a refinement of Taylorism and Fordism driven exclusively by problems with labor control, in particular being a

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response to labor unrest, absenteeism, and sabotage under increasing work intensification.

In contrast, Gorz (1968, 1976) and Mallet (1975) saw automation and ever-increasing technical change as rendering obsolete narrow specializations. Increasing technical complexity is raising the average skill level required and the demand for highly skilled technical workers. Workers' control of production via self-directed teams of polyvalent workers is now at the technological frontier, but the need for capitalists to maintain control means that there will be a continuation of a detailed division of labor and managerial hierarchies.

For Gorz (1968:36), there is a contradiction between the "technical initiative" required of skilled workers and the "passive, disciplined submission to the orders and standards handed down by management." For Mallet (1975:12), the contradiction is between "integration into an interesting technical universe which man naturally aims to understand and dominate, and the structure of command ... the decisions which exclude almost all those who help in the functioning of this universe." As we now turn to see, post-Bravermanian labor process theory has not systematically incorporated a stage theory of development. And with some important exceptions in the early debate, the centrality of contradictory pressures has been largely lost.

### 3. Deskillling Versus Responsible Autonomy

The important contributions of the French Marxists notwithstanding, labor process theory as a research program began with Braverman and the direct responses to his foundational contribution. The first book-length response was Friedman's *Industry and Labor* (1977:4, 25, 79). The upshot of Friedman's analysis is that since workers create value in the labor process but also have independent wills, in some cases it is more effective to secure surplus labor by giving workers responsible autonomy ("status, autonomy and responsibility") rather than attempting to coerce it via direct control (close supervision and Taylorist management). In response to worker resistance to direct control—and not for reasons of efficiency—managers in oligopolistic organizations began to experiment with forms of responsible autonomy for shop-floor workers. Friedman suggested a constitutive contradiction of the labor process is that workers have independent wills but are alienated within the capitalist labor process. Responsible autonomy is problematic when workers are alienated.

Edwards (1979) elaborated a similar analysis in his *Contested Terrain*. In addition to simple control (identical to Friedman's direct control), managers can engage in technical control, embedded into physical technologies such as the assembly line—or bureaucratic control, which is embedded in company policy and provides internal labor markets to induce loyalty. Like Friedman, Edwards suggested that new developments in the labor process are not driven by technical change but are responses to labor-management conflict.

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Adopting a more classically Marxist position emphasizing contradictory development, Elger (1979:58, 66, 82) sketched an alternative to Braverman that theorized labor process transformations “in relation to phases of valorisation and accumulation and their contradictions.” It is important, he argued, to emphasize “the tensions between the specialisation and flexibility demanded of workers in modern industry.” The continual revolutionizing of the labor process under technical change creates new skills.

Similarly, Cressey and MacInnes (1980:11, 14–15) emphasized the contradictory nature of the capitalist “need to organise the forces and relations of production in a way which develops the social productivity of labour as much as it alienates it.” Because the production of value comes from the combined physical and mental capability of labor, capital can never fully subordinate labor but must in practice allow labor to retain some control over the labor process. Critically, “The two-fold nature of the relationship of capital to labour in the workplace implies directly contradictory strategies for both labour and capital which in turn represent the working out of the contradictions between the forces and relations of production at the level of the workplace itself.” As an expression of the “exchange-value aspect of the relation,” capital treats labor as a commodity. But as an expression of the use-value aspect, capital confronts the limits of the commodity form of labor and therefore seeks “to develop labour as a subjective force to unleash labour’s powers of social productivity.”

Littler (1982:34) suggested that Friedman and Edwards suffered from a panacea fallacy, seeing responsible autonomy and bureaucratic control as total solutions. In contrast, Littler convincingly argued that the labor process undergoes continuous evolution based on negotiation and learning, and that its inherent contradictions can never be fully eliminated. Because of the inherently contradictory nature of the capitalist labor process there is a “perpetual tension between treating workers as a commodity to be hired and fired and harnessing their ingenuity and cooperativeness.”

Thompson (1983:118) also echoed Marx’s emphasis on contradiction. Although Thompson saw deskilling as “the major” *tendency* within the capitalist labor process, he discussed how worker initiative and organization can contribute to productivity, but worker autonomy also threatens managerial authority and, at some point, capitalist ownership. The question of how much autonomy can be given to workers is thus a perpetual source of difficulty for management. While many labor process theorists dismissed job enrichment and employee involvement initiatives as mere rhetorical devices or, at best, responses to alienation that constitute only a superficial shift in relations of production Thompson (1983:138–144) argued that such programs can increase productivity and quality while also effecting real changes in authority relations at work.

In sum, Friedman and Edwards theorized responsible autonomy and bureaucratic control, respectively, as solutions to the problems of direct control. Along with Braverman, they saw employee involvement and job enrichment programs as responses to labor unrest but not as substantive technical developments within the labor process. In contrast, Elger, Cressey and MacInnes, Littler and Thompson all saw job enrichment and worker

participation as real technical advances in the labor process, reflecting a tendential but retarded development of a fundamental contradiction of capitalist management: to engage the creative capacity labor versus the need to control it to ensure the extraction of surplus labor.

### 4. From Coercion to Consent?

Like Friedman and Edwards, Burawoy (1982) highlighted problems with traditional management control strategies based on coercion. The latter drew on Gramsci ([1929–1935] 1999) to argue that under monopoly capitalism, internal labor markets and collective bargaining concretely coordinate the interests of workers and managers, while the organization of the labor process individualizes the workforce and encourages game playing. The result, Burawoy proposed, is that the factory regime of monopoly capitalism ensures the production of consent.

Burawoy made a foundational contribution with his distinction between coercive and hegemonic forms of control, and he produced important insights on the concrete coordination of interests within the labor process. That being said, his theory of the labor process contains serious problems. As Thompson (1983:176) observed, “By defining all cooperation in production as consent, then workers’ adaptations to work can only appear as consent to its rules.” Further, Burawoy effectively theorized consent as the inevitable outcome of working within the monopoly capitalist firm, thus missing the most interesting points about contradiction, management, and resistance (Vallas 1993). Burawoy’s attempt to develop a historical analysis of successive factory regimes led him to completely ignore—and be theoretically ill-equipped to explain—any variations across workplaces within a sector.

In addition, the much of the power of Burawoy’s (1982:34, 27) argument comes from his framing of an alleged puzzle: “why do workers work as hard as they do?” This dubious puzzle exists only within a narrow reading of Marx. Specifically, Burawoy asserted that “Marx’s analysis of the labor process in general [rests] on the assumption that the expenditure of effort is decided by coercion.” Further, Marx “had no place in his theory of the labor process for the organization of consent, for the necessity or willingness to cooperate in the translation of labor power into labor.”

Against Burawoy’s reading, it can be readily demonstrated that Marx theorized numerous overlapping reasons to expect that workers will generally be motivated to work hard within capitalism. Marx and Engels ([1846] 1996) theorized on how the material conditions of production shape human consciousness, which provides a basis for a theory of how the organization of the labor process produces consent. And Marx’s theories of fetishism and mystification in *Capital* ([1867] 1990:899) explicitly provide a theory of consent. Both the lived experience of market exchange and free market ideology obscure the exploitation of labor by capital. This dominant ideology reproduced outside of

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capitalist production combines with the material dependence of workers on a wage to produce a widespread understanding of capitalism as natural and unchangeable:

The advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of that mode of production as self-evident natural laws.... In the ordinary run of things, the worker can be left to the 'natural laws of production,' i.e. it is possible to rely on his dependence on capital, which springs from the conditions of production themselves, and is guaranteed in perpetuity by them.

As powerfully demonstrated by Nichols and Armstrong's (1976) foundational contribution to labor process theory, acceptance of the dominant ideology, dependence on a wage, and the feeling that the world is unchangeable are powerful, reinforcing forces that operate to ensure hard work.

Burawoy (1982:29) suggested "Marx claimed that there were tendencies immanent in capitalism that would reveal to workers the movement behind appearances," namely increasing interdependence, the homogenization of work and class struggle. Burawoy did not present any textual support—not even a single citation—for his attribution of these immanent tendencies to Marx. Rather, he simply concluded that "history has shown that Marx's prognosis was inadequate." The reason that Burawoy did not provide any textual support for his claim is because there is very little. While *The Manifesto* did articulate the so-called gravedigger thesis—that the objective conditions of capitalism would inevitably produce a revolutionary working class—it did so in just over just six pages. It must be remembered that this was a political pamphlet whose main purpose was to organize the working class. As I have argued in detail elsewhere (Vidal 2018, forthcoming), this thesis is almost completely absent from Marx's mature scientific writings, which focus instead the major obstacles to the development of working-class consciousness. The same institutions and processes discussed above—education, tradition, habit, ideology, fetishism, material dependence on a wage, the production of consciousness in the labor process, the human desire to express creativity—work to *obstruct* the realization of working-class consciousness

On the development of class consciousness, Marx's writings are fragmentary, but he consistently argued that it is only through active struggle *and* organization that working-class consciousness spreads. In *The Poverty of Philosophy*, Marx ([1847] 1975:173, emphasis added) wrote:

Economic conditions had first transformed the mass of the people of the country into workers. The combination of capital has created for this mass a common situation, common interests. This mass is thus already a *class as against capital*, but not yet for itself. *In the struggle*, of which we have noted only a few phases, *this mass becomes united, and constitutes itself as a class for itself*.

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Marx made similar arguments in *The Eighteenth Brumaire* (Marx [1852] 1994:124). He saw the development of class consciousness as contingent, requiring not simply common material conditions but struggle, new forms of organization, education, leadership, and successful organizing strategies.

In the reading of Marx just presented, Burawoy's puzzle—why do workers work so hard?—vanishes. The institutions of society present capitalism as natural and inevitable, workers are dependent on wages for a living, and under capitalism living standards increase for the bulk of the working class (while increasing inequality and creating a growing class of paupers and labourers with insecure work). In this context, only active class struggle—including an active labor movement organizing around an anti-capitalist agenda—can change worker consciousness; absent such, the structural commonality of working-class jobs will be insufficient to ensure the development of revolutionary working-class consciousness.

Finally, Burawoy's (1982:30, 135, xxi, 175) core thesis consists of two claims. First, "Whatever consent is necessary for the obscuring and securing of surplus value is generated at the point of production rather than imported into the workplace from outside," a process that occurs entirely "independent of schooling, family life, mass media, the state, and so forth." This claim is bold, to be sure, but implausible. While Gramsci ([1929–1935] 1999:286, emphasis added) suggested that high wages were a central element of the material class compromise, he saw capitalist hegemony is a much more encompassing process, a dominant ideology rooted in (and articulated through) the very institutions Burawoy dismissed as irrelevant. This broader theory of hegemony as permeating the institutions of capitalist society—as articulated by Marx, Gramsci, Nichols, and Armstrong, among many others—is far more compelling than Burawoy's thesis that hegemony is secured exclusively within the labor process.

Second, Burawoy asserted that "the organization of work ... is designed to eliminate the need for discipline." But this claim is at odds with a core theoretical position and robust empirical finding of labor process research—both before Burawoy and in the decades after—that managers face an ongoing problem of securing effort and cooperation and that all control strategies are necessary incomplete (Smith 2015; Thompson and Smith 2009; Thompson and van den Broek 2010).

## 5. The Neo-Marxist "Core Theory"

In a synthesis of the literature in the 1970s and 1980s, Thompson (1990: 102, 115) distilled what he labeled the "core theory" of the labor process. This consists of four propositions: (1) the capital-labor relation is a privileged focus of analysis; (2) the capital-labor relation is inherently antagonistic, although the labor process is relatively autonomous from and may operate independently of broader class relations; (3) competition compels transformations in the labor process; (4) thus managers have a control imperative, although there are a range of strategies. While Thompson acknowledged that the "core theory draws heavily on Marxist categories," he argued "it



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is not in my view Marxist” because it severs labor process theory from the thesis that “the proletariat would be compelled to challenge and transform class society by virtue of its objective location in the system of production” (Edwards 1986 makes a similar argument).

In this reading the core theory is Neo-Marxist insofar as it is based in Marxist concepts and problematics yet is divorced from Marxist questions about the relation between technological change and capital accumulation; it does not see technology as having a basic causal role nor contradictions as central to understanding labor process dynamics; it rejects the labor theory of value. None of the foregoing requires commitment to a mechanical theory of technological determinism or to the thesis that the working class will automatically and inevitably become revolutionary.

I agree with Paul Edwards (1986:55, 76) that the inherent antagonism between capital and labor “does not imply that capitalists and workers will meet as opposing classes with clearly opposed interests.” The interests of managers and workers are not reduced to this inherent antagonism because they must interpret and deal with the multiple pressures bearing on any workplace, including general contradictions but also a range of particular circumstances. In the reading articulated above, the relative autonomy of the labor process from broader class relations—meaning that class position does not determine behavior in the labor process—is consistent with classical Marxism.

Thompson’s specification of so-called core theory is a good summary of how labor process theory has been used in the subsequent years. This research program focusing on control, resistance, and accommodation has produced rich empirical nuance and insight, uncovering complexity and contingency. According to Thompson and Newsome (2004), there have been four waves of labor process theory. The second wave (in the 1980s) focused on the control/resistance dynamic, while the third wave (1990s) was on flexibility and lean production, using the control/resistance frame, adding little to theory. The fourth wave on comparative and global, examining how the labor process is influenced by globally perceived best practice while employment relations are shaped by national institutions (for additional overviews of labor process theory, see Smith 2015; Vidal and Hauptmeier 2014).

While many of the contributions of Neo-Marxist labor process theory do pay lip service to contradictory processes, these are typically passing references in rather vague terms. A smaller number have systematically highlighted the role of conflicting pressures and dynamic tensions in labor management.

In a study of technical workers in the UK aerospace industry, Smith (1987) showed that many technical jobs in the office required practical knowledge from the shop floor. He suggested that there are three contradictions in the relations between technical and manual workers: between intellectual versus manual labor, indirectly productive versus productive positions, and relative autonomy versus standardized labor.

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In a study of AT&T, Vallas (1993:9, 2, 31) found that increased competition forced restructuring that deskilled some of the craft occupations in the firm (and all of the clerical work), although management was “unable to abolish the need for skilled crafts.” He briefly noted a contradiction between “technical and economic pressures to increase workers’ skills” in order to harness worker productivity against pressures to control labor. More recently, Vallas (2003:245, 227) has elaborated the “conflicting logics” of standardization versus participation. He theorized this contradiction as not inherent to the capitalist labor process but as being “introduced” into it by the “privileging technical over communicative rationality,” which makes “workers see they won’t have any input.” In other words, the labor process becomes contradictory when management attempts to introduced combine competing logics.

In an ethnography of a Subaru-Isuzu transplant in the United States, Graham (1995:133) concluded that lean production generates a “psychological tension within the individual worker” between real improvements—such as a cleaner workplace and a company culture encouraging communication and employee involvement—and a more intense work regime that systematically attacks worker autonomy and intensifies work. Similarly, James Rinehart and colleagues (Rinehart et al. 1997:154–155) found at a Japanese transplant in Canada that “If shop floor participants see *kaizen* [continuous improvement] as a rigged game that is weighted heavily in favour of the company, they will be reluctant to divulge their trade secrets. This contradiction was manifested at CAMI,” as dissatisfied workers withdrew from *kaizen*.

Regarding Burawoy, his terms “politics of production” and “workplace regime” have been widely adopted to refer broadly to the political and cultural nature of the labor process, but these have not been theorized in a way that builds cumulatively on his analysis of the concrete coordination of interests within the workplace. For example, McKay’s (2006) book on “The Politics of High-Tech Production in the Philippines” noted that Burawoy’s coercion/consent binary simply cannot make sense of the complexity and diversity of workplace regimes. Drawing instead on the work of Vallas, McKay highlighted the contradictory pressures managers face between standardization and flexibility, which he found generated confusion over labor strategy.

In a contribution that develops a classical Marxist approach very close to what is advocated here, Adler (2007:1321, 1327, 1313, 1324) proposed that the development of new techniques and models of production is “part of the socialization process, representing a step towards more rational, conscious planning and management of large-scale, interdependent operations.” He saw a contradiction between “an increasingly socialized labour process” and “the persistence of valorization constraints.” This socialization of labor and of the productive forces is “stimulated, retarded and distorted” by capitalist relations of production. The imperative to valorize labor “drives firms to further socialize production and inhibits and distorts that socialization process.”

Finally, Leidner (1993) developed a theory of interactive service work in which a power triad between managers, workers, and service recipients complicates labor process

dynamics. Subsequent research on interactive service work has noted that managers there face conflicting pressures between providing high-quality, tailored customer service versus standardized service emphasizing cost reduction: what Taylor and Bain call the “quantity/quality dilemma” (Korczynski 2009; Taylor and Bain 1999).

## **6. Contradictions of Management and the Socialization of Labor**

As just discussed, while the notion of contradiction has been ignored or ritually invoked by much labor process theory, a small number of scholars have argued that the contradiction is foundational. Littler (1982: 34) summarized the core contradiction of the capitalist labor process as a “perpetual tension between treating workers as a commodity to be hired and fired and harnessing their ingenuity and cooperativeness.” Marxists have theorized this as rooted in the contradiction between the forces and relations of production (Adler 2007; Cressey and MacInnes 1980; Elger 1979; Gorz 1968; Littler 1982; Mallet 1975; Smith 1987). However, while these scholars emphasized the importance of the contradiction, they did not develop it as the central analytical concept for the analysis of the competing pressures facing management.

Others have noted a similar contradiction as an empirical observation—standardization versus participation—but not theorized it in Marxist terms (Korczynski 2009; Taylor and Bain 1999; Vallas 1993, Vallas, 2003:954). These scholars have used the concept of competing pressures as central to the analysis labor management, but they have not theorized it as inherent to the capitalist labor process.

In order to develop a general conceptualization of this contradiction, we must return to Marx. As an expression the contradiction between the forces and relations of production, Marx saw the nature of managerial authority as twofold. On the one hand, management plays a productive role: “The work of directing, superintending and adjusting becomes one of the functions of capital, from the moment that the labour under capital’s control becomes co-operative” (Marx [1867] 1990:449). “This is productive labor that has to be performed in any combined mode of production” (Marx [1894] 1981:507). On the other hand, management plays an unproductive role: “The control exercised by the capitalist is not only a special function arising from the nature of the social labour process, but it is, at the same time a function of the exploitation of a social labour process, and is consequently conditioned by the unavoidable antagonism between the exploiter and the raw material of his exploitation” (Marx [1867] 1990:449). These productive and unproductive functions of management are “directly and inseparably fused” under capitalism (Marx [1894] 1981:510).

Managers coordinate labor and increase efficiency by organizing the division and utilization of labor. Managers are productive to the extent they are engaging in coordinative labor, such as engaging in process mapping to improve the flow of work and allocation of labor. But managers also must control and discipline labor to ensure labor

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valorization (i.e., to secure sufficient output from workers). To the extent that managers are engaging in purely disciplinary labor, such as direct observation of workers to ensure working instead of shirking, they are unproductive. In other cases, management is simultaneously coordinative and disciplinary, such as with time and motion study, which increases efficiency while enforcing discipline via standardization.

While Marx saw these roles as “inseparably fused” in practice, analytically they stem from distinct (though interrelated) sources: coordination is part and parcel of the productive forces while discipline flows from antagonistic production relations. In other words, a central contradiction of the labor process is that managers face competing pressures for coordination versus discipline. The primary forms of management discipline are direct control, technical control, and standardization. Coordination is more encompassing. It includes securing “the harmonious co-operation” of individuals within the division of labor but is more than this. It also includes “direction” and “leadership” to harness “the productive power of labor” (Marx [1867] 1990:448–451, 458).

While the form coordination took during the phases of manufacture and large-scale industry was deskilling under the detail division of labor, under different technological and market conditions it might include multiskilling and empowerment. Thus, the forms of coordination—in the sense of harnessing the productive power of “the collective worker”—range from deskilling via Taylorism to responsible autonomy to cross-training and empowerment to engage in decision making and problem solving. Standardization versus participation is thus one form in which this contradiction is expressed.

It is well known that Marx theorized deskilling under the detail division as central to capitalist development, and utterly degrading, converting “the worker into a crippled monstrosity by furthering his particular skill as in a forcing-house, through the suppression of a whole world of productive drives and inclinations” (Marx [1867] 1990: 481). However, as we have seen, Marx also theorized capitalism as a dynamic and restless system, driven by contradictory forces that develop and mature over distinct stages, including a focus on dominant tendencies and countertendencies, as well as differentiation of shorter-term processes within longer-term trends.

Marx’s comments on the degradation of labor refer to the historical process of deskilling under the detail division of labor and the conditions of the working class in his time. He did not make any prediction in *Capital* of the ever-increasing and eternal homogenization of working conditions. Rather, he wrote of how

modern industry never views or treats the existing form of a production process as the definitive one. Its technical basis is therefore revolutionary.... By means of machinery, chemical processes and other methods, it is continually transforming not only the technical basis of production, but also in the functions of the worker and the social combinations of the labour process

(Marx [1867] 1990:617).

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As Adler (1990:2007) has shown, Marx argued that in the dialectical movement of history a long-term, global trend of increasing interdependence and human productive capacity through accumulation of scientific and technical knowledge, occurs alongside shorter-term processes of degradation and immiseration. Adler interprets Marx (correctly in my view) as seeing among the long-term tendencies of capitalist development a powerful tendency toward the socialization of productive capacity. This happens both in terms of organizational capability (increasing social division of labor and growing interdependence between economic sectors) and individual capability. Marx ([1894] 1981:414–415) described the latter process when discussing how “the extension of popular education” means that “basic skills, knowledge of commerce and languages, etc., are reproduced ever more quickly, easily, generally and cheaply.”

In Marx’s ([1867] 1990:610) understanding of economic development as a dynamic and contradictory process, capitalism would not only increase the education and cosmopolitanism of the working class but also their organizational capabilities. In the *Grundrisse*, Marx ([1857–1858] 1993:162) wrote: “Universally developed individuals ... are no product of nature, but of history.” Such universal development of individuals presupposes “production on the basis of exchange values.” The universality of capitalist production and exchange “produces not only the alienation of the individual from himself and from others, but also the universality and the comprehensiveness of his relations and capacities.” This form of upgrading of the productive capacities of workers occurs even alongside deskilling—think of today’s factory or retail workers, under a Taylorist division of labor but using computers in the workplace. For sake of clarity vis-à-vis other notions of socialization, Marx’s notion is referred to as *productive socialization*.

In sum, Marx did not predict the universal, ever-increasing immiseration and impoverishment of an increasingly homogeneous working class. He argued that deskilling under the detail division of labor degrades and alienates labor. He also theorized how educational initiatives outside the workplace develop individual capabilities and a central dynamic of capitalist development is a dialectical movement in which a progressive, long-term trend toward productive socialization is inherent but distorted and retarded by short-term concerns with securing surplus value. Again critically, these dynamics play out in different ways across distinct institutional phases of development.

## 7. The Intensification of the Contradiction Between Management-as-Coordination Versus Management-as-Discipline

While many scholars have highlighted the centrality of contradictions as a key theoretical point, this point has not systematically guided most labor process theory. This article has sketched a theory of contradiction in the labor process as an interdependent relation between fundamental historical processes: the expression of human creativity as the basis for technological innovation versus the class-based drive to establish or resist

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exploitation. Within capitalism, competition radically increases pressure to innovate, thus intensifying the contradiction. These contradictory processes manifest as competing pressures on management: coordination of the labor process for increased efficiency versus discipline to ensure valorization. By way of conclusion, a brief historical narrative will be sketched that contains a research problematic and a testable hypothesis.

The contradiction of management-as-coordination versus management-as-discipline was substantially muted—though by no means eliminated—from the earliest stages of capitalism through the Fordist stage. However, in the post-Fordist period, the contradiction has become greatly intensified.

From the manufacture stage (sixteenth to the eighteenth centuries) through the Fordist stage (1910s through the late 1960s), where technologies were rigid and stable, economies of scale and mass markets were the basis of efficiency and were still developing: multiskilled and empowered workers would have been unnecessary, uncompetitive costs. Of course, capital always necessarily relied on the embodied, tacit skills of labor, and thus deskilling was always necessarily incomplete. Nonetheless, when the goal was to maximize output of a small number of products based on forecasts, using semiskilled workers restricted to a single task under direct or technical control was the most efficient division of labor. While managers experienced some tensions insofar as they had to harness the tacit skills and cooperation of labor, under large-scale and Fordist production, multiskilled and empowered workers would have contributed additional costs without increasing efficiency.

The picture is further complicated by the fact that there was no general theory of management before Taylorism and a range of modes of labor control in the nineteenth century (Littler 1982). In Britain, craft control remained common through the first decades of the twentieth century, in which the employer contracted work to a master craftsman, who employed skilled and unskilled labor and had an interest in passing on craft skills. This combined with a powerful shop steward movement to ensure substantial control by labor on the shop floor. However, the British case proves the larger point: a high degree of production control by skilled labor *hindered* the development of Fordist production in the twentieth century, allowing the United States and Germany to leap ahead of Britain in industrial competitiveness based on the Fordist-Taylorist division of labor (Vidal 2015).

Fordism spread across the OECD countries, producing both cheap durable goods and effective demand in the form of high wages, thus saturating markets. As new forms of more flexible production emerged in the 1960s—driving rather than responding to fragmenting markets—rigid Fordist production went into crisis. Over the 1970s and early 1980s there were competing models of flexible production: the Swedish (Volvo) model, the German model and the Japanese (Toyota) model. By the end of the 1980s, Japanese lean production emerged as the victor, becoming the universal model of best practice in post-Fordist manufacturing and increasingly spreading into services (Vidal 2011). The best practice template of lean includes consists of demand-driven flow production,

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emphasizing process standardization, economies of flexibility and continuous improvement, using multiskilled workers empowered to engage in decision making and problem solving.

In the era of post-Fordism, when the basis of efficiency is economies of scope and flexibility, there is a real efficiency advantage to empowering workers, via multiskilling and employee involvement. In this context, the contradiction between coordination (increasing efficiency) and discipline (securing sufficient output) becomes acute. To the extent that capitalist managements fail to empower their workers to engage in decision making and problem solving—which is the dominant trend in the empirical literature—they are fettering the growth of the forces of production.

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## Oxford Handbooks Online

### **Capital in General and Competition: The Production and Distribution of Surplus Value**

Fred Moseley

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### **Abstract and Keywords**

This chapter argues that capital in general and competition are the two main levels of abstraction in Marx's theory in *Capital* and that they correspond to the theories of the production of surplus value in *Capital* I and II and the distribution of surplus value in *Capital* III. The main question addressed at the level of capital in general is the production of surplus value or the determination of the total surplus value produced in the economy as a whole. The main question addressed at the level of abstraction of competition is the distribution of surplus value, or the division of the total surplus value into individual parts (first the equalization of the rate of profit across industries and then the further division of the total surplus value into commercial profit, interest, and rent).

Keywords: capital in general, competition, production of surplus value, distribution of surplus value, many capitals

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This entry argues that *capital in general* and *competition* are the two main levels of abstraction in Marx's theory in *Capital* and that they correspond to the theories of the *production of surplus value* in *Capital* I and II and the *distribution of surplus value* in *Capital* III.

The level of abstraction of *capital in general* is about the total productive capital in the economy as a whole and what all productive capitals have in common.<sup>1</sup> Capital in general consists of three sections: the production process, the circulation process, and capital and profit. The main question addressed in the section on the production process is the *production of surplus value* or the determination of the total surplus value produced in the economy as a whole. The main question addressed in the section on the circulation process are fixed and circulating capital, the turnover time of capital, and the reproduction of the total social capital. The main question addressed in the section on capital and profit is the deceptive appearance of surplus value as profit.

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The level of abstraction of *competition* is about capitals employed in individual industries and particular forms of capital (commercial capital, interest-bearing capital, and landed capital). The main question addressed at the level of abstraction of competition is the *distribution of surplus value*, or the division of the total surplus value into individual parts (first the equalization of the rate of profit across industries and then the further division of the total surplus value into commercial profit, interest, and rent). Another related question addressed at the level of abstraction of competition is “revenue and its sources” or the critique of vulgar political economy’s explanation of these individual parts of surplus value.

Therefore, the basic logical structure of Marx’s theory in the three volumes of *Capital* is the following:

I. Capital in General		
1. Production of surplus-value (Volume 1)		
(absolute and relative surplus value)		
2. Circulation of Capital (Volume 2)		
3. Capital and profit		(Parts 1 and 3 of Volume 3)
(including the falling rate of profit)		
II. Competition, or the distribution of surplus-value		
1.	General rate of profit and prices of production	(Part 2 of Volume 3)
2.	Commercial profit	(Part 4 of Volume 3)
3.	Interest	(Part 5 of Volume 3)
4.	Rent	(Part 6 of Volume 3)
5.	Revenue and its sources	(Part 7 of Volume 3)

Moseley (2014) argues that this fundamental logical structure of Marx’s theory—capital in general (production of surplus value) and competition (distribution of surplus value)—was heavily influenced by Hegel’s logic, and in particular the first two moments of Hegel’s logic of the concept—universality and particularity. Marx’s *capital in general* corresponds to Hegel’s *universality* and Marx’s *competition* (or *many capitals*) corresponds to Hegel’s *particularity*. The similarity between the two logical structures is that theoretical explanation begins with universality / capital in general and then

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proceeds to particularity/competition, and the conclusions of the first level of abstraction are presupposed in the second level of abstraction. In Marx's case, the total surplus value determined at the first level of abstraction of capital in general is presupposed in the theory of the distribution of surplus value at the second level of abstraction of competition. Marx criticized Hegel for surrounding his method in "mysticism" (i.e., for assuming that the universal is the Absolute Spirit), but Marx utilized a logical structure similar to Hegel's, with a materialist basis and a materialist universal (abstract labor). And Marx added a quantitative dimension to Hegel's logic in order to explain the total quantity of surplus value and the division of the total surplus value into its particular forms and individual parts.

The first section of this entry traces the development and use of this logical structure in all the four drafts of *Capital*: the *Grundrisse*, the *Manuscript of 1861–1863*, the *Manuscript of 1864–1865*, and the published Volume 1 of *Capital*. A few examples of the substantial textual evidence that exists to support this interpretation will be presented.

Some prominent authors have argued that Marx either abandoned or changed drastically the logical structure of capital in general and competition after the *Manuscript of 1861–1863*; these authors include: Roman Rosdolsky (who has dominated the discussion of capital in general and competition), the MEGA editors of the *Manuscript of 1864–1865*, and Michael Heinrich. The arguments of these authors will be examined in the last section of this entry.

It will be argued that these authors largely ignored the quantitative dimension of the levels of abstraction of capital in general and competition—the production and distribution of surplus value. It argues that Marx clearly did not abandon his theory of the production and distribution of surplus value, including the key quantitative premise of the determination of the total surplus value prior to its distribution, and therefore he did not abandon the corresponding levels of abstraction of capital in general and competition. The basic logical structure of Marx's theory, as shown in the outline above, remained essentially the same after 1863 as before.

## 1. Capital in General and Competition in the Four Drafts of *Capital*

### 1.1 The *Grundrisse*

Marx seems to have developed his distinction between capital in general and competition while writing the *Grundrisse*, the first draft of *Capital*. The *Grundrisse* is almost entirely at the level of abstraction of capital in general. It is divided into the three sections of capital in general: the production process of capital (i.e., the production of surplus value), the circulation process of capital (which does not yet include the reproduction of the total social capital), and a brief section on "capital and profit." In addition, there are several brief discussions of the equalization of the profit rate across industries, an aspect of the

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distribution of surplus value, and a subject that Marx repeatedly said “does not belong here” (i.e., does not belong in the section on capital in general) but instead belongs in a later section on competition.

In section 3 of the *Grundrisse* on “capital and profit,” there is a longer discussion of equal rates of profit, and Marx stated again that this subject “does not belong here” (i.e., does not belong to capital in general) but instead belongs to “*many capitals*” (Marx [1857–1858] 1973:760) or to the “chapter on *competition*” (Marx [1857–1858] 1973:762). The following passage is a clear statement that the theory of the distribution of surplus value belongs to the level of abstraction of many capitals, or competition, and that the distribution of surplus value through the equalization of profit rates does not affect the total amount of surplus value:

The **total surplus-value**, as well as the **total profit**, which is only the **surplus value itself, computed differently**, can **neither grow nor decrease** through this operation [the equalization of profit rates], **ever**; what is **modified thereby** is not it, but only **its distribution among the different capitals**. However, **this examination belongs only with that of the many capitals**, it does not yet belong here [i.e. in the analysis of capital in general].

(Marx [1857–1858] 1973:632)<sup>2</sup>

Therefore, although Marx left the elaboration of his theory of the equalization of the profit rate to the subsequent analysis of competition, he was already clear by the end of the *Grundrisse* that this theory would be based on the fundamental premise that the total amount of surplus value is determined prior to its distribution and prior to the equalization of profit rates. This key premise continued to be the basis for all of Marx’s subsequent work on his theory of the distribution of surplus-value and equal rates of profit in particular. About the time Marx was finishing the *Grundrisse*, he wrote a letter to Engels in which there is an outline of his book on Capital with the following four parts: (1) *capital in general*, (2) *competition*, (3) the credit system, and (4) share capital (Marx and Engels 1975:97).

### 1.2 The Manuscript of 1861–1863

The *Manuscript of 1861–1863* is the second draft of *Capital*, and is the manuscript in which Marx developed for the first time his theory of the distribution of the total surplus value into individual parts, which would later be presented in *Capital* III. About two-thirds of the *Manuscript of 1861–1863* is what we know as the *Theories of Surplus-Value*, much of which is about the distribution of surplus value. The other third of the manuscript has been published for the first time in the new MEGA edition, and includes a second draft of *Capital* I and, importantly, about 250 pages on the distribution of surplus value and other subjects related to the third volume.<sup>3</sup>

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### 1.2.1 The Second Draft of Volume 1, Parts 2-4

The *Manuscript of 1861-1863* begins with a fairly complete draft of Marx's theory of the production of surplus value, which we know as Parts 2 through 4 of Volume 1 of *Capital*. This manuscript is entitled "Capital in General," and starts with a chapter on "The Transformation of Money into Capital" and then proceeds to chapters on absolute and relative surplus value.

There is an interesting and relevant discussion in this second draft of Volume 1, in the part that later became chapter 5 ("Contradictions in the General Formula of Capital"). Marx briefly discusses merchant capital and interest-bearing capital, which receive profit and interest, even though they are employed solely in the sphere of circulation, which appears to contradict the law of the exchange of equivalents. Marx notes that these two forms of capital:

**do not come into consideration here at all**, for we are dealing with **capital as such**, but rather must be developed later as **derived, secondary forms of capital**

(Marx [1861-1863] 1988: 31-32).

The reason why merchant capital and interest-bearing capital cannot be considered here is that merchant profit and interest are individual parts of the total surplus value, and the total amount of surplus value must first be determined (at the level of abstraction of capital in general). With respect to interest specifically, Marx states that the magnitude of interest has to do with the *distribution* of surplus value, which *presupposes* the total amount of surplus value:

Similarly, interest appears then merely as a **particular form and branch of surplus value**, just as the later **divides later on** into **different forms**, which constitute different kinds of revenue, such as profit, rent, interest. All questions about the magnitude of interest, etc. therefore appear as questions of the **distribution** of surplus value between different sorts of capitalists. The existence of surplus value as such is **presupposed** here.

(Marx [1861-1863] 1988:31-32)

Therefore, Marx continued to have in mind the key quantitative premise of the determination of the total surplus value prior to its division into individual parts as he started the second draft of Volume 1 in the *Manuscript of 1861-1863*.

### 1.2.2 Theories of Surplus Value

While working on Part 4 of Volume 1 on relative surplus value, Marx began to write in a new notebook, which he entitled "Theories of Surplus Value." He first wrote what we know as Volume 1 of *Theories of Surplus Value* on Adam Smith and then, for accidental reasons, he discussed a book by Karl Rodbertus on Ricardo's theory of rent, which started Marx on a creative theoretical excursion for almost a year, during which he began to



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work out for the first time the details of his own theory of the distribution of surplus value, which would later be presented in Volume 3 of *Capital*.<sup>4</sup>

Early in the section on Rodbertus's theory of rent, Marx began to realize that in order to be able to explain absolute rent, it is first necessary to explain "average prices" or "cost prices" (what Marx later called "prices of production"). Therefore, he began to sketch out for the first time the details of his theory of "average prices" (Marx and Engels [1861–1863] 1989a:260–264, 297–305). In these sketches, Marx emphasized that the general rate of profit to which all individual rates of profit are equalized is determined by the ratio of the total amount of surplus value divided by the total amount of capital invested. The total amount of surplus value, Marx assumed, is determined by the prior analysis of capital in general. This total amount of surplus value is then distributed among the individual branches of production by means of commodities selling at average prices that differ from their values and are determined in part by this general rate of profit. In this way, each capital is treated as a "shareholder of the aggregate capital" and receives its share of the total surplus value, according to its own magnitude. Capitalists are like "hostile brothers [who] divide among themselves the loot of other people's labor" (Marx and Engels [1861–1863] 1989a:264). The total magnitude of this "loot" has already been determined by the prior analysis of capital in general.

This remained Marx's basic theory of the general rate of profit and prices of production for the rest of his life in all the later manuscripts. He developed a few more details later in the *Manuscript of 1864–1865*, but it is still the same basic theory. And Marx made it clear in all of these manuscripts that this theory of the general rate of profit and prices of production belongs to the level of abstraction of competition, which is analyzed after capital in general.

Marx then sketched out his theory of rent, as a further application of this theory of prices of production. Rent is a part of the total surplus value that landlords are able, by their monopoly of the land (and other natural resources), to appropriate for themselves, rather than this surplus value being distributed among all capitalists. In this theory of rent, the total amount of surplus value is again taken as a given magnitude, as determined by the prior analysis of capital in general. This total amount of surplus-value is "split" into profit and rent, and rent does not enter into the equalization of profit rates across industries.

After the discussion of Rodbertus's theory of rent, Marx then discussed Ricardo's theory of rent and Smith's theory of rent, followed by discussions of Ricardo's and Smith's theories of "cost price." Marx's main critique of the latter is that Ricardo and Smith failed to distinguish between values and cost prices (i.e., prices of production); in other words, they failed to distinguish between prices determined at the level of abstraction of capital in general (prior to consideration of equal rates of profit) and prices determined at the level of abstraction of competition (with equal rates of profit). Instead, they mixed up the two levels of abstraction by assuming at the same time the exchange of commodities at their values and with equal rates of profit (1989a:264). And they provided no theory of the determination of the average rate of profit. Again, Marx emphasized that the

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equalization of the profit rate “does not affect the absolute size of the total surplus-value, but merely alters its distribution”:

The equalisation of the surplus-values in the different trades **does not affect the absolute size of this total surplus-value**; but merely **alters its distribution** among the different trades. The **determination of this surplus-value itself**, however, only arises out of the determination of value by labor-time. Without this, the average profit is the average **of nothing**, pure fancy. And it could then equally well be 1,000% or 10% ... One can see that though Ricardo is accused of being too abstract, one would be justified in accusing him of the opposite: **lack of the power of abstraction**, inability, when dealing with the values of commodities, to forget profits, a fact which confronts him as a result of **competition**

(Marx and Engels [1861–1863] 1989a:416).

Later in this section, Marx discussed for the first time at any length the particular form of surplus value of *interest* and the division of surplus value into profit and interest. Thus he considered interest as a part of the total surplus value, along with other parts of surplus value. And correspondingly, Marx also mentioned for the first time that he now considered interest as belonging to the level of abstraction of competition, along with the other particular forms of surplus value.

**Interest** is therefore nothing but a **part of the profit** (which, in its turn, is itself nothing but surplus-value, unpaid labour), which the industrial capitalist pays to the owner of the borrowed capital with which he “works,” either exclusively or partially ... Instead of being appropriated by the industrial capitalist himself—although he is the person who first holds the whole surplus value in his hand no matter how it may be **distributed** between himself and other people under the names of **rent**, **industrial profit** and **interest**—this part of the profit is deducted by the industrial capitalist from his own revenue and paid to the owner of capital

(Marx and Engels 1989b [1861–1863]:469).

The next particular form of surplus value that Marx began to consider in greater depth (again for the first time) in the continuation of these manuscripts was “mercantile profit” (which he later called “commercial profit”) (Marx [1861–1863] 1992:9–68). Mercantile capital is capital that functions solely in the sphere of circulation (i.e., performs only the pure circulation functions of buying and selling) and activities related to buying and selling (accounting, advertising, credit, etc.). Since according to Marx’s theory, these functions by themselves are “unproductive” (i.e., produce no value or surplus value), the existence of mercantile profit appears to contradict this assumption of unproductive labor.

Marx’s explanation of this apparent contradiction is that mercantile capital receives its profit as a deduction from the surplus value produced by industrial (productive) capital, and the general mechanism through which this deduction of mercantile profit from the

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total surplus value occurs is through the difference between mercantile capital's buying price and its selling price. Mercantile capital buys commodities at less than their price of production and then sells these commodities at their price of production. This difference enables mercantile capital to recover its cost and to collect the average rate of profit.

The **profit** which **mercantile capital** brings in is therefore merely a **part of the surplus value**, which is created by the total productive capital, and of which an aliquot part is transferred to mercantile capital

(Marx and Engels [1861–1863] 1992:62).

In this first discussion of mercantile profit, Marx sketches out this general method but does not explain all the details. Marx provided that more details of this explanation of mercantile profit in the Manuscript of 1864–1865 (Part 4 of Volume 3 of *Capital*).

In this draft, Marx also clearly stated several times that the average (or general) rate of profit is determined by the ratio of the total surplus value to the total capital advanced, and that the total surplus value is determined prior to its division into individual parts:

The empirical, or average, profit can therefore be nothing other than the **distribution of that total profit** (and the total surplus value represented by it or the representation of the total surplus labor) among the individual capitals in each particular sphere of production, in equal proportions ... **What is available for them to divide among themselves is only determined by the absolute quantity of the total profit or the total surplus-value**

(Marx [1861–1863] 1992:99).

### 1.3 Volume 3 of Capital (Economic Manuscript of 1864–1865)

Volume 3 of *Capital*, which was written by Marx in the *Manuscript of 1864–1865* and edited by Engels, presents essentially the same theory of the distribution of surplus-value as first sketched out in the *Manuscript of 1861–1863* but with greater detail and elaboration.<sup>5</sup> Thus, Volume 3 provides further textual evidence that Marx continued after 1863 to construct his theory in terms of the levels of abstraction of capital in general and competition. This textual evidence is of two kinds: indications that the individual parts of surplus value analyzed in Volume 3 belong to the level of abstraction of competition and comments that the total surplus value is determined prior to its division into individual parts.

The first paragraph of this manuscript states that the main purpose of this volume is to approach step by step the forms of capital *as they appear in competition*, on the surface of capitalist society.

The configurations of capital, as developed in this volume, thus approach step by step the form in which they **appear on the surface** of society, in the action of

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different capitals on one another, i.e. **in competition**, and in the everyday consciousness of the agents of production themselves

(Marx [1894] 1982:117).

The forms of capital that are explained in Volume 3 are of course the individual forms of appearance of surplus value (equal rates of profit, commercial profit, interest, and rent.). Thus, it is clear from this important introductory paragraph that the individual forms of surplus value explained in Volume 3 are surface forms of appearance and belong to the level of abstraction of competition, not the level of abstraction of capital in general.

In Part 2, the title of chapter 10 is “The Equalization of the General Rate of Profit through **Competition**” (emphasis added), thus clearly indicating that the subject of the *general rate of profit* and *prices of production* determined by the general rate of profit was still considered to belong to the level of abstraction of competition (as in the *Grundrisse* and the *Manuscript of 1861–1863*). Similarly, toward the end of chapter 10, Marx clearly stated that price of production is “a form that appears in **competition**”:

The **price of production** is already a completely externalized and *prima facie* irrational form of commodity value, **a form that appears in competition**, and is therefore present in the consciousness of the vulgar capitalist and consequently also in that of the vulgar economist

(Marx [1894] 1982:300).

Quantitatively, Marx continued to assume that the general rate of profit is determined by the ratio of the total surplus value to the total capital invested. In Marx’s tables in chapter 9, the total surplus value is £100 and the total capital invested is £500, so that the general rate of profit is 20%. This rate of profit is then taken as given in the determination of prices of production:

The prerequisite [of prices of production] is the existence of a general rate of profit

(Marx [1894] 1982:257).

Part 4 presents Marx’s theory of *commercial profit* and the modification of prices of production due to commercial profit, which is a more detailed version of the theory sketched out in the *Manuscript of 1861–1863*. Marx stated again that prices of production belong to the level of abstraction of competition:

If the **limits** of value and surplus-value are **given**, it is easy to perceive how the **competition** between capitals transforms values into **prices of production** and still further into **commercial prices**, transforming surplus-value into average profit. But without these limits, there is absolutely no way of seeing why competition should reduce the general rate of profit to one limit rather than to another, to 15% instead of 1,500%

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(Marx [1894] 1982:429).

We can also see from this passage that the limits of value and surplus value (i.e., the total amount of value and surplus value) are determined independently of the determination of prices of production and are taken as given in the determination of the latter. The limits of value and surplus value are determined at the prior level of abstraction of capital in general, and then the general rate of profit and prices of production are determined at the subsequent level of abstraction of competition.

The modified general rate of profit including commercial capital is determined by the ratio of the same total surplus value as in Part 2 to the total capital invested, which now includes commercial capital. Therefore, the incorporation of commercial capital increases the total capital invested (the denominator in the general rate of profit), but it does not increase the total surplus value (the numerator in the general rate of profit), because commercial capital does not produce surplus value (i.e., is “unproductive,” according to Marx’s theory), and thus the modified general rate of profit in Part 4 with commercial capital is lower than the original general rate of profit in Part 2. The lower general rate of profit reduces the wholesale price of commodities, which transfers a portion of the surplus-value from industrial capital to commercial capital.

Part 5 is about *interest*, and “The Division of Profit into Interest and Profit of Enterprise,” and the quantity of interest is assumed to be a part of the total surplus value produced by productive capital, which has to be paid to lenders for the use of their capital. Again, the total amount of surplus value is predetermined and taken as given (“presupposed”) and is not affected by its division into profit of enterprise and interest.

**Interest ... is ... nothing but a part of the profit, i.e. the surplus-value,** which the functioning capitalist, whether industrialist or merchant, must pay to the owner and lender of capital is so far as the capital he uses is not his own but borrowed

(Marx [1894] 1982:493).

In Part 6, Marx began his analysis of *rent* by clearly stating that he was not concerned with a complete analysis of landed property, but only with rent as an individual part of the total surplus value.

The analysis of landed property in its various historical forms lies outside the scope of the present work. We are concerned with it **only in so far as a portion of the surplus-value that capital produces falls to the landowner**

(Marx [1894] 1982:751).

The concluding Part 7 also makes it clear that Marx’s theory of the distribution of surplus value presented in Volume 3 belongs to the level of abstraction of competition. In the preceding parts of Volume 3, Marx had presented his theory of the individual forms of appearance of surplus value: these key phenomena of competition that are “visible on the

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surface of capitalist society.” Part 7 presents Marx’s critique of the explanations of these same surface phenomena of competition that were presented by vulgar political economy. The main point of Marx’s critique is that vulgar political economy remains entirely within the realm of the surface appearances of capital, and thus at the level of abstraction of **competition**; it does not recognize the inner laws of capital at the level of abstraction of capital in general. Therefore, Marx’s critique of vulgar economics is necessarily about the surface appearances of capital at the level of abstraction of competition. Chapter 50 is entitled “The Illusion Created by **Competition**.” The illusion that is created by competition is the appearance that the price of commodities appears to be determined by adding up the individual components of price, rather than price being determined by labor time and then divided into individual component parts. Similarly, the total surplus value appears to be determined by adding up the individual parts of surplus value, rather than the total surplus value first determined by surplus labor and then divided into individual parts. As Marx said many times, “Everything appears reversed in competition.” There is a continual contrast in Part 7, between the “inner laws” of capital and their “surface forms of appearance” in competition, the latter of which is the main subject of Volume 3.

Quantitatively, Marx states clearly again in the following passage from chapter 50 that the total amount of surplus value is determined prior to prices of production and the further division of surplus value into profit and rent, and therefore that the division of the total surplus value into individual parts does not alter its total amount.

We have thus an **absolute limit** for the value component that forms **surplus-value** and can be broken down into profit and ground-rent; this is determined by the excess of the unpaid portion of the working day over its paid portion, i.e. by the value component of the total product in which this **surplus labor** is realized ... The transformation of values into prices of production **does not abolish the limits to profit**, but simply **affects its distribution** among the various particular capitals of which the social capital is composed

(Marx [1894] 1982:999–1000).

Therefore, Marx’s theory of the distribution of surplus value in Volume 3 continued to be at the level of abstraction of competition, as it was in the earlier drafts of *Capital*, and also continued to be based on the quantitative premise of the prior determination of the total surplus value.

### 1.4 Volume 1 of Capital (1867–1872)

In the final published editions of Volume 1, the logic of the theory is essentially the same as in the earlier drafts. Volume 1 continues to be focused on the most important common properties of capital in general—the production of surplus value, and absolute and relative surplus value—as in the earlier drafts in the *Grundrisse* and the *Manuscript of 1861–1863*. The theory presented in Volume 1 is essentially the same theory as in these earlier drafts. Therefore, Volume 1 continues to be at the level of abstraction of capital in

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general, even though the term itself is not explicitly used by Marx (presumably in an attempt to popularize *Capital* and to reduce the use of Hegelian terminology). Instead, synonyms are used for capital in general, such as simply “capital,” or “capital as such,” or the “general formula for capital,” the “general nature of capital,” the “general analysis of capital,” or “capital itself taken as a whole,” etc.

For example, absolute surplus value, or the struggle over the length of the working day, is a common feature of all capitals and is derived in chapter 10 from another common feature—the “insatiable appetite of **capital** for surplus labour.” Similarly, relative surplus value, or the tendency toward continual technological change, is another common property of all capitals together, and is derived in Chapter 12 from the same “insatiable appetite for surplus labour.” Marx concluded his derivation of inherent technological change in chapter 12 as follows: “**Capital** therefore has an immanent drive, and a constant tendency, towards increasing the productivity of labor” (Marx [1867] 1977:436–437). In other words, *capital in general* has this immanent drive.

Marx also contrasted his derivation of inherent technological change from the “inner nature of capital” with a subsequent analysis of competition, which would be concerned with how individual capitalists perceive this inherent tendency of capital:

While it is not our intention here to consider the way in which the **immanent laws** of capitalist production manifest themselves in the **external movement** of the individual capitals, assert themselves as the coercive laws of competition, and therefore enter into the consciousness of the individual capitalist as the motives which drive him forward, this much is clear: a scientific analysis of **competition** is possible only if we can grasp the **inner nature of capital**; just as the apparent motions of the heavenly bodies are intelligible only to someone who is acquainted with their real motions, which are not perceptible to the senses

(Marx [1867] 1977:433).

We can see from this passage that Marx is clearly continuing to use the same basic logical structure of the levels of abstraction of capital in general and competition in his theory of relative surplus value, as in the earlier drafts, even though the term “the inner nature of capital” is used instead of “capital in general.”

In addition, there are several anticipations in Volume 1 of Marx’s theory of the distribution of surplus value in Volume 3, which provide further evidence that Marx continued to assume that the individual parts of surplus value can be analyzed only after the total surplus value has been determined, and thus continued to maintain the levels of abstraction of capital in general and competition. In chapter 5, Marx states again (as in the *Manuscript of 1861–1863*) that commercial profit and banking interest cannot yet be explained but will be explained at a later stage of the investigation (Marx [1867] 1977, 266–267). The reason why commercial profit and banking interest cannot yet be explained is that they are individual parts of the total surplus value, and the total amount of surplus value must first be determined (at the level of abstraction of capital in general

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in Volume 1). In chapter 11, Marx makes a similar point with respect to equal rates of profit across industries: equal rates of profit cannot be explained until a later stage of the investigation, as Marx stated many times in the previous drafts of *Capital* (Marx [1867] 1977:421–422). Therefore, Marx's logical method with respect to the total surplus value and the individual parts of surplus value remained the same in the final version of Volume 1 as it was in the *Manuscript of 1861–1863*: first the total amount of surplus value is determined, and then the individual parts of surplus value are determined, with the total surplus value “presupposed.”

Finally, in the introduction to Part 7, Marx emphasizes that the analysis of capital accumulation that follows is still at a very abstract level—it is still assumed that prices are equal to values and it is concerned only with the total surplus value produced, without consideration of the subsequent division of the total surplus value into individual “fragments,” which is analyzed later in Volume 3:

The capitalist who **produces surplus-value**, i.e. who extracts unpaid labor directly from the workers and fixes it in commodities, is admittedly the **first appropriator** of this surplus-value, but he is by no means its ultimate proprietor. He has to **share** it afterwards with capitalists who fulfill other functions in social production taken as a whole, with the owner of the land, and with yet other people. **Surplus-value** is therefore **split up into various parts**. Its **fragments** fall to various categories of person, and take on various mutually **independent forms**, such as **profit, interest, gains made through trade, ground rent, etc.** **We shall be able to deal with these modified forms of surplus-value only in Volume 3... The break-up of surplus-value into various fragments** does not affect either its nature or the conditions under which it becomes an element of accumulation

(Marx [1867] 1977: 709–710).

In other words, the analysis of capital accumulation in Part 7 of Volume 1 remains at the level of abstraction of capital in general, prior to the division of the total surplus value into individual parts at the level of abstraction of competition.

## 2. Other Interpretations of Capital in General and Competition

This section will discuss different interpretations of capital in general and competition presented by Roman Rosdolsky, by the MEGA editors of the *Manuscript of 1864–65*, and by Michael Heinrich.



## 2.1 Rosdolsky's Interpretation

Roman Rosdolsky (1977) emphasized the methodological importance of Marx's distinction between capital in general and competition, for which he should be commended and appreciated. However, Rosdolsky also argued that, while working on the *Manuscript of 1861-63*, he decided to *expand his definition of capital in general* to include the components of the distribution of surplus value that he had been working on in this manuscript, and narrowed the definition of competition to exclude these elements. Rosdolsky does not provide much of an explanation of *why* Marx changed the definitions of capital in general and competition in this way; he just states that the main purpose of the original distinction was "self-clarification," and once it had served this purpose, it could be discarded.

The argument here, to the contrary, is that the main purpose of Marx's distinction between capital in general and competition was not self-clarification but rather to provide a logical framework for his theory of the production and distribution of surplus value. Therefore, capital in general cannot be expanded to include the distribution of surplus value because the production of surplus value must be explained prior to the distribution of surplus value (i.e., the total amount of surplus-value must be explained prior to its division into individual parts), and that is the main task at the level of abstraction of capital in general. The distinction between capital in general and competition cannot be discarded, because Marx would be left with no theory of the production and distribution of surplus value.

Furthermore, we have seen above that there are many passages in the *Manuscript of 1864-1865* (Marx's Volume 3 manuscript) in which Marx explicitly stated that all the individual parts of surplus value dealt with in this volume *belong to the level of abstraction of competition* (as they did in earlier drafts). All these passages in the *Manuscript of 1864-1865* contradict Rosdolsky's interpretation that Marx expanded his definition of capital in general to include these individual parts of surplus value.

## 2.2 The MEGA Editors of the Manuscript of 1864-1865

In their introduction to the MEGA<sup>2</sup> edition of the *Manuscript of 1864-1865*, the editors argue that while working on the *Manuscript of 1861-1863*, Marx "encountered difficulties" with the distinction between capital in general and competition and then abandoned this distinction after 1863 (Müller et al. 2002). Their argument may be briefly summarized as follows:

(1) While working on the *Manuscript of 1861-1863*, Marx realized that equal rates of profit is a necessary feature of capitalism and therefore is a part of the "inner nature" of capital (and thus a part of capital in general). (2) However, equal rates of profit is also a feature of competition. (3) Therefore, the distinction between capital in general and competition breaks down in the case of equal rates of profit.

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It can be argued that point (1) is a misinterpretation of Marx's theory, and therefore the conclusion (3) does not follow. The fact that equal rates of profit is a *necessary* form of appearance of surplus value does not make it part of the *inner nature* of capital. The form of appearance of the inner nature of capital must be something other than the inner nature itself, even if the form of appearance is necessary. The inner nature of capital is the production of surplus value. This inner nature must necessarily appear in the phenomenal form of equal rates of profit (and in other forms as well). But this necessary form of appearance of the inner nature of capital is not the inner nature itself.

Commercial profit, interest, and rent are also necessary forms of appearance of the inner nature of capital, but surely these individual parts into which the total surplus value is divided are not part of the inner nature of capital. As discussed above, the main theme of Volume 3 is that the different forms of appearance of surplus value *obscure* the origin of surplus value (surplus labor) and thus obscure the inner nature of capital. Since these forms of appearance obscure the inner nature of capital, they cannot be the inner nature itself, even though these forms of appearance are necessary.

Therefore, we can conclude that the existence of equal rates of profit poses no problem for Marx's levels of abstraction of capital in general and competition. Indeed, these levels of abstraction are necessary in order to explain equal rates of profit and prices of production. Smith and Ricardo failed to explain equal rates of profit and prices of production precisely because they did not understand these levels of abstraction.

### 2.3 Heinrich's Interpretation

Michael Heinrich's argument (1989) is similar to that of the MEGA editors.<sup>6</sup> He argues that while writing the *Manuscript of 1861–1863*, Marx "encountered difficulties" in maintaining the distinction between capital in general and competition, which eventually led Marx to abandon this distinction and not employ it in *Capital*. However, the nature of the difficulty alleged by Heinrich is somewhat different. Heinrich defines capital in general to include the explanation of "all those characteristics that manifest themselves in competition" or "are visible in competition" (Heinrich 1989:67). The main characteristic "visible in competition" that is discussed by Heinrich is equal rates of profit across industries. Presumably, other characteristics that are visible in competition would also include the other forms of appearance of surplus value discussed in Volume 3 of *Capital* (commercial profit, interest, rent, and revenue). According to Heinrich, all these characteristics that are visible in competition *have to be explained at the level of abstraction of capital in general*, and thus these explanations must abstract from competition. Marx's inability to explain these characteristics that are visible in competition, while abstracting from competition, is (according to Heinrich) the main "difficulty" that eventually led Marx to abandon the distinction between capital in general and competition in his theory.

This article takes the view that Heinrich's interpretation is based on an *erroneous definition of capital in general*. As we have seen above, Marx stated many times in all the drafts of *Capital* that the more concrete phenomenon of equal rates of profit does *not*

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belong to the level of abstraction of capital in general but instead belongs to the level of abstraction of competition. Nowhere does Marx make the suggestion that the explanation of equal rates of profit belongs (or might belong) to the level of abstraction of capital in general. According to Marx's logical method, these individual forms of surplus value *cannot be explained until after* the total amount of surplus value has been determined, and that is the main task of the theory of the production of surplus value at the level of abstraction of capital in general. Specifically, with respect to the general rate of profit and prices of production, the general (or average) rate of profit is determined by the ratio of the total surplus value produced in the capitalist economy as a whole to the total capital invested. The total surplus value, the numerator in the general rate of profit, is determined by the prior theory of surplus value at the level of abstraction of capital in general. Therefore, the general rate of profit can be explained at the level of abstraction of competition only after the total amount of surplus value has been determined at the level of abstraction of capital in general.

Heinrich also argues that important textual evidence to support his conclusion that Marx abandoned the distinction between "capital in general" and competition after 1863 is that Marx *no longer used the term capital in general* as a title or heading for Volumes 1 and 2 of *Capital*. However, as this article has argued, even though Marx no longer used the Hegelian term "capital in general" in the final versions of Volume 1, he continued to analyze in Volume 1 the most important common properties of all capitals together—the production of surplus value, and absolute and relative surplus value, etc.—and therefore, continued implicitly to base his theory in Volume 1 on the level of abstraction of capital in general.

Furthermore, we have also seen above that Marx continued after 1863 (e.g., in the *Manuscript of 1864–1865*) to use the term "competition," and with the same meaning as before; in particular, to include in competition the surface forms of appearance of surplus value that are discussed in Volume 3 (and also other more concrete phenomena). If competition continued to be used and to have the same meaning, then it seems reasonable to infer that capital in general, the other main level of abstraction in Marx's theory, also continued to be used and with the same meaning (just with different names).

Therefore, we can conclude that Marx encountered no difficulties in maintaining the distinction between capital in general and competition in the *Manuscript of 1861–1863* and that he did not abandon this distinction after 1863. The alleged "difficulties" to which Heinrich refers are of his own making. They are due solely to his misinterpretation of Marx's concept of capital in general, not to Marx's concept itself. Indeed, the impression one gets from studying this manuscript is Marx's increasing clarity with respect to the levels of abstraction of capital in general and competition and the crucial role of this logical structure in determining the average rate of profit and prices of production and other individual parts of surplus value (e.g., his critique of Ricardo).

### 3. Conclusion

This entry has argued that Marx's levels of abstraction of capital in general and competition have a very important quantitative dimension that has not been sufficiently appreciated: the production and distribution of surplus value. The main question addressed at the level of abstraction of capital in general is the determination of the total surplus value produced in the capitalist economy as a whole, and the main question addressed at the level of abstraction of competition is the distribution of this total surplus value into individual parts. The total quantity of surplus value that is determined at the level of abstraction of capital in general is taken as given (and does not change) in the theory of the division of the total surplus value into individual parts at the level of abstraction of competition. We have seen above that this basic logical structure of Marx's theory of the production and distribution of surplus value in terms of the levels of abstraction of capital in general and competition was maintained in all the drafts of *Capital*, including the final ones.

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### Notes:

(<sup>1</sup>) Productive capital is capital employed in the production process that produces surplus-value. Unproductive capital is not employed in the production process and thus does not produce surplus value (e.g., commercial capital and interest-bearing capital).

(<sup>2</sup>) In all the quotations in this paper, *italicized* emphasis is in the original, **bold** emphasis is added, and [brackets] are added.

(<sup>3</sup>) The *Manuscript of 1861–1863* was published for the first time in its entirety in German in the *Marx-Engels Gesamtausgabe*, abbreviated as MEGA<sup>2</sup>, in 1976–1982. The English translation was published in 1988–1994 by International Publishers, as Volumes 30 to 34 of the fifty-volume *Marx-Engels Collected Works*. The publication of this entire manuscript is an important event in Marxian scholarship. This manuscript is an important link between the *Grundrisse* and *Capital* and provides many valuable insights into the logical structure and content of *Capital*, especially Marx's theory of the distribution of surplus-value in Volume 3.

(<sup>4</sup>) It appears that the immediate reason for this surprising turn was largely practical and fortuitous. Lasalle had loaned Marx a copy of Rodbertus's book the year before and had recently written to Marx that he wanted his book back. Therefore, Marx studied Rodbertus's book while he still had the opportunity to do so. The book turned out to be more interesting than Marx expected and appears to have stimulated Marx's thinking about rent and the determination of prices of production and started Marx on this creative excursion.

(<sup>5</sup>) Marx's original *Manuscript of 1864–1865* was published for the first time in 1992 in the MEGA, Part 2, Volume 4.2. An English translation of Marx's manuscript (by Ben Fowkes) was published in 2016; I wrote the introduction, which identified the main differences between Marx's manuscript and Engels's volume. Engels did significant editing of Marx's manuscript, mainly to make Marx's manuscript appear much more finished than it actually was, especially Parts 1 and 5. However, Engels's editing certainly did not alter Marx's basic logical structure of Volume 3 (the distribution of surplus value at the level of abstraction of competition). The passages quoted and cited below are Marx's own passages, not additions by Engels. For the convenience of readers, we will continue to refer to Engels's Volume 3. But further research on Volume 3 should be done in terms of Marx's original manuscript.

(<sup>6</sup>) For a more extensive critique of Heinrich's interpretation, see Moseley (1995).

## Capital in General and Competition: The Production and Distribution of Surplus Value

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## Oxford Handbooks Online

### Reproduction and Crisis in Capitalist Economies

Deepankar Basu

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### Abstract and Keywords

An economic crisis in capitalism is a deep and prolonged interruption of the economy-wide circuit of capital. Crises emerge from within the logic of capitalism's operation, and are manifestations of the inherently contradictory process of capital accumulation. The Marxist tradition conceptualizes two types of crisis tendencies in capitalism: a crisis of deficient surplus value and a crisis of excess surplus value. Two mechanisms that become important in crises of deficient surplus value are the rising organic composition of capital and the profit squeeze; two mechanisms that are salient in crises of excess surplus value are problems of insufficient aggregate demand and increased financial fragility. This chapter offers a synthetic and synoptic account of the Marxist literature on capitalist crisis.

Keywords: capitalism, crisis, rising organic composition, profit squeeze, underconsumption, financial fragility

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For Marx, capitalism was an inherently crisis-prone system of social production. In his account, crises emerged from within the very logic of capitalism and were a manifestation of the inherent contradictions of the system. Using modern parlance, we can say that Marx conceived crisis as being endogenously generated by the functioning of capitalist systems. From this line of thinking comes the important conclusion that capitalism cannot exist without crises. The corollary is that any theory of the dynamics of capitalism must incorporate a theory of crisis as one of its integral components.

In adopting this viewpoint, Marx not only differed sharply from later-day neoclassical economists but also from major political economists of his time, including David Ricardo, who thought of crises as accidental phenomena, not related to the essential logic of capitalism. In modern parlance, Ricardo could probably be paraphrased as asserting that economic crises in capitalism were caused by exogenous factors. Developing the logic of the endogenous conceptualization of crisis, and implicitly contrasting it with the diametrically opposed viewpoint that understands crisis as caused by exogenous factors,

provides a good entry point into Marxist analyses of capitalist crisis. But before we take that up, a small detour is in order.

To the extent we know on the basis of the extant literature, Marx did not leave behind a systematic analysis of capitalist crisis. This has been noted by later Marxist scholars, including Sweezy (1942), Foley (1986), and Heinrich (2012). While Marx (and Engels) referred to the phenomenon of capitalist crisis as early on in their political life as 1848 (in *The Communist Manifesto*), his comments on the topic are mostly fragmentary. In fact, they are not even collected together in one work but are instead scattered in various places in multiple texts. Many of these texts were not published during his lifetime like the *Notebooks of 1857-58* (the *Grundrisse*), the *Theories of Surplus Value* (written between 1861 and 1863) and Volumes II and III of *Capital* (written between 1863 and 1865). Hence, it seems clear that Marx never got the chance to return to these texts and fully work out his ideas on capitalist crisis.

Even though Marx's writings on capitalist crisis are incomplete and scattered, they can still be a source of important insights if approached with care. The key point to keep in mind when engaging with Marx's writings on capitalist crisis is that one can have a theory of capitalist crisis at two very different levels of abstraction. On the one hand, there can be a general theory of capitalist crisis at a high level of abstraction. Such a theory tries to demonstrate, using political-economic reasoning, why crisis is built into the very logic of capitalism and why capitalism cannot be conceived without at the same time thinking about crisis. On the other hand, there can be theories of capitalist crisis at lower levels of abstraction. Such theories delineate specific economic mechanisms that can push a capitalist economy toward a crisis in a particular situation.

The main body (and most systematic part) of Marx's writings on capitalist crisis are of the first type; they are comments on a general theory of capitalist crisis, on the nature of economic crisis in capitalist economies understood at a high level of abstraction. While one can find scattered comments on specific mechanisms that generate crisis in capitalism, with the most developed one being a discussion of the law of the tendential fall in the rate of profit in Volume III of *Capital*, these are mostly incomplete and unsystematic. It is only later scholars and activists who have picked up one or the other of Marx's comments on specific mechanisms and converted them into all-encompassing theories, or *the* theory, of capitalist crisis. Proponents of each of these theories have, then, spent inordinate amounts of time and energy in arguing why other theories are wrong or un-Marxian. One important task of this chapter is to show that most of these controversies are unnecessary. A synthesis of Marxist theories of crisis can accommodate each of the important strands within one unified framework.

The rest of the chapter is organized as follows. Section 1 discusses a general theory of capitalist crisis based on Marx's writings. Sections 2 and 3 discuss in greater detail specific mechanisms that generate crisis tendencies in capitalist economies, drawing on the writings of Marx and later Marxist scholars. To organize the discussion of specific mechanisms identified by the Marxist tradition as causes of crisis in capitalism, this



article offers a typology in terms of two broad types of crises tendencies: a crisis of deficient surplus value, and a crisis of excess surplus value. Section 2 discusses the first type of crisis—the crisis of deficient surplus value. Section 3 discusses the second type of crisis—the crisis of excess surplus value. The discussion concludes in section 4 with some comments about important controversies in the Marxist literature on capitalist crisis. Some arguments developed in the chapter have been expressed in mathematical form in Proposition 1 and 2. In Appendix A, I provide proofs of both these propositions. In Appendix B, I present details of a critical investigation of some variants of the underconsumptionist view of capitalist crises.

# 1. The Nature of Capitalist Crises

## 1.1 Definitions

A convenient starting point for a Marxist analysis of crises in capitalism is the economy-wide circuit of capital,  $M-C \rightarrow (P) \rightarrow C'-M'$ , which is an abstract representation of the flow of value in the capitalist economy. Using the circuit of capital, one can conceptualize the capitalist economy as starting with a sum of money,  $M$ , and using it to purchase commodities,  $C$ , which includes both means of production and labor-power. The two are then combined in the process of production,  $(P)$ , with the output being the flow of finished commodities,  $C'$ . The circuit completes itself when the finished commodities are sold in the market for a sum of money,  $M'$ . The difference between  $M'$  and  $M$  is surplus value, which is generated in production and realized through sale. When there is large scale and long-lasting interruption of the process of generation and realization of surplus value, a capitalist economy enters a period of structural economic crisis.

*Definition 1. A structural crisis of capitalism is a deep and prolonged interruption of the economy-wide circuit of capital.*

A structural crisis of capitalism always manifests itself, first and foremost, as a *crisis of overproduction* (i.e., an accumulation of unsold and unsalable commodities). The rupture starts in the last phase of the circuit of capital (i.e., in the stage represented by  $C'-M'$ , and quickly develops into a situation marked by the paradoxical coexistence of unused productive capacity and unmet human needs). To understand why the capitalist system gets caught in crises of overproduction so often, Marxist political economy offers insights at two levels of abstractions, a general theory of crisis at a high level of abstraction and specific mechanisms of crisis at lower levels of abstraction.

## 1.2 A General Theory of Crisis

Marx's general theory of capitalist crisis is developed in the most systematic manner in chapter 17 of Book II of the *Theories of Surplus Value* (Marx 2000) and in section 2 of the chapter on capital in the *Grundrisse* (Marx [1953] 1993). In the *Theories of Surplus Value*, we find a detailed critique of the acceptance by orthodox economics of Say's Law, the

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proposition that generalized overproduction is not possible in capitalism.<sup>1</sup> In this text, Marx is critical of one-sided arguments of both supply-siders such as Ricardo and demand-siders such as Sismondi. Instead, he offers a more wholistic approach and argues that the denial of the possibility of overproduction—the key characteristic of capitalist crisis—rests on two conceptual fallacies: ignoring money and abstracting from capitalism.

In a barter economy, the possibility of rupture of the process of circulation (of the goods and services produced) is minimal. This is because every sale is immediately also a purchase. But with money mediating exchange of commodities, the coincidence of sale and purchase is broken, and so sale and purchase can be separated—both in time and in space. The fact that capitalism is a specific form of a commodity producing system, where labor-power has also become a commodity, means that most transactions are mediated through money. Hence, the mere recognition of the central role of money in capitalist commodity production is enough to demonstrate the *possibility* of a crisis of overproduction in capitalism. But Marx goes further.

Capitalist commodity production, represented by the circuit of capital, is ultimately governed by the logic of generation and realization of surplus value. But capitalist firms are interested not so much in the absolute amount of surplus value as they are in the amount of surplus value in relation to the amount of capital they advanced to begin the circuit. The ratio of surplus value and the capital advanced is the rate of profit. Thus, the key motivation and driver of the capitalist system is the need to continuously increase the rate of profit, and absent an increase, certainly to prevent it from falling.

When the average rate of profit falls below some threshold, capitalist firms drastically reduce investments or even stop investing altogether. If the reduction in capital outlays is large in magnitude and affects significant portions of the capitalist economy, it will lead to an immediate fall in aggregate demand in the whole economy. The reduction in capital outlays will also entail laying off currently employed workers or drastic reductions in hiring of new workers, which, in either case, will imply a fall in wage incomes. The fall in wage incomes will lead to a reduction in consumption expenditure by working-class households and cause a further fall in aggregate demand, worsening the initial problem. If capitalist firms react to the decline in aggregate demand (and the emergence of excess capacity in key sectors) with a second round of reductions in capital outlays, this could very well be the beginnings of a deep and prolonged interruption of the economy-wide circuit of capital.

This gives us the proximate cause of crisis in capitalist economies: a decline in the rate of profit.

*Definition 2. The proximate cause of structural economic crisis in capitalism is a fall in the average rate of profit.*

The rate of profit can fall in two different, and mutually exclusive, ways. These offer us a typology of economic crises in capitalism.

The first way in which the rate of profit can fall is when the economy is marked by a chronic insufficiency of demand, so that the commodity is sold at a price that is below its value (or price of production). Hence, the sale of the commodity does not realize the full surplus value (or the average rate of profit), and the *realized* rate of profit falls below the “normal” rate of profit (which prevailed previously). This scenario is identified in this entry with a “crisis of excess surplus value” (because more surplus value was produced than could be realized through sale).

The second way in which the rate of profit can fall is when, despite the commodity selling at its full value (or price of production), the realized rate of profit declines. Thus, in this case, the problem is not one of realization of the surplus value embedded in commodities, but rather points to the production of insufficient surplus value. This scenario is identified in this paper with a “crisis of deficient surplus value” (because the system produces less surplus value than is necessary to ensure a normal rate of profit).<sup>2</sup>

## 2. Crisis of Deficient Surplus Value

In a crisis of deficient surplus, the rupture in the economy-wide circuit that is proximately caused by a fall in the rate of profit rests on two different mechanisms: (a) the rising organic composition of capital (Marx, [1894] 1991; Mattick, 1981; Shaikh, 1978; Kliman, 2011), and; (b) the profit squeeze (Marx, [1867] 1990; Glyn and Sutcliffe, 1972; Boddy and Crotty, 1975). The easiest way to grasp the logic of these two mechanisms is to start with the definition of the rate of profit and decompose it in terms of the rate of exploitation and the organic composition of capital.

### 2.1 The Rate of Profit

Let  $C$  and  $V$  represent constant capital and variable capital advanced, and  $S$  represent the surplus value generated, in the production of commodities. The value of commodities,  $W$ , is given by the sum of the three:  $W=C+V+S$ . We can define two ratios with respect to the production process:

$$Q=cv$$

(1)

represents the organic composition of capital, and

$$e=sv$$

(2)

represents the rate of exploitation. The rate of profit,  $r$ , is defined as the ratio of surplus value and total capital advanced (sum of constant capital and variable capital), and can be expressed in terms of the rate of exploitation and the organic composition of capital as follows:

$$r=SC+V=(SV)(CV)+1=e1+Q.$$

(3)

Equation (3) shows that the rate of profit will fall if either of the following obtains: (a) the rate of exploitation falls, with the organic composition of capital remaining unchanged; and (b) the organic composition of capital rises, with the rate of exploitation remaining unchanged. These two routes for the possible fall in the rate of profit provide primary motivations for the two mechanisms that can lead to crises of deficient surplus value: the former is referred to as the profit squeeze mechanism, and the latter as the rising organic composition of capital mechanism.

Before discussing these mechanisms, one issue needs to be addressed: the possibility of a functional relationship between the rate of exploitation and the organic composition of capital. The validity of both the profit squeeze mechanism and the rising organic composition of capital mechanism rests on the specific nature of such a relationship, if it exists at all.

When we consider a causal effect running from changes in the rate of exploitation to the organic composition, the relationship is likely to be negative. For instance, when changes in labor market conditions, like the depletion of the reserve army of labor or rapid unionization, increase the bargaining power of workers vis-a-vis capitalists, it is likely to translate into upward pressure on real wages, implying a fall in the rate of exploitation. Capitalists are likely to respond with, among other things, the active search for and adoption of new techniques of production that save on the costly input (i.e., labor power). Adoption of such labor-saving technical change can, under some conditions, lead to an increase in the organic composition. Hence, in this case, we would expect a negative relationship between the rate of exploitation and the organic composition of capital. Thus, if there is an *exogenous* fall in the rate of exploitation, the organic composition of capital will, as a result, rise.

On the other hand, when we consider a causal effect running from the organic composition to the rate of exploitation, the relationship is likely to be positive. This is because an increase in the organic composition is likely to reflect the increasing mechanization of the production process. The adoption of such capital-intensive techniques of production is likely to increase the productivity of labor, and if real wages do not move up one for one, the rate of exploitation will increase. Thus, if there is an *exogenous* rise in the organic composition of capital, the rate of exploitation will, as a result, rise.

## 2.2 Profit Squeeze

The profit squeeze mechanism was elaborated by Marx in chapter 25 of Volume I of *Capital* (Marx, [1867] 1990), and referred to again in chapter 20 of Volume II of *Capital* (Marx, [1885] 1992) and in chapter 15 of Volume III of *Capital* (Marx, [1894] 1991). While it has been used by Dobb (1945) as a general theory of economic crisis in capitalism, it was also used by many Marxist scholars to offer an explanation of the crisis of the 1970s (see, for instance, Glyn and Sutcliffe, 1972; Boddy and Crotty, 1975; Bowles, et al. 1983).

The underlying logic of the argument is straightforward. As capitalist economies emerge from business-cycle recessions, capital outlays by capitalist firms pick up. With the growth in capital outlays comes the growth in the demand for labor power. If the pace of capital outlays and capital accumulation remains high for several years, the labor market starts tightening and the reserve army of labor—what Marx calls the relative surplus population—starts depleting. As the reserve army becomes smaller, the bargaining power of workers increases, reflecting the decline in the “cost of job loss”: if a worker is laid off, he or she can find alternative employment relatively easily. The increase in the bargaining power of workers translates into higher real wages. If there are constraints of the ability of firms to raise prices (due, for instance, to international competition), the growth rate of real wages might outpace the growth rate of labor productivity, leading to a squeeze on profits. The fall in the rate of profit chokes off capital outlays, setting off a crisis.

While theorists who used, or still use, the profit squeeze mechanism for explaining capitalist crisis did not pay much attention to the possible effect of the fall in the rate of exploitation on the organic composition of capital, doing so will only strengthen the argument. If the rate of exploitation falls, capitalist firms will have a strong incentive to replace workers with machines. If successful, that will increase the organic composition of capital. Using (3), we can see that the rise in the organic composition of capital, as a response to the fall in the rate of exploitation, will depress the rate of profit further and might lead to a deeper crisis.

### 2.3 Rising Organic Composition of Capital

In chapter 13 of Volume III of *Capital*, Marx discussed the rising organic composition of capital mechanism under the title of the “law of the tendential fall in the rate of profit” (Marx, [1894] 1991). The starting point of Marx’s argument is the recognition of an important characteristic of capitalist production—that is, its growing mechanization—whereby the same quantity of labor power works with a growing mass of raw materials and machinery. Hence, the volume of constant capital advanced (i.e., the money used to purchase the non-labor inputs into production, rises with respect to the volume of variable capital advanced (i.e., the money used to purchase labor power). The result is an increase in the organic composition of capital. If the rate of surplus value remains unchanged, the average rate of profit will fall.

There are at least two possible questions that arise with respect to this celebrated argument of Marx.<sup>3</sup> First: can we justify the assumption that the rate of exploitation remains unchanged even as the organic composition of capital increases exogenously? Second: can we offer a convincing explanation of why the organic composition of capital *must* rise over time?

#### 2.3.1 Responsiveness of the Rate of Exploitation to the Organic Composition

The answer to the first question has already been indicated above: we *cannot* justify the claim that the rate of exploitation remains unchanged when the organic composition of capital increases. There is sound economic reasoning to suggest, as we have argued

above, that exogenous increases in the organic composition increases the rate of exploitation. In fact, there is much evidence that, in various parts of the three volumes of *Capital*, Marx himself made that same argument.<sup>4</sup> Once we take the positive relationship between the rate of exploitation and the organic composition into account, we can no longer agree with Marx's assertion about the law of the tendential fall in the rate of profit. This is because the rate of exploitation might rise to nullify the effect of the rise in the organic composition on the rate of profit. But we can still make a weaker claim: if the elasticity of the rate of exploitation with respect to the organic composition of capital is not too high, then an increase in the latter will lead to a fall in the rate of profit.

*Proposition 1: Let  $Q$  denote the organic composition of capital. If the elasticity of the rate of exploitation with respect to the organic composition of capital is less than  $Q/(1 + Q)$ , then any increase in the organic composition will lead to a fall in the rate of profit.*

What is the intuition for this result?<sup>5</sup> The elasticity of the rate of exploitation with respect to the organic composition is the percentage change in the former that is caused by a 1% change in the latter. It measures the responsiveness of the rate of exploitation to changes in the organic composition of capital. Recall that the rate of profit is the ratio of the rate of exploitation and the organic composition of capital. Thus, if the rate of exploitation is not "too responsive" to the organic composition of capital then an increase in the latter does not cause "too large" a change in the former. Hence, in this case, the effect of the increase in the organic composition will not be nullified by the effect of the increase in the rate of exploitation, so that the rate of profit will fall.<sup>6</sup>

### 2.3.2 Value or Physical Quantities

The second question is more difficult to answer: why must the organic composition of capital rise with capital accumulation? Marx's argument, developed in chapter 25 of Volume I of *Capital* and in chapter 13 in Volume III of *Capital*, and elaborated by later scholars such as Mattick (1981) and Shaikh (1978), starts from the recognition that capital accumulation is mediated and enforced in capitalist economies through the competitive struggle between capitalist firms. The process of competition between capitalist firms creates strong incentives for finding and adopting cost-reducing methods of production. This is because reduction in the cost of production can increase profits and expand market shares. Since cost of labor-power is an important component of the total cost of production, the search for cost reduction often ends up in the adoption of labor saving technical change (i.e., mechanization). Thus, with the progress of capitalist production, the ratio of machines to workers rises. This is why, these authors would argue, the process of capital accumulation is accompanied by a rise in the organic composition of capital.

While it is true that capital accumulation leads, on the whole, to an increasing mechanization of the production process, this does not imply that the organic composition of capital rises. The increasing mechanization of the production process is manifested as each worker working with more machines and converting more raw materials into

finished products. Thus, in purely physical terms, the ratio of non-labor and labor inputs in production *might* rise because “an ever growing mass of means of labour” is used by each worker. But this does not imply that the organic composition of capital also rises. This is because the organic composition of capital is a value magnitude. It is the ratio of the value of constant capital and the value of variable capital. The fact that the physical ratio of non-labor and labor inputs in production might rise does not imply that the corresponding value ratio will also rise. There are two complications to consider.

First, the process of technological change reduces the value of all commodities, including the value of means of labor. Thus, even when each worker works with a larger *mass* of means of labor, the fall in the value of each unit of the means of labor might very well imply a fall, rather than a rise, in the organic composition of capital. Second, one of the implicit assumptions hidden in the argument is that the only way to reduce the cost of production is by the replacement of labor with machines. But that is not necessarily true. The search for cost reduction by capitalist firms might also lead to the replacement of existing machines with better quality machines or in a more economical use of the existing means of labor. Both these arguments rule out the conclusion that the organic composition of capital *must necessarily rise* with capital accumulation.

There is an additional, and probably deeper, issue to consider. If capital accumulation and the accompanying technological progress leads to a fall in the rate of profit, then why would profit-maximizing capitalist firms undertake technological innovations and accumulate capital *in the first place*? While this issue has drawn enormous scholarly attention since the justly famous contribution of Okishio (1961), the essential issue had been raised earlier by Ladislaus von Bortkiewicz in 1907 and Kei Shibata in the 1930s.<sup>7</sup>

### 2.3.3 The So-Called Okishio Theorem

The primary motivation for the adoption of new techniques of production by capitalist firms, argued Okishio (1961), is to reduce costs. This implies that capitalist firms will only adopt new techniques of production that reduces the cost of production. But reduction in the cost of production implies an increase in the rate of profit. Hence, argued Okishio (1961), the process of technical change and capital accumulation will increase the rate of profit, not reduce it, as Marx had claimed.

There are two problems in Okishio’s (1961) argument. First, he seems to implicitly suggest that profit-maximizing behavior of capitalist firms is incompatible with a decline in the average rate of profit. Second, his conclusion about the rise in the rate of profit rests on a specific, and questionable, assumption about the movement of the real wage rate.

Let us start with the first problem. Is it not possible for the adoption of a new technique of production to increase the rate of profit of the innovator (the first firm to adopt the new technique) and yet to lead to a fall in the average rate of profit? The answer is in the affirmative. In fact, that is precisely how Marx had described the dynamics of technical change under capitalist relations of production in chapter 12, Volume I of *Capital* (Marx,

[1867] 1990:433–437). The innovator firm, by searching for and adopting a new technique of production, is able to produce the relevant commodity at a cost that is lower than the social average. Since the value of the commodity is determined by the social conditions of production, it remains unchanged when one capitalist firm adopts a new technique of production. Hence, by selling the commodity at its ruling price (which is its value in the context of Volume I of *Capital*), the innovator firm is able to earn a super-normal rate of profit. Gradually there is diffusion of the new technology across the capitalist economy. When the new technique becomes widely used, it defines the new social condition of production and determines its value (which is now lower than before). Under certain conditions it is possible for the *average* rate of profit to be lower after the new technique is adopted by all capitalist firms than what prevailed before the adoption of the new technique. Considering the conditions under which this might happen takes us to the second problem in Okishio's (1961) argument.

Okishio (1961) makes an important assumption in his analysis: that the real wage rate remains unchanged. This is the key assumption that drives his result about the rise in the rate of profit, and it is easy to see why. Since the new technique of production reduces the overall cost of production, it implies a fall in the value of the commodity. Hence, a larger quantity of use values can be produced with the same amount of labor or the same amount of use values can be produced with the same amount of labor. If the real wage rate remains unchanged, the total increase in the productivity of labor is appropriated by capitalists, and the rate of profit would rise. But there is no reason why the real wage rate must remain constant. The real wage rate is the result of class struggle between capitalists and workers and there are no economic arguments that can rule out the possibility of its increase during the process of technical change. If conditions of class struggle result in an increase in the real wage rate, Okishio's (1961) result might no longer obtain.

We can put this discussion in more precise terms with the help of a simple one commodity model of the economy—like Ricardo's corn model or like models used in modern growth theory.

*Proposition 2. Let  $\beta_1$  and  $\beta_2$  denote the rates of growth of labor productivity and capital productivity (the output-capital ratio), respectively, which is associated with a new technique of production; and let  $\gamma$  denote the organic composition of capital of the new technique of production evaluated at prices that prevailed prior to the economy-wide adoption of the new technique of production. In such a setting, we can define a Marx-Okishio threshold as follows:  $\alpha^* = \beta_1 + \gamma\beta_2$ . Using the threshold, we have:*

- 1. Marx's Result:** *If the actual growth rate of the real wage rate is higher than  $\alpha^*$ , then the average rate of profit falls after the adoption of the new technique of production;*



**2. Okishio's Result:** *If the actual growth rate of the real wage rate is lower than  $\alpha^*$ , then the average rate of profit rises after the adoption of the new technique of production.*

What is the intuition? If the growth rate of the real wage is relatively high (i.e., above the threshold value identified in Proposition 2), then a large share of the fruits of productivity growth coming from technological change is captured by the working class. In such a scenario, the rate of profit falls, and we are in a world where Marx's claim holds true. On the other hand, if the growth rate of the real wage rate is low, then most of the benefits of productivity growth is captured by the capitalist class. This is manifested in the rise of the rate of profit, and we are in a world where Okishio's claim holds true.

### 3. Crisis of Excess Surplus Value

In a crisis of excess surplus, the rupture in the economy-wide circuit of capital is proximately caused by a fall in the rate of profit, which is, in turn, caused by an insufficiency of aggregate demand. There is a long tradition within Marxian political economy, which I will call the *underconsumptionist tradition*, which has kept the problems of aggregate demand at the center of analysis, and it is the primary purpose of this section to discuss the arguments in this tradition. While problems of aggregate demand become salient in discussions of crises of excess surplus value, there have also been some attempts to follow Marx's discussion on finance in Volume III of *Capital* in developing a parallel argument regarding a mechanism that becomes important in a crisis of excess surplus value: financial fragility (Crotty 1985; Duménil and Lévy 2013). The analysis of problems of financial fragility in capitalist economies from within a Marxian framework is in its infancy. Hence, while this article offers some brief remarks on the problems of financial fragility, its main comments on the crisis of excess surplus value will be reserved for a discussion of the tendency towards underconsumption.

#### 3.1 Underconsumptionism

The key claim of the underconsumptionist strand of thinking, both within and outside Marxian political economy, is that, left to itself, the capitalist system is unable to generate enough aggregate demand to sustain a positive rate of growth. The underconsumptionist argument comes in two variants, with two versions of the first variant.

The first variant works with a two-department conception of the economy, with Department I producing means of production and Department II producing means of consumption. While we find a rather crude version of this first variant in the writings of early underconsumptionists such as Sismondi and Rodbertus, a more sophisticated version was developed in Sweezy (1942). However, both versions suffer from theoretical problems: the first version does not conceptualise the relationship between Department I and II properly; the second version does not have a proper theory of production. Since these problems of underconsumptionism have already been discussed extensively in the

literature, we will skip them in this chapter and instead point the reader to Shaikh (1978) and to Appendix B.

The second variant of underconsumptionist thinking moves away from the two-department conception of the economy and instead presents its argument within an aggregate, macroeconomic framework, more in line with the work of Keynes and Kalecki than the framework used by Marx. A well-developed version of this variant of the underconsumptionist argument is presented in Baran and Sweezy (1966). The key claim of their work is that monopoly capitalism is characterized by a strong tendency toward stagnation. What is the reason for this?

[Monopoly capitalism] tends to generate ever more surplus, yet it fails to provide the consumption and investment outlets required for the absorption of the rising surplus and hence for the smooth working of the system. Since surplus which cannot be absorbed will not be produced, it follows that the *normal* state of the monopoly capitalist economy is stagnation.

(Baran and Sweezy, 1966, pp. 108; emphasis in original).

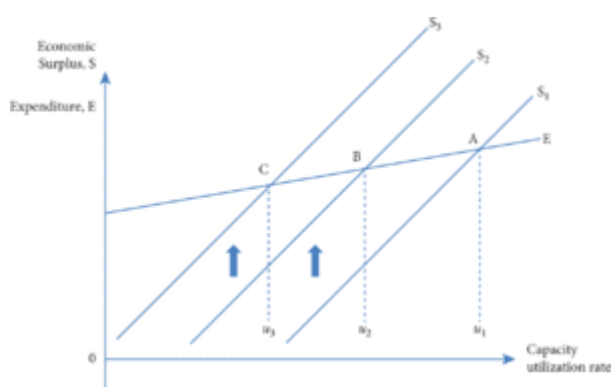
The economic reasoning underlying Baran and Sweezy's (1966) claim can be understood with the help of a diagram that is adapted from their analysis and depicted in Figure 1. The horizontal axis in Figure 1 measures the economy's capacity utilization rate, which is defined as the ratio of actual output and capacity output. On the vertical axis of Figure 1, we measure two variables: the economic surplus and the total expenditure to absorb the surplus. The economic surplus is defined as the difference between total output and the necessary costs of producing that output. The total expenditure to absorb the surplus is defined as the level of expenditure in the economy that is over and above the expenditure out of wage income. Assuming, along classical political economy lines, that all wages are consumed, the expenditure out of wages is equal to the wage income. Thus, the expenditure to absorb the surplus is total expenditure *less* wages. This has, in turn, three components: (a) consumption expenditure of capitalists, (b) investment expenditure by capitalists, and (c) expenditure to support unproductive activities, where the latter refer to all activities that do not generate surplus value.

In Figure 1, economic surplus is represented by the upward sloping lines  $S_1$ ,  $S_2$  and  $S_3$ , which we call the surplus schedule (the subscript refers to time periods). At any point in time, for instance in period 1, the economy has a given productive capacity. For this given productive capacity, the economic surplus is an increasing function of the capacity utilization rate represented in Figure 1 by the upward sloping lines  $S_1$ . Economic surplus depends positively on the capacity utilization rate because of the presence of overhead costs—cost which do not vary with the level of output. Thus, when the level of output increases, the overhead cost per unit of output falls. If the variable cost remains more or less constant, then for any price level, the surplus increases with the level of output. For a given capacity base, the capacity utilization rate increases with the level of output, so that the economic surplus rises with the former. This is what imparts the upward slope to the line  $S_1$ . Over time, the surplus schedule shifts up, going from  $S_1$  to  $S_2$  to  $S_3$ , and so on,

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and this long run movement is the key element of Baran and Sweezy's (1966) argument. But before we discuss the long run dynamics, let us look at the short run equilibrium.

At any point in time, the level of expenditure to absorb the surplus is also an increasing function of the capacity utilization rate and is represented in Figure 1 as the upward sloping expenditure schedule,  $E$ . One of the components of the expenditure stream that absorbs the surplus is investment expenditure by capitalist firms, and this is likely to be an increasing function of the capacity utilization rate. As capitalist firms operate with a higher proportion of their full capacity, they are going to be more likely to start planning for adding to that capacity and hence investing. Thus, even if the other two components of expenditure do not depend on the capacity utilization rate, the total expenditure to absorb the economic surplus would be an increasing function of the capacity utilization rate. This is what gives the upward sloping expenditure schedule  $E$  in Figure 1.



*Figure 1:* Short run and long run equilibrium in a monopoly capitalist economy. The upward sloping surplus curves,  $S_1$ ,  $S_2$ , and  $S_3$ , represent the amount of economic surplus generated by the system as a function of the capacity utilization rate. The upward sloping expenditure curve  $E$  represents the level of expenditure that can absorb the economic surplus as a function of the capacity utilization rate. The intersection of the two curves gives the equilibrium rate of capacity utilization in the economy in the short run. Over time, the surplus curve shifts up. This leads to a downward drift of the equilibrium level of capacity utilization.

The short run equilibrium of the economy is given by the intersection of the surplus curve and the expenditure schedule. For instance, in period 1, the intersection is given by the point  $A$ , so that the equilibrium capacity utilization rate is represented by  $u_1$ . The meaning of the short run equilibrium, given by the capacity utilization rate  $u_1$ , is as follows: the structure of expenditures in the economy is such that it can only support a utilization rate of  $u_1$  because only at this rate of capacity utilization does the

economy generate enough expenditures to absorb all the economic surplus.

Turning to the long run, we see that the surplus curve shifts up over time. Hence, the equilibrium moves from  $A$  to  $B$  to  $C$  and so on. The corresponding level of the equilibrium capacity utilization rate falls from  $u_1$  to  $u_2$  to  $u_3$  and a monopoly capitalist economy sinks “deeper and deeper into a bog of chronic depression” (Baran and Sweezy 1966:108).<sup>8</sup>

What is the reason for the upward shift of the surplus schedule? Monopoly capitalism is a system made up of giant corporations. In sharp contrast to firms in competitive capitalism, which were price takers, the giant corporations making up monopoly

capitalism are price makers (i.e., they “can and do choose what prices to charge for their products”). In a system composed of price takers, “Price competition is banned as a legitimate weapon of economic warfare.” Prices of products are set so as to maximize the profits of the whole group of corporations producing that product or its close substitutes. While this can take various forms such as cartelization or price leadership, the important implication is that such price setting behavior imparts a pronounced upward bias “into the general price level in a monopoly capitalist economy.” While price competition is banned, that does not mean the end of competition, because “it takes new forms and rages on with ever increasing intensity.” The key impact of non-price competition is that it creates strong pressures on each giant corporation to reduce its costs of production. Thus, at the aggregate level, prices are downward sticky at the same time as costs of production fall. Therefore, the difference between the two, which is the economic surplus, tends to become larger over time. In Figure 1, this is represented as the upward movement of the surplus schedules over time.

There are three noteworthy points about the above argument: incompleteness, lack of attention to wage movements, and its focus on the supply side.

First, the evolution of the equilibrium capacity utilization rate depends on the movement of both the surplus schedule and the expenditure schedule. Even if the surplus schedule shifts up over time, the economy might still be able to sustain a high or rising rate of utilization of productive capacity if the expenditure schedule also shifts up. Hence, without a fully worked out theory of the evolution of the expenditure side of the economy, the overall argument is incomplete. While a large part of Baran and Sweezy (1966) is devoted to explaining why factors that could absorb the rising surplus is not strong under monopoly capitalism—see chapters 4 through 7 of the book—that part of the argument is not as tightly developed as the part that demonstrates the tendency for the surplus to rise. The arguments about the insufficiency of aggregate demand are developed only informally and the quantitative dimension remains underdeveloped. This is problematic because the key argument is a quantitative one: that expenditure to absorb the surplus (aggregate demand) rises *less* than the total amount of economic surplus.

Second, the argument about the tendency of the economic surplus to rise over time has an important lacuna. One of the key components of cost is the real wage rate, and it is not clear why the real wage rate will have a downward trend in a monopoly capitalist economy. If we visualize the real wage rate as being determined by class struggle, then many factors other than the nature of firms—competitive versus oligopolistic—would impact the outcome. The organization of workers in unions, legal provisions relating to hiring and firing of workers by firms, unemployment insurance and other social security benefits, and other such factors would impact the level of real wages. Hence, despite the existence of oligopolistic firms, the real wage rate might not fall over time. The fact that real wage rates in most advanced capitalist economies rose in a robust manner for close to two decades after World War II, but then stagnated for the next three decades,

suggests that there is no necessary link between monopoly capitalism and the evolution of the real wage rate.

A corollary of the first point is also worth highlighting. The key analytical content of Baran and Sweezy's (1966) argument is about the *supply side of the economy*. It relates to why the juxtaposition of oligopolistic pricing behavior and non-price competition between giant corporations leads to the generation of increasing amounts of surplus. Re-stated in the language of contemporary macroeconomics, the above argument claims that the aggregate supply curve shifts upward over time, and absent an equally large upward movement of the aggregate demand curve, the economy's equilibrium output falls over time. It is as if the monopoly capitalist economy is being hit by an unending stream of negative supply shocks—like the oil price rises of the 1970s or the 2000s—with stagnant aggregate demand. At best, that is a rather odd way to understand the evolution of a capitalist, competitive or monopolistic, macroeconomy.

### 3.2 Problems of Financial Fragility

In a situation of excess surplus value, the financial system comes under severe strain (Foley 2012). This is because the ability of the financial system to channelize surplus value into expenditure streams for the purchase of newly produced goods and services gets eroded. Why? In a situation of excess surplus value, the financial system is flush with funds, so that interest rates are low. This encourages speculative activity with *borrowed funds*, directed at purchasing key assets like land, or shares of stock, rather than produced goods and services.

For some time, which can even range over many years, the speculative activity becomes self-fulfilling. Economic agents use borrowed funds to purchase assets with the aim of making capital gains. If this activity is undertaken by a large fraction of the relevant set of economic agents, the demand for the asset rises and leads to a rise in its price. Thus, the initial expectations of the speculators are fulfilled, and it draws in more funds into the speculative activity. Thus, the speculative activity both feeds on and supports a bubble in the price of the relevant asset.

There are two effects of the speculation-driven asset price bubble. First, it leads to a “wealth effect” that boosts debt-financed expenditures. Since the price of the relevant asset increases rapidly, owners of that asset feel wealthy. Hence, they use that asset as collateral to borrow and spend. This boost to spending allows capitalist firms to sell commodities and make profits. In effect, the problem of aggregate demand that plagues a capitalist economy generating excess surplus value is solved temporarily. Second, it increases the financial fragility of the system because the share of debt-financed expenditures in the economy increases. Speculative activity that aims to make capital gains is largely financed with borrowed funds. Moreover, the debt-financed expenditures on commodities also, most obviously, rely on borrowed funds. Thus, the overall result is an increase in the share of debt-financed expenditures.

Asset price bubbles inevitably deflate, often triggered by some event in the larger economy. As expectations turn sour, speculators leave the asset in droves, driving down its price. This brings to the fore a long and complicated chain of payment commitments that cannot be met—because they were based on expectations of higher, or even increasing, price of the asset. Payment failures cascade through the system, roiling balance sheets and ushering in a full-blown financial crisis. The crisis in the financial system manifests itself in outright reduction of volumes of credit, increases in the cost of credit, deleveraging by economic agents to repair balance sheets, fire sale of assets, and other related phenomena. All these processes lead to drastic falls in expenditures, reductions in aggregate demand and could eventually push the economy toward an economic crisis.<sup>9</sup>

## 4. Conclusion

Together, the interlinked processes of generation and realization of surplus value provide the primary motive force for the dynamics of a capitalist economy. Smooth reproduction of the system requires that the unity of these two key processes be maintained. And to do so, the system needs to produce the “correct” amount of surplus value, neither too little nor too much. Since it is an unplanned and contradictory system, resting ultimately on the contradiction between use value and exchange value of the commodity form of production, a capitalist economy is neither able to know the “correct” amount of surplus value nor produce it any sustained manner. It is forever plagued by one or the other of two problems: production of too much surplus value or production of too little surplus value. Under the former scenario, the economy faces a crisis of excess surplus value, and in the latter case, a crisis of deficient surplus value.

Both types of crisis represent deep and prolonged interruptions of the economy-wide circuit of capital and manifest themselves as crises of overproduction. The proximate cause of both types of crisis is a fall in the rate of profit. In a crisis of excess surplus value, the fall in the rate of profit is caused by a lack of aggregate demand so that commodities cannot be sold at prices to realize the full value (and surplus value) of commodities. In a crisis of deficient surplus value, on the other hand, the rate of profit falls not because of insufficient aggregate demand but because of technological or social factors. Either the organic composition of capital rises or the rate of exploitation falls, leading, in either case, to a fall in the rate of profit even when commodities are sold at their full values (or prices of production).

The synthetic account of Marxist approaches to capitalist crises that has been presented in this chapter offers a fresh perspective on several important controversies that have marked this literature.

The controversy between proponents of the “falling rate of profit” crisis tendency and the “problems of demand” crisis tendency that has raged on for decades seem, from the perspective of the analysis of this chapter, rather unproductive and even unnecessary. Capitalist economies are prone to both types of crises: the first when the system

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generates too little surplus value and the latter when it generates too much. There is no theoretical reason to believe that capitalist economies will be plagued by only one or only the other. Depending on the configuration of the capitalist economy, it can witness either type of crisis. The task of Marxist research is not to try to identify *the* crisis tendency that is valid for all situations, but rather to study particular configurations to see which crisis tendency seems more likely—a concrete analysis of a concrete situation.

A second, and related, controversy has focused on the role of aggregate demand in capitalist economies. The analysis of capitalist dynamics carried out with Marx's schemes of reproduction, both in cases of simple and expanded reproduction, demonstrate that capitalism can indeed generate adequate demand for the commodities produced (see Appendix B). Thus, simple-minded underconsumptionist arguments, like those presented by Rosa Luxemburg, are logically flawed. But while recognizing the logical problems of all variants of the underconsumptionist arguments, it is important to also stress the following point that Kalecki (1971) noted: the fact that capitalism *can* generate adequate aggregate demand does not mean that it always *will*. Capitalist reproduction rests on the unity of two separate phases, the generation of surplus value and the realization of surplus value. Since capitalism is not a planned system, there is no automatic mechanism to ensure that all the surplus value that is generated will also be realized. Hence, the problem of effective demand is very real in capitalism. But to locate the source of the problem, one needs to move beyond underconsumption theory, both from its simple and sophisticated versions, and develop a theoretically informed and empirically grounded theory of long-run capitalist investment.

Modern heterodox macroeconomics, working within a framework that comes out of the work of Keynes and Kalecki, has incorporated explicit investment functions into models of growth and distribution. The “investment function” is precisely an attempt to capture the determinants of capitalist expenditure on capital outlays, and thus fills the lacunae in Marxist underconsumptionist arguments. The general conclusion of this literature is that capitalist economies can be either “wage-led” or “profit-led”; economic theory cannot rule out one or the other. Moreover, when a capitalist economy is profit-led, a shift in income toward workers will *not* lead to an increase of the growth rate of the economy. Thus, the key intuition of underconsumptionist thinking—that a shift in income distribution in favor of workers—will ameliorate problems of aggregate demand and boost growth does not always hold even in models of growth that explicitly allow output to be demand-determined. In addition, a large body of empirical evidence seems to suggest that advanced capitalist economies, especially when international trade is taken into account, are profit-led (Barbosa-Filho and Taylor 2006; Kiefer and Rada 2015). Thus, a more nuanced view about the role and constraints of demand is needed than the one that comes out of the underconsumptionist tradition.

The third controversy relates to the so-called Okishio theorem, which has been interpreted as disproving Marx's claim that the average rate of profit has a tendency to fall in capitalist economies. Much of this controversy also seems (with the benefit of hindsight) needless. There are no theoretical grounds to claim that due to technological

change, the rate of profit will have a tendency to always fall (as Marx claimed) or that it will have a tendency to always rise (as Okishio claimed). A careful analysis shows that the impact of technological change on the rate of profit depends crucially on what happens in the labor market. If the real wage rate rises sharply during the period of technological change, then the rate of profit tends to fall; on the other hand, if the real wage rate does not rise fast enough, then the rate of profit might rise. The idea that there is no necessary contradiction between the claims advanced by Marx and Okishio, and that whether the rate of profit falls or rises after the adoption of a new technique of production ultimately depends of how the real wage rate behaves, is surprisingly present in the paper by Okishio (1961)—the origin of the whole controversy.<sup>10</sup> The same idea was highlighted by Foley (1986, chapter 8). But the subsequent literature, perhaps bent on polemics, has ignored this basic fact.

The study of crisis tendencies in capitalist economies is an extremely important and integral part of Marxist political economy. It separates Marxist approaches from both the neoclassical and Keynesian (or post-Keynesian) approaches to the study of capitalist dynamics and is rooted in the deep understanding of Marx about the historical limitedness of capitalism as a social form of production. While the Marxist tradition has certainly moved beyond its early twentieth-century fascination with implausible theories of capitalist breakdown, it should always keep the study of capitalist crises in the center of its theoretical enterprise. For it is mainly during periods of crisis, with the attendant suffering of the vast majority of the working people, that the contradictions of the system break to the surface and possibilities of its positive transcendence gain traction.

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## Appendix A This Appendix contains mathematical proofs of Proposition 1 and 2 that were presented in the main text of the chapter.

### A1. Elasticity of the Rate of Exploitation

*Proposition 1: Let  $Q$  denote the organic composition of capital. If the elasticity of the rate of exploitation with respect to the organic composition of capital is less than  $Q/(1 + Q)$ , then any increase in the organic composition will lead to a fall in the rate of profit.*

*Proof.* Let the elasticity of the rate of exploitation with respect to the organic composition of capital be denoted by  $\eta_{Qe}$  so that

$$\eta_{Qe} \equiv Q \frac{de}{dQ}$$

Since the rate of profit is defined as

$$r = \frac{e}{1+Q}$$

we see that the derivative of the rate of profit with respect to the organic composition of capital is given by

$$\frac{dr}{dQ} = \frac{1}{(1+Q)^2} \{ \frac{de}{dQ}(1+Q) - e \} = \frac{e}{(1+Q)^2} \{ \eta_{Qe}(1+Q) - 1 \}$$

Since  $e > 0$  (because capitalism requires positive surplus value), we can see the following result:

$$\text{drd}Q < 0$$

if and only if

$$\eta_Q e < Q_1 + Q$$

which completes the proof.

## A2. Marx-Okishio Threshold

*Proposition 2. Let  $\beta_1$  and  $\beta_2$  denote the rates of growth of labor productivity and capital productivity (the output-capital ratio), respectively, which is associated with a new technique of production; and let  $\gamma$  denote the organic composition of capital of the new technique of production evaluated at prices that prevailed prior to the widespread adoption of the new technique of production. In such a setting, let us define the Marx-Okishio threshold as follows:  $\alpha^* = \beta_1 + \gamma\beta_2$ . Then we have the following:*

- 1. Marx's Result: If the actual growth rate of the real wage rate is higher than  $\alpha^*$ , then the average rate of profit falls after the adoption of the new technique of production;*
- 2. Okishio's Result: If the actual growth rate of the real wage rate is lower than  $\alpha^*$ , then the average rate of profit rises after the adoption of the new technique of production.*

*Proof.* We consider a one good (corn) economy. Since there is only one good, prices of commodities are proportional to their values (the sum of the direct and indirect labor time required for its production). Without loss of generality, we can assume that the value of money is 1 (i.e., every unit of money (say dollar) is equivalent to 1 hour of (socially necessary abstract) labor).

In this economy, production is carried out using corn (capital) and labor, and the output is also corn. A technique of production, in this setting, is a combination of the quantities of corn and labor needed to produce 1 unit of corn (i.e., the combination of capital and labor productivity).

## A3. Initial Situation

Let the nominal wage rate be given by  $w$ , and let the technique of production be given by the combination  $(a, n)$ , that is,  $a$  units of corn and  $n$  units of labor are needed to produce 1 unit of corn. Let the value (which is also equal to price) of a unit of corn be denoted by  $p$ . Then,

$$ap + n = p,$$

so that

$$p = n(1 - a).$$

If we denote the real wage rate by  $b$  and the rate of profit by  $r$ , then we have

$$b = wp = w(1 - a)n$$

and

$$r = p - (nw + ap)nw + ap = 1nb + a - 1.$$

### A4. Innovator Capitalist

Suppose an innovator capitalist finds a new technique of production, given by the combination  $(a', n')$ . Thus, if the new technique of production is used, then  $a'$  units of corn and  $n'$  units of labor will be needed to produce 1 unit of corn. For this new technique of production to increase the rate of profit of the innovator, it must be “viable,” that is, it must reduce the cost of production at the prevailing prices, and it must be the case that  $wn + pa > wn' + pa'$ , or equivalently that

$$bn' + a' < bn + a.$$

(A1)

Since we want to investigate conditions under which the new technique is adopted by the innovator capitalist, we will assume that (A1) holds. This will immediately imply that the rate of profit earned by the innovator capitalist with the new technique of production

$$r' = 1n'b + a' - 1$$

will be higher than what she earned using the old technique of production

$$r = 1nb + a - 1.$$

Since  $r' > r$ , there is an incentive for the innovator capitalist to search for an adopt the new technique of production.

### A5. Marx-Okishio Threshold

When all capitalist firms adopt the new technique of production, the price (and value) of the commodity becomes

$$p' = n'(1 - a').$$

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Suppose the new real wage rate is given by  $\delta b$ , so that the growth rate of the real wage rate is given by  $(\delta-1)$ . In the new configuration of price and real wage rate, the rate of profit is given by

$$r'' = 1a' + \delta bn' - 1.$$

Let  $\delta^*$  denote the value of  $\delta$  that ensures that the average rate of profit before the adoption of the new technique of production,  $r$ , is exactly equal to the average rate of profit after the adoption of the new technique of production by all capitalist firms,  $r''$ . Hence

$$1a' + \delta^* bn' - 1 = 1a + bn - 1,$$

so that

$$\delta^* = nn' + (aa' - 1)pa'wn'.$$

The Marx-Okishio threshold,  $\alpha^*$ , is the growth rate of real wage rate that ensures that ensures that the average rate of profit before the adoption of the new technique of production,  $r$ , is exactly equal to the average rate of profit after the adoption of the new technique of production by all capitalist firms,  $r''$ . Hence,

$$\alpha^* = \delta^* - 1,$$

so that

$$\alpha^* = (nn' - 1) + (aa' - 1)pa'wn'.$$

Note that

$$(nn' - 1) = (1n') - (1n)(1n)$$

is the growth rate of labor productivity, and

$$(aa' - 1) = (1a') - (1a)(1a)$$

is the growth rate of capital productivity. Moreover,  $pa'wn'$  is the new organic composition of capital (ratio of constant capital and variable capital) evaluated at prices prevailing before the adoption of the new technique of production. If we denote the growth rate of labor productivity by  $\beta_1$ , the growth rate of capital productivity by  $\beta_2$ , and the organic composition of capital (evaluated at prices prevailing before technical change) as  $\gamma$ , then we have the Marx-Okishio threshold as

$$\alpha^* = \beta_1 + \gamma\beta_2.$$

Now we are ready to prove the main results relating to the Marx-Okishio threshold.

### A6. Marx's Result

If the growth rate of the real wage rate is  $\alpha$ , where  $\alpha > \alpha^*$ , then the average rate of profit will fall after the adoption of the new technique of production by all capitalists. To see this note that, since  $\alpha > \alpha^*$ , it is also true that

$$1 + \alpha > 1 + \alpha^* = nn' + (aa' - 1)pa'wn' = nn' + (aa' - 1)a'bn' = bn + (a - a')bn'$$

which, on multiplying through by  $bn'$  gives the inequality

$$(1 + \alpha)bn' + a' > bn + a.$$

(A2)

The average rate of profit before the adoption of the new technique of production is given by

$$r = 1/bn + a - 1.$$

On the other hand, if the growth rate of the real wage rate is  $\alpha$ , then the average rate of profit after the adoption of the new technique of production is given by

$$r^{\wedge} = 1/(1 + \alpha)bn' + a' - 1.$$

Using the inequality in (A2), we see that  $r^{\wedge} < r$ .

### A7. Okishio's Result

If the growth rate of the real wage rate is  $\alpha$ , where  $\alpha < \alpha^*$ , then the average rate of profit will rise after the adoption of the new technique of production by all capitalists. The proof follows in exactly the same manner as the proof for Marx's claim, with the sign of the key inequalities reversed.

## Appendix B

In this Appendix, I present a critical overview of the first variant of the underconsumptionist argument about capitalist crisis. As I noted in the text of the main chapter, there are at least two versions of the first variant of the underconsumptionist argument, and in this Appendix I discuss both versions. In presenting this argument, I draw on Harris (1978), Shaikh (1978) and Foley (1986).

### B1. First Version

The first version of the underconsumptionist argument about capitalist crisis, developed by early underconsumptionists, advances the claim that a typical capitalist economy is incapable of self-expansion on the basis of internally generated aggregate demand. There

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are two key ingredients of this argument, the *demand gap* and *vertical integration*, and let us take these up in turn.

To understand the notion of “demand gap,” let us note that, starting from the total (gross) output of commodities, if we remove the portion that is used up in the production process, we will get the net output. The net output corresponds, and is equal in value, to the total income earned by all agents involved in the production process. If, for simplicity, we assume that there are only two classes involved in production, capitalists and workers, then the sum of all profit income (surplus value) and all wage income (variable capital) is equal to the value of the net output.

To bring the focus on the problem of demand, let us ask the following question: who will purchase the net output? A portion of the net output will be purchased by workers—using their wage income. Even if workers spend all their income on consumption, they will not be able to purchase the total net output. This is because the value of net output is the sum of wages and profits, and since the latter is some positive quantity in capitalism, the value of net output is larger than the total wages. This leaves a “demand gap,” that is, a portion of the net output that remains to be sold even after all wages have been spent.

To grasp the concept of vertical integration, let us divide total social production into two departments. The first department, called Department I, consists of capitalist firms that produce means of production, including machines, raw materials, fuel, etc. The second department, called Department II, produces means of consumption such as food, clothing, health care, entertainment, etc. Early underconsumptionist thinkers conceived of Department I as being completely subsumed under Department II. Thus, according to this line of thinking, the output of Department I is only used as “inputs” to the production process in Department II. An alternative way of stating this is to say that the economy is vertically integrated.

There is an important implication of this conception of a vertically integrated capitalist economy. Since the output of Department I functions only as inputs to the production process in Department II, this means that the net output is only composed of the output of Department II. Let us call the part of net output that remains after all the wage income has been spent as the “surplus product.” Since the surplus product is a part of the net output, this also implies that the surplus product is composed only of the output of Department II.

We are now ready to lay out the basic argument of the first variant of underconsumptionism. Consider a capitalist economy with a zero demand gap. The fact that the demand gap is zero means that the total surplus value is used to purchase the surplus product—that is the only way that the demand gap can be closed. Since the surplus product is composed entirely of the output of Department II, it means that the whole surplus value has been spent on purchasing consumer goods. Hence, there is zero investment in this economy (i.e., none of the surplus value was used to purchase means of production and increase the scale of production). This means that the economy has no capital accumulation and, hence, can only have zero growth. A capitalist economy,

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according to this early underconsumptionist vision, is not capable of sustaining positive rates of growth on the basis of internally generated aggregate demand.

We can arrive at the same conclusion by a slightly different route. Let us consider a capitalist economy with a zero demand gap. As we have noted above, this means that all the surplus value is used by capitalists to purchase consumer goods. What will happen if some capitalists save and invest part of the surplus value to increase the scale of production? If capitalists save a part of the surplus value and invest it (i.e., use a part of the surplus value to purchase means of production and labor power and increase the scale of production) this will have two effects. First, there will be a net decline in the demand for the output of Department II. Why? There will be a decrease in demand due to the saving out of surplus value; but there will be an increase in demand given by the part of this saving that is used to purchase labor power (which will be used by workers to purchase consumption goods). Since the former is larger than the latter (as long as some of the surplus value is used to purchase additional means of production), there will be a net decline in the demand for the output of Department II. The second effect of saving/investment of surplus value will be an increase in the output of Department II (unless all the additional investment goes toward the production of additional means of production, an unlikely scenario). Thus, the output of Department II increases exactly at the same time as demand declines, leading to a problem of realization. The overall result will be an increase in excess capacity in Department II, leading to a reduction in investment and growth. Thus, the impulse toward capital accumulation and growth, coming from saving and investment, is self-defeating. The natural state of a capitalist economy, the early underconsumptionists argued, is a state of stagnation.

A particularly interesting extension of this argument comes from considering the problem of growth of capitalist economies when there is an increase in income inequality. This could come about, for instance, due to stagnant real wages in the face of growing labor productivity. If labor productivity increases but real wages do not, that increases the share of surplus value in total value added. Since the value of surplus product is equal to the surplus value, a shift in the distribution of income away from wages will increase the surplus product. By the logic of the underconsumptionist argument, this would widen the demand gap and heighten the tendency toward stagnation in the capitalist economy.

How do we assess the strength of this version of the underconsumptionist argument? The basic problem in this variant of the underconsumptionist argument is the faulty conception of the surplus product—understood to be composed entirely of consumer goods—that comes from conceiving the economy as a vertically integrated production system. If the economy is conceived as a vertically integrated system, then the output of Department I (machines, for instance) can only be used as inputs into Department II. But this is not true. Machines can be used for producing machines, i.e. the output of Department I can be used as inputs into Department I itself. Thus, conceiving the economy as a vertically integrated production system is problematic.



A better way to conceptualize the relationship between Department I and II is to use the reproduction schemas that Marx developed in chapters 20 and 21 of Volume II of *Capital* (Marx, 1992). If we use Marx's reproduction schemas, we can demonstrate that a capitalist economy is able to generate, under certain conditions that relate to the *proportionality between the two departments*, adequate aggregate demand to purchase the total output of commodities. We can demonstrate this result not only for a capitalist economy undergoing simple reproduction (i.e. a zero-growth system) but also for a capitalist economy undergoing reproduction on an expanded scale (i.e., when it grows at some positive rate of growth). In fact, savings and investment out of surplus value, the main source of problem for the capitalist economy as depicted in the underconsumptionist argument, now becomes the driver of growth of the system. Not only is the system capable of generating self-sustaining positive rates of growth, if the ratio of the sizes of the two departments is "correct," then the system can smoothly reproduce over time (i.e., it would be plagued neither by problems of shortage nor of glut on its growth path).<sup>11</sup>

## B2. Conditions for Expanded Reproduction

To study the conditions for expanded reproduction, we follow Marx (1992) in viewing the whole of social production as being organized within two departments. Department I produces means of production, and Department II produces means of consumption. The flow of time is broken into periods, with the following convention about activities: at the beginning of each period capital outlays are made; within the period production of commodities takes place; and at the end of the period the output is sold and the value (and surplus value) realized. Sale of the output comes from expenditures of capitalists and workers, the two classes in this economy.

The capitalist class makes two types of expenditures: (a) capital outlays to carry out production, which is the sum of constant capital (the amount of money used to purchase means of production) and variable capital (the amount of money used to purchase labor power); and (b) consumption expenditure. Variable capital, which is part of the capital outlays by capitalists, corresponds to the wage income of the working class, which is used for the consumption expenditure of workers. Hence, the total expenditure by the capitalist class is the primary source of all demand in the model of capitalist economies that we study here (the most important exclusions are the state and the rest of the world, which can be an additional sources of autonomous expenditure).

We can regroup the expenditures in the economy to arrive at the sources of demand for the output of the two departments. The demand for the output of Department I come from two types of expenditures: (a) replacement of used-up means of production in Department I and II, and (b) increments to the means of production in Department I and II. Note that both expenditures arise directly from the capital outlays in the two departments.

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The demand for the output of Department II also comes from two types of expenditures: (a) consumption expenditure of workers in Department I and II; and (b) consumption expenditures of capitalists in Department I and II. Consumption expenditure of workers comes from wage income, which is the variable capital component of capital outlays by capitalists. Thus, consumption expenditure of workers comes indirectly from the capital outlays of capitalists. On the other hand, consumption expenditure of capitalists comes from the surplus value realized through sale of the output.

For a complete description of the model, we need to specify three parameters related, in turn, to the technology of production, the degree of exploitation of workers, and the investment propensity of capitalists. To do so, we will use subscripts *I* and *II* to identify the two departments. Let  $k_I$  and  $k_{II}$  denote the share of variable capital in total capital outlays in the two departments; these parameters characterize the technology of production used in the two departments, with a lower value of  $k$  denoting a more capital-intensive technology. Let  $e$  denote the rate of exploitation (ratio of surplus value and variable capital) that is common in both departments. Let  $p_I$  and  $p_{II}$  refer to the share of surplus value reinvested into production in the two departments; these characterize the investment behavior of capitalists in the two departments, with a higher value of  $p$  signifying a higher propensity to save and invest. Note that if  $p_I=p_{II}=0$ , then all the surplus value is consumed by capitalists and we get the special case of simple reproduction.

If this economy is to smoothly reproduce over time, it must be the case that there is neither excess demand nor excess supply in the market for the output of either department. Let us start by investigating the condition for equilibrium (i.e., when demand is exactly equal to supply) in the market for the output of Department I. Denoting constant capital by  $C$ , variable capital by  $V$  and surplus value by  $S$ , the total value of output in Department I is given by  $C_I+V_I+S_I$ . In equilibrium, this has to be equal to the total demand for the output of Department I. But what is the total demand for the output of Department I, i.e. means of production?

In Department I, the demand for means of production comes from the need to replace the means of production that has been used up,  $C_I$ , and the need for incrementing the means of production,  $\Delta C_I$ . The increment to the means of production in Department I arises from the reinvestment out of surplus value. In Department I,  $p_I S_I$  is the amount of surplus value reinvested, of which the fraction  $(1-k_I)$  is used for purchasing means of production. Hence, the increment to the means of production in department is given by  $\Delta C_I=(1-k_I)p_I S_I$ . In a similar manner, the demand for means of production in Department II comes from replacement needs,  $C_{II}$ , and from the need to expand the means of production,  $\Delta C_{II}$ , where the latter is given by the expression:  $\Delta C_{II}=(1-k_{II})p_{II} S_{II}$ . Hence the total demand for means of production is given by

$$C_I+\Delta C_I+C_{II}+\Delta C_{II}=C_I+(1-k_I)p_I S_I+C_{II}+(1-k_{II})p_{II} S_{II}.$$

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There is equilibrium in the market for means of production when the total supply is equal to the total demand, that is:

$$CI+VI+SI=CI+(1-kI)pISI+CII+(1-kII)pIISII,$$

that simplifies to

$$VI+SI=(1-kI)pISI+CII+(1-kII)pIISII.$$

Since  $CI=[(1-kI)/kI]VI$ ,  $CII=[(1-kII)/kII]VII$ ,  $SI=eVI$  and  $SII=eVII$ , we can plug these in the above equilibrium condition and algebraically manipulate it to get the following relation between the sizes of the two departments:

$$VIIVI=1+e-epI(1-kI)[1-kIIkII]+epII(1-kII).$$

(A3)

We can state the result of the foregoing analysis as

*Proposition 3. Let  $V_I$  and  $V_{II}$  refer to the variable capital in departments I and II, respectively. If  $kIIpII=kIpI=\eta$  and the ratio of the sizes of the two departments is given by*

$$VIIVI=1+e-epI(1-kI)[1-kIIkII]+epII(1-kII)$$

(4)

*then the capitalist economy can smoothly reproduce on an expanded scale at the rate of growth  $g=\eta e$ .*

The condition derived in (A3) would also emerge if we investigated the condition for equilibrium in the market for the output of Department II.<sup>12</sup> This is not surprising. Since total social production is broken up into two departments, equilibrium in the market for the output of one department will automatically imply equilibrium in the market for the output of the other.

Note that the analysis presented so far has implicitly ruled out an interesting possibility: the movement of capital between the two departments. This could happen, for instance, if some of the surplus value generated in Department I were invested in Department II in the next period, or vice versa. We have ruled this out by assuming that the investment to increase the scale of production in each department comes from surplus value generated within that department. This implicit assumption simplifies the analysis and allows us to get the following simple condition for balanced growth:

$$kIpI=kIIpII.$$

(A4)

How do we get this condition given in (A4)? The intuition behind the condition is the following: if the two departments are to maintain the correct proportions over time

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without any inter-departmental transfer of capital, they will have to grow at the same rate *on the basis of the surplus value generated within the department*.

If growth in Department I comes from reinvestment of surplus value generated within the department *only*, then the rate of growth of variable capital in Department I is given by

$$gI = \Delta VIV / V = kIpISIV / V = kIpIeVIV / V = kIpIe.$$

Similarly, the rate of growth variable capital in Department II, on the basis of reinvestment of surplus value generated within the department only, is given by

$$gII = kIIpIIe.$$

Hence, if

$$kIpI = kIIpII,$$

then both departments grow at the same rate and the correct proportions are maintained over time, which is the condition in (A4).

Here, let us consider the underlying intuition. Given the parameters that capture technology, exploitation and investment behavior in the two departments, the right-hand side of the expression in (4) is some positive number.<sup>13</sup> Thus, proposition 3 shows that if the sizes of the variable capitals in the two departments maintain the proportion given by the right hand side of (A3), then the capitalist economy can ensure smooth reproduction on an expanded scale. How do we know this? The condition comes from an algebraic manipulation of the condition for equilibrium—equality between demand and supply—in the market for the output of Department I (for details see section A3 in the Appendix). Hence, if this condition is satisfied, it will imply that the total demand for means of production will be exactly equal to its total supply, both expressed in terms of value. Moreover, since total social production is broken up into two departments, equilibrium in the market for means of production (the output of Department I) will automatically imply equilibrium in the market for means of consumption (the output of Department II).<sup>14</sup> Thus, there will be neither excess demand nor excess supply in the market for means of production and in the market for means of consumption, which means that there will be smooth reproduction of the whole system of production.

The fact that the condition about the proportional sizes of the two departments given in (4) ensures smooth reproduction also highlights a possible mechanism for the emergence of crisis: disproportionality between the two branches of production. If the two branches are not of sizes that satisfy the condition given in Proposition 3, then smooth reproduction of the system will not be possible. Either there will be excess supply for means of production, coupled with excess demand for consumer goods, or the economy will face an excess demand of means of production as also an excess supply of consumer goods. In either case, there will be an overproduction of commodities, and the economy

will be plunged into a crisis—a crisis of disproportionality, as highlighted by Tugan-Baranowsky (see Sweezy, chapter X and XII).

### B3. Second Version

The second, and more sophisticated, version of the first variant of the underconsumption argument is found in Sweezy (1942). The setting of his argument is the same as the one we have been using: a two-department capitalist economy undergoing expanded reproduction. Following classical economists, Sweezy (1942) assumes that all wages are consumed. On the other hand, surplus value is used for four purposes: a part is consumed to keep capitalist consumption at the same level as before, another part is used to increase capitalist consumption, a third part is used to augment constant capital and a fourth part to increase variable capital. While the sum of the last two is what we can call “accumulation” (or capital outlay), the third part is what economists now call investment. The main argument in Sweezy (1942) is developed in two steps.

The first step relates to the implications of capitalist relations of production on the growth of demand for consumption goods. It is undoubtedly true that capitalists want to increase profits to the maximum possible extent. This goal is usually achieved through two mechanisms: (a) through an increase in accumulation as a share of surplus value, and (b) by an increase in investment as a share of accumulation. The latter comes about as a direct result of the increasing mechanization of the production process, itself an outcome of the competitive struggle between capitalists.

Consumption demand comes from two sources, wages (all of which is consumed) and the share of surplus value that is not accumulated. As capitalism develops, the rate of surplus value rises, which implies that wages decline as a share of value added. On the other hand, the competitive pressure ensures that capitalists accumulate a larger share of surplus value. Hence, the share of surplus value that is not accumulated, and that is the source of capitalist consumption demand, declines over time. Thus, the ratio of the growth rate of consumption demand to the growth rate of the capital stock declines over time.<sup>15</sup>

The second step of the argument looks at the logic of production from a technological perspective. Sweezy (1942) believes that there is a constant and stable ratio between the capital stock and the potential output (or supply) of consumption goods. This is the key underlying assumption about technology and implies that the ratio of the growth rate of the supply of consumption goods to the growth rate of the capital stock is a constant. If we bring the results from the two steps together, we see the key point of the argument: the ratio of the growth rate of the demand for consumption goods to the growth rate of the supply of consumption goods falls over time. Hence, at some point, the supply of consumption goods overshoots demand, pushing the economy toward an acute realization problem.

How do we assess Sweezy's (1942) argument about the tendency toward underconsumption? There is a basic flaw in the above argument and relates to a faulty assumption about technology (Shaikh, 1978). There is no reason why the capital stock must maintain a constant and stable relationship to the potential supply of consumption goods. The stock of capital can be increased, with investment, to produce more means of production, in which case the potential supply of consumption goods would not change. In such a case, the ratio of the capital stock to the potential supply of consumption goods would fall, contradicting the second step of Sweezy's (1942). The upshot is that Sweezy's (1942) theory of underconsumption rests on a questionable theory of production and technology. Once that assumption is abandoned, the theory's main conclusion about the tendency toward stagnation in capitalist economies falls apart.

### Notes:

(<sup>1</sup>) "The attempts made from the orthodox economic viewpoint to deny that there is *general overproduction* at any given moment are indeed childish." (Marx, 2000: 411). For an interesting discussion of different interpretations of "Say's Law," see Rotta (2017).

(<sup>2</sup>) This typology is used in Foley (2012). It is also implicit in Sweezy (1942, chapter 8) even though he uses a different terminology. What we have termed crises of deficient surplus value is referred to by Sweezy (1942) as "crises associated with the falling tendency of the rate of profit"; what we have called crises of excess surplus value is termed by Sweezy (1942) as "realization crises."

(<sup>3</sup>) After explaining the operation of the law of the tendential fall in the rate of profit, Marx went on to outline many counteracting tendencies that might thwart the operation of the law so that we might not observe the rate of profit falling. The discussion here relates to the validity of the logic behind the law itself. Hence, the existence of counteracting tendencies is not relevant for the argument.

(<sup>4</sup>) For examples of quotations, see Sweezy (1942:101–102).

(<sup>5</sup>) A variant of this result was highlighted by Sweezy (1942) in the footnote on p. 102.

(<sup>6</sup>) A strand in the literature has tried to bypass the problem captured by Proposition 1 with two strategies: (1) by using the ratio of constant capital to value added,  $C/(V+S)$ , instead of the organic composition of capital,  $C/V$  (Wright, 1977); and (2) by using asymptotic arguments (Shaikh, 1978). None of these strategies offer valid responses to the problem, and the essential difficulty remains unaddressed. A better strategy is to acknowledge the problem and offer the weaker version of the claim of the law of the tendential fall in the rate of profit that is captured in Proposition 1.

(<sup>7</sup>) The exact reference for Ladislaus von Bortkiewicz's work can be found in Sweezy (1942: 104), and the reference for Kei Shibata's work can be found in Okishio (1961:85).

<sup>(8)</sup> In later work, Sweezy (1981) has called this argument a crisis of overaccumulation or a tendency for overaccumulation. The essence of the argument remains the same as found in Baran and Sweezy (1966).

<sup>(9)</sup> For the importance of money and finance in Marx's theory of crisis see Crotty (1985), and for the role of the financial system in the 2008 crisis, see Dumenil and Levy (2011) and Kotz (2015).

<sup>(10)</sup> "however large the organic composition of capital may become, the general rate of profit must increase without an exception, only if the newly introduced technique satisfies the cost criterion *and the rate of real wage remains constant*. And we can safely say that every production technique introduced by capitalists reduces the cost of production in terms of prevailing prices and wages. Therefore, we must accept the conclusion that every technical innovation adopted by capitalists in basic industries necessarily increase the general rate of profit *unless the rate of real wages rises sufficiently*." (Okishio, 1961: 92, emphasis added).

<sup>(11)</sup> The formal analysis in this section draws on Harris (1977, chapter 10) and Foley (1986, chapter 5).

<sup>(12)</sup> The total supply of the output of Department II is  $CII+VII+SII$  and the total demand for the output of Department II is  $VI+\Delta VI+VII+\Delta VII+(1-p_I)SI+(1-p_{II})SII$ . Equating total supply with total demand, plugging in the correct expressions for the terms and manipulating them algebraically will give (A3).

<sup>(13)</sup> Using the fact that  $k_I$ ,  $k_{II}$ ,  $p_I$  and  $p_{II}$  are fractions and lie between 0 and 1, it is easy to show that both the numerator and the denominator are positive.

<sup>(14)</sup> In economics, this is known as Walras's Law.

<sup>(15)</sup> Note that the growth rate of the capital stock is called investment.

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## Oxford Handbooks Online

### **The Capitalist State and State Power**

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### **Abstract and Keywords**

Marx planned a book on the state as part of his larger project to critique the political economy of the capitalist mode of production. Nonetheless Marx analyzed the state over some forty years of critical engagement with bourgeois society and provided at least seven types of analysis of the state and state power. Overall, he highlighted the significance of the institutional separation of the economic and political in capitalist social formations, explored the normal form of the capitalist type of state and some of its exceptional forms (notably Bonapartism), and related state power to specific state forms and the changing balance of forces. This article surveys the development of Marx's work on the capitalist state, the range of approaches that he adopted in specific contexts, his form analysis of the state, his conjunctural analyses, and his eventual discovery of the adequate form of a democratic socialist state in the Paris Commune. It builds on this analysis of Marx's work to comment on subsequent Marxist analyses of the state and state power, including capital-, class- and state-theoretical work and emphasizes the importance of a relational approach to the capitalist state.

Keywords: state apparatus, Bonapartism, democracy, form analysis, hegemony, relational analysis, state power, world of states, world market

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The “present society” is capitalist society, which exists in all civilized countries, freed in varying degrees from the admixture of medievalism, modified in varying degrees by the particular historical development of each country, and developed to a varying degree. In contrast to this, the “present state” changes with each country's border. It differs between the Prusso-German Empire and Switzerland, between England and the United States. “The present state” is thus a fiction.

Nevertheless, the different states of the different civilised countries, in spite of their motley diversity of form, all have this in common that they are based on modern bourgeois society, more or less capitalistically developed. They have, therefore, also certain essential characteristics in common. In this sense it is



possible to speak of the “present-day state”, in contrast with the future, in which its present root, bourgeois society, will have died off. (Marx 1989a: 94–95)

[T]he world market ... in which production is posited as a totality together with all its moments, but within which, at the same time, *all contradictions come into play*. The world market then, again, forms the presupposition of the whole as well as its substratum. (Marx 1973b: 227, italics added)

A well-known absence in Marx’s analysis of capitalist social formations is the failure to write a comprehensive critique of the state as an apparatus or organ of class domination and, concomitantly, of the exercise of state power as a political process, to include not only “domestic states” (which are “present states,” too) but also the world of states. Yet a book on the state was part of Marx’s six-book plan that guided his work on *Capital* between 1857 and 1863. This book would have followed three books on capital, wage-labor, landed property, and be followed by two further books on foreign trade and the world market and its crises. This book, if completed, would certainly have modified Marx’s published analysis of the capitalist mode of production, which largely abstracted from the form of the capitalist state and from the existence of a plurality of states, modes of intervention, and political class struggle. This constitutes a deficit in his systematic analysis of the capitalist mode of production. While it is idle to speculate why Marx did not write the book on the state (or, indeed, books five and six), the heterogeneity of the “present state” indicated in the opening quotation may be relevant. Moreover, given that they also had a revolutionary political project, another absence is that neither Marx nor Engels provided coherent analyses of political parties and their relation to trade unions, the relation between national and international struggles, how to analyze conjunctures as the basis for political strategies, and, of course, the eventual form of a socialist state. These are also significant absences.

This contribution cannot substitute for Marx’s missing book on the state. Instead, it will sketch some major topics that it might have included by addressing some key themes in his analysis of the capitalist type of state and the state in capitalist social formations. This account is guided by seven types of political analysis that Marx did undertake and that would certainly have informed his book on the state. Although all seven are listed here, we will only draw on those most relevant to this contribution. These modes of political analyses comprised: (1) critical commentaries on political theory similar to his critiques of economic categories and relations in classical and vulgar political economy; (2) historical analyses of the rise, transformations, and class nature of specific states, including, notably, the changing forms of the French state and political class struggles; (3) studies of specific political periods and conjunctures in a variety of countries, regions, and continents; (4) historical analyses of the state (or its equivalent forms of political authority) in pre-capitalist times and/or outside Europe and the United States; (5) interstate relations, including colonialism, the international balance of forces, diplomacy, and the politics of war and peace; (6) general analyses of the capitalist type of state—albeit mainly in terms of its formal and substantive correspondence to the logic of capital

accumulation; and (7) more strategic, politically motivated accounts that were intended to shape political debates within the labor movement.

Few commentators have attempted to explore all these aspects of Marx's work on the state and state power and this typically leads to radically oversimplified interpretations. Even Hal Draper's magisterial multivolume work neglects Marx's form analysis, which as this article will demonstrate, was a permanent and significant feature of his analyses (Draper 1977, 1978, 1986, 1990; Draper and Haberkern 2005). Many commentators have identified two essential theories in his oeuvre. One treats the state as an *instrument of class rule* wielded more or less successfully by the economically dominant class (fraction) or classes to maintain its economic exploitation and political control. The other highlights its role as a relatively autonomous or *potentially fully autonomous authority* that could regulate the class struggle in the public interest or even manipulate it to the private advantage of the political stratum. The instrumentalist view is often attributed to the *Manifesto of the Communist Party* (Marx and Engels 1976), which posits that the "executive is a committee for managing the common affairs of the whole bourgeoisie." An instrumentalist approach can also be discerned in Marx's drafts for his analysis of the 1871 Civil War in France (e.g., 1989b, 1989c). Apart from its immediate propagandistic value in what Marx and Engels, writing in 1848, saw as a revolutionary conjuncture, this claim also made sense historically, given the limited franchise in Europe and North America at the time. The extension of voting rights in the 1870s would complicate matters and put a parliamentary road to socialism on the agenda (Marx and Engels 1988; see also Gramsci 1971: 179–180). Even so, Marx was more pessimistic about this following the brutal repression of the Paris Commune in 1871 and resorted once more to instrumentalist language.

Paradoxically, an emphasis on state autonomy could be justified by a different reading of the previously cited claim in the *Manifesto*: For, if the executive is, indeed, "a committee for managing the *common affairs* of the bourgeoisie" (italics added), this might imply a degree of autonomy from the particular interests of particular capitals. State autonomy is highlighted most famously—and inspiringly—in Marx's analyses of class struggles in France in the 1850s (1978b and, above all, 1979). Indeed, he once suggested that Bonaparte had established a "praetorian state," in which the army led by Bonaparte III starts to represent itself against society rather than acting on behalf of one part of society against other parts (Marx 1986).<sup>1</sup> This moment was, however, as Marx noted, short lived. We return to the question of (relative) autonomy section 5.

Building on this instrumentalist-autonomist split, which is not found in Marx but is an artifact of later attempts to construct the Marxist theory of the state, other commentators seek to reconcile these contrasting interpretations by suggesting that the first view holds for normal periods of class struggle, the latter for "exceptional" periods when class struggle is stalemated and/or threatens a social catastrophe (this reading is already found in Marx's analysis of Bonapartism (Marx 1979; 1989c: 329–330) and Engels's comments on other cases of a catastrophic stalemate in the balance of class forces (Engels 1978: 152, 1988: 363–364, 1990a: 271; 1990b: 460, 476–479, 501–503). In addition, the first of

this entry's two opening quotations posits that there is a motley diversity of states and this could be read as compatible with different modalities of the exercise of state power.

There is also a third view of the state that provides a more authentic guiding thread for Marx's analysis of the state and state power over forty years, from 1843 to his death in 1883 and that was retained and continually reworked. This retention is especially clear in Marx's remarks on the 1871 Paris Commune (on which, see section 1). In 1843, he studied the history of states and their relation to societal development in France, Italy, Poland, England, Germany, Sweden, and the United States; the English and French revolutions; and related texts on political and constitutional theory. His excerpts and notes on these topics were compiled in the *Kreuznacher Hefte I-5* (1981). These intensive studies informed his critique of Hegel's doctrine of the state and his further work on state (trans)formation and state power. In particular, Marx countered Hegel's claim that the modern state could and would represent the common, organic interests of all members of society by arguing that it could represent only an "illusory" community of interest. Hidden beneath this illusory collective imaginary lie the continuing antagonisms, crass materialism and egoistic conflicts of a society based on private property ownership and waged labor.

For Marx, true emancipation and a true harmony of interests required the abolition of private property. However, private property relations led to a doubling/bifurcation of social relations: civil society is the sphere of the *bourgeois* and the primacy of private profit, the political sphere is the world of the *citoyen* and national interest. Nonetheless, in this context, he added that the representative state based on rational bureaucracy and universal suffrage is formally adequate to capitalist social relations. It corresponds to the economic cell form of the capitalist mode of production (the value form of the commodity) and provides a suitable extra-economic support for it. The freedom of economic agents to engage in exchange (belied by "factory despotism" in the labour process) is matched by the freedom of individual citizens (belied by the state's subordination to the logic of capital) (Marx 1975a, 1975b, 1996). In both cases the substantive nature of class domination is rendered opaque behind the appearance of relations of formal equality.

After penning his critique of Hegel's *Philosophy of Right*, Marx sketched "A Draft Plan for a Work on the Modern State" in November 1844 (1976b). Reflecting his interests at the time, its themes would have been: first, the history of the origin of the modern state or the French Revolution; second, the proclamation of the rights of man and the constitution of the state, to include freedom, equality, unity and the popular sovereignty; third, the state and civil society (here understood to mean bourgeois society based on private property and market relations); fourth, the constitutional representative state and the democratic representative state; fifth, the division between the legislature and executive powers; sixth, legislative power, legislative bodies, and political clubs; seventh, the centralisation and hierarchy of the executive power, including administrative and local government; eighth, judicial power and the law; ninth, nationality and the people; tenth, political parties; and eleventh, the struggle to abolish the state and bourgeois society.

While this plan was never realised, these eleven themes are recurrent topics in Marx's writings on the state. This sees the state as an alienated form of political organization because it is based on the separation of rulers and ruled (Thomas 1994). This separation takes different forms in different class-based modes of production, different periods of capitalist development, different types of capitalist formation, and differential integration into the world market. Nonetheless, as he wrote in the second draft of the Civil War in France, state power has "always been the power for the maintenance of order, i.e., the existing order of society, and, therefore, of the subordination and exploitation of the producing class by the appropriating class" (Marx 1989b: 534).

However, as a theorist concerned with the historical specificity of social forms and relations, Marx argued that the state and exercise of state power took a specific form in capitalism. This was based on the impersonal domination of a sovereign state over the population and not on direct rule by the dominant classes. We will now explore the formal adequacy of this type of state and the reasons why, once it has developed in individual social formations, it may prove substantively inadequate or be overthrown in favour of more direct forms of domination.

### 1. The State as a Social Relation

Writing in *Capital* Volume I, Marx observed that capital is not a thing but a social relation—"a social relation between persons, established by the instrumentality of things" (1996: 763). Adopting the same approach, he might also have argued that state is not a thing but a social relation—a social relation between class forces established by the instrumentality of institutions and juridico-political powers. This analogy was expressed elegantly by Nicos Poulantzas: the state is "*a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form*" (1978: 128–129, italics in original).

This is indicated in more general terms in *Capital* Volume III:

The specific economic form, in which unpaid surplus-labour is pumped out of direct producers, determines the relationship of rulers and ruled, as it grows directly out of production itself and, in turn, reacts upon it as a determining element. Upon this, however, is founded the entire formation of the economic community which grows up out of the production relations themselves, thereby simultaneously its specific political form. It is always the direct relationship of the owners of the conditions of production to the direct producers ... which reveals the innermost secret, the hidden basis of the entire social structure and with it the political form of the relation of sovereignty and dependence, in short, the corresponding specific form of the state. (1998: 777–778)

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This quotation might seem to imply that the relations of production comprise the economic base and the juridico-political order is its *epiphenomenal* superstructure. More plausibly, it highlights the specificity of state forms and their implications for state power in capitalist social formations. This interpretation is reflected in the famous question posed by Evgeny Pashukanis, who, inspired by Marx's analysis in *Capital*, explored the bourgeois form of law and state:

why does the dominance of a class take the form of official state domination? Or, which is the same thing, why is not the mechanism of state constraint created as the private mechanism of the dominant class? Why is it dissociated from the dominant class—taking the form of an impersonal mechanism of public authority isolated from society? (1978: 139).

If the form of sovereignty tends to reflect the specific economic form in which surplus labor is appropriated, one must consider how capitalist states differ from the types of state associated with other modes of production. This informs Pashukanis's answer to his own question. For, as Marx noted, most fully in *Capital* Volume I, the most distinctive feature of capitalism is that labor power acquires the form of a commodity, and the wage relation is organized on the basis of formally free and equal exchange between capital and labor. This bars coercion from the immediate organization of production in favor of formally equal contractual relations and open competition between capitals. Surplus labor can then be appropriated as surplus value, and economic exploitation will take the form of exchange. Thus, in normal capitalist states, class domination need not appear as class domination. This is reflected in Stanley Moore's aphorism that brilliantly distills the Marxist theory of the capitalist type of state: "When exploitation takes the form of exchange, dictatorship *may* take the form of democracy" (1957: 85, *italics in original*). This possibility is premised on a specific separation of the economic and political moments of exploitation and domination.

This "formal" analysis of the relation of sovereignty and dependency in the capitalist mode of production implies that the form of the social relations of production (not the forces of production, which can be combined with different social relations of production) shape the social relations of domination and servitude (which are based, in turn, on various technologies of power). It does not mean that specific state policies can be read off directly from the current economic conditions. Rather, for Marx, it is the "form of political organization" that corresponds to the "form of economic organization." Thus, a political order based on the rule of law, equality before the law and a unified sovereign state naturally "fits" or "corresponds" with an economic order based on private property, the wage relation and profit-oriented, market-mediated exchange. In short, there is a relation of "formal adequacy" between them. Where this is established, economic struggle normally occurs within the logic of the market (i.e., over wages, hours, working conditions, prices) and political struggle normally occurs within the logic of the representative state based on the rule of law (i.e., over defining the national interest, reconciling the particular interests of citizens and property owners within an "illusory" general interest). Hence, class is absent as an explicit organizing principle of the

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capitalist type of state. There is no legal monopoly, no exclusivity of political power for the dominant class, which must compete on *formally* equal terms with members of subordinate classes for power. In practice, of course, there are many substantive inequalities in this relation, that enhance the ability of the dominant classes to organize their rule and contribute to the disorganization of subaltern classes (for later discussion of this theme, see especially Gramsci 1971, Poulantzas 1973, and Offe 1983).

Two key points emerge from Marx's analysis. First, in the ideal-typical case, individual capitals are prevented from using direct coercion within the labor process and during the course of competition between themselves. However, correlatively, the state may use coercion to protect private property and the sanctity of contracts in the labor market and forms of capitalist exchange. This enables capital to insist on its right to manage the labor process, appropriate surplus labor, and enforce contracts with other capitals. There is a dual relation at work here. In the labor market, we find "a very Eden of the innate rights of man—Freedom, Equality, Property and Bentham" (1996: 186); in the labor process, there is economic exploitation and the despotism [managerial prerogative] of capital.

Second, a similar duality characterizes state power. On the one hand, there is the constitutional state as the guarantor of the innate rights of men, whatever their class position, based on ending feudal and guild privileges; on the other, the state defends the interests of capital in general when these are threatened even as it claims to act in national interest to maintain order. In this sense, class conflicts are transposed from the economic into the political sphere but typically in specific forms that reflect the institutional separation of the economic and political spheres. Marx noted that there was a fundamental contradiction in the democratic constitution: that it gave political power to the dominated classes (which formed the majority of the electorate) on condition that they did not use their political power to demand economic and social emancipation; and guaranteed to the dominant classes their constitutional rights to private property and capitalist exploitation on condition that they did not demand the restoration of their political power (see, especially, Marx 1978b: 79). Managing this contradiction depends on how the struggle for national popular hegemony plays out. Ultimately, for Marx, this meant that where political order appears as an "uncontrovertible and uncontested necessity, the state power could assume an aspect of impartiality ... without contest on the part of the masses" (1989b: 534). Without this naturalization of state power, however, attempts will be made to suspend or overthrow democratic rule.

Only when this separation is abolished through the self-organization of society will political alienation disappear and the state as an organ of domination begin to disappear. Marx was unclear how this would occur until 1871, the year of the Paris Commune, which prompted him to declare that this was "the political form at last discovered under which to work out the economical emancipation of Labour" (1989c: 334). Marx had grasped that one could not use existing forms of state (especially one as concentrated, centralized, and authoritarian as the Bonapartist state), which were organs of domination, to achieve emancipation. In short, "the working class cannot simply lay hold of the ready-made State machinery, and wield it for its own purposes" (1989c: 328). More explicitly, "The political

instrument of their enslavement cannot serve as the political instrument of their emancipation" (1989b: 533). An entirely new form of state was needed: a social republic. Whether the Commune would really have provided this form could not be judged, however, because the authorities repressed it in the most brutal fashion before this living experiment had run its course. Where this is described as the "dictatorship of the proletariat," a term that Marx rarely used, it was in the conventional legal sense of an "exceptional" political regime established to deal with emergencies, not an enduring type of state. Its task was to guide the transition towards a classless society and nightwatchman state that defended the interests of the whole community. When this was established, its repressive aspects would wither.

## 2. Capitalist Type of State or State Autonomy?

The basis for the two commonly ascribed subsequent views of the state—as an instrument or autonomous force—can be illustrated from Marx's long-running interest in the French state and politics. Just as he regarded England as a relatively pure example of the early stages of capitalist industrial development, Marx regarded France as a relatively pure example of the development of the bourgeois democratic regime *and its crises*. He analyzed the French case for lessons about the contribution of the bourgeois democratic regime to capitalist economic and political development and the changing character of state power as class power. Of his various writings on this topic, *The Eighteenth Brumaire of Louis Bonaparte* (1852) is justifiably the most famous. It studies the "specificity of political struggles" on the terrain of the modern state. Against what would nowadays be described as instrumentalist views, Marx argued that no class is directly and unambiguously represented as such on the political scene. Accordingly, he took great pains to decipher the "class bases" and/or "class relevance" of different political forces, for example, political factions, political parties, the army, paramilitary forces, political mobs, intellectuals, journalists, and so on. He did not regard these linkages as transparent or straightforward but as deeply problematic and highly mediated. Different regimes have different effects on class struggle, privileging different interests, with a correspondingly uneven impact on economic stability, political order, and social cohesion (this is a major theme in Nicos Poulantzas's work).

The limit case of the autonomy of the state apparatus and political power was Louis Bonaparte's coup d'état on 2 December 1851. This occurred when the fundamental contradiction in the capitalist constitution—between the grant of the suffrage to subordinate classes and the state's role in maintaining the rule of capital—could no longer be contained with the result that decisive action was needed to block a potential majoritarian coalition of proletariat, peasantry, and petty bourgeoisie. Louis Bonaparte responded by suspending the constitution and universal franchise and imposed his own personal rule. His coup was accepted because of a growing "political" crisis (only loosely rooted in economic crisis) and widespread fears about the collapse of social order in a period when the dominant classes were politically paralyzed and/or inclined to support a strong leader. Louis Bonaparte reintroduced universal franchise and won a plebiscitary

referendum in 1852 to become emperor. Yet the very autonomy of the Bonapartist dictatorship as “the consolidated dictatorship of the whole bourgeoisie” also threatened the economic interests of the dominant classes. Thus, within a short period, state power was once more tied to capitalist interests through the growth of state debt and the Bonapartist state’s role in promoting economic expansion, the expropriation of the peasantry, ties to finance, and overseas economic adventures.

A puzzle for Marx in terms of his materialist approach to history was to understand whether Bonapartism was a personal dictatorship, a bureaucratic or praetorian dictatorship, or a class dictatorship. In general terms, Marx’s answer was that Louis Bonaparte represented rhetorically, if not practically, the largest social class in France at the time: small-holding conservative peasantry. He represented them in terms of a demagogic poetry of the past—*idées napoléoniennes*, illusions, the revival of Napoleon’s glories—and cheap material concessions, such as providing jobs for their children in the state apparatus, especially the army. But he did not defend peasants against further parcellization of their land-holdings, mortgage debt, tax burdens, or the speculative depredations of the modern financial aristocracy (1978b, 1979, 1986, 1989b, 1989c). Thus, while Louis Bonaparte’s dictatorship was not suspended in mid-air, it was relatively unconstrained by the smallholding conservative peasantry, which because of its rural isolation, familial relations of production, and dependence on usurious capital and local political figures form a class “much as potatoes in a sack form a sack of potatoes” (1979: 189) and must therefore be represented by others rather than doing so themselves. Another supporting class was the *Lumpenproletariat*, declassed elements, that are inherently disorganized, side opportunistically with one camp or another, and hence prove unreliable allies. More generally Marx developed a rich vocabulary for analyzing political class relations, for example, class in charge of state, supporting classes, literary representatives, political parties, the class relevance of political discourses and so on. This vocabulary is politically specific, reflecting the specificities of the political terrain, and not reducible to economic class relations.

### 3. The World Market and World of States

The second opening quotation juxtaposes the immanent logic of growing world market integration and the survival of a plurality of national states. Already in 1845, Marx and Engels wrote in *The German Ideology* that

the movement of capital, although considerably accelerated, still remained, however, relatively slow. The splitting up of the world market into separate parts, each of which was exploited by a particular nation, the prevention of competition between the different nations, the clumsiness of production and the fact that finance was only evolving from its early stages, greatly impeded circulation. (1975: 72)



They continued that, while foreign trade drove the world market in its infancy, its further development is radically reinforced by the growth of large-scale industry based on machinofacture. This “universalised competition ... established means of communication and the modern world market, subordinated trade to itself, transformed all capital into industrial capital, and thus produced the rapid circulation (development of the financial system) and the centralization of capital” (Marx and Engels 1975: 73; see also 1998: 331). Large-scale industry is constantly driven to conquer new markets that have not yet been formally or really subsumed under the logic of capital accumulation. Thus, having initially *driven* accumulation on a world scale, foreign trade later became its product (1998: 235–236; cf. 1989a: 58). Marx argued that the world market is the presupposition and the posit of capital accumulation. Primitive accumulation based on European exploitation of what would nowadays be called the Global South (but including Central and Eastern Europe) was crucial to the rise of mercantilism and industrialization. The world market is also the ultimate strategic horizon for individual capitals and groups as they compete over differential accumulation as well as the actually existing point of intersection of these capitals.

Marx showed how “primitive accumulation” created a formally free labor force by transforming slaves, serfs, and independent producers into wage laborers; enclosing the commons and dispossessing peasants; accumulating treasure for investment through expropriation, looting, enslavement, conquest; and murder at home and abroad (1996: 741). This bloody process unfolded in overlapping waves and involved an increasingly refined machinery of expropriation and exploitation. Liberal bourgeois democracy was impossible in these conditions. Marx further noted that

the different moments of primitive accumulation distribute themselves now, more or less in chronological order, particularly over Spain, Portugal, Holland, France, and England. In England at the end of the 17th century, they arrive at a systematical combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system. These methods depend in part on brute force, e.g., the colonial system. But they all employ the power of the State, the concentrated and organised force of society, to hasten, hothouse fashion, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. (1996: 739)

This process was fractal, occurring on many scales and in diverse ways, with formal and informal colonies being “powerful levers for concentration of capital” (1996: 741). Marx illustrated this from England’s exploitation of Ireland (linked to the flow of the Irish rural poor into English factories and cities), the colonization of India (leading to the First Indian War of Independence), the plunder of Mexico, the failure of the European nations to fully subordinate China because of the close ties between agriculture and manufacturing (leading to the Taiping Rebellion by colonized peoples and the Opium wars), the ruthless exploitation in plantation colonies producing crops exclusively for the export trade (such as the West Indies), the development of colonies on virgin soil in public ownership and settled by free immigrants (such as the United States and Australia)

(1996: 741, 751n, 755). Such analyses provide important insights into the formation and integration of the world market, which cannot just be seen as the spontaneous result of market forces and free trade.<sup>2</sup>

However, while the world market becomes tendentially ever-more integrated and unified, this occurs in the context of a plurality of pre-capitalist and capitalist states with uneven capacities to shape the world market in different stages of its development. Thus, the shape of the emerging world market is related to “the particular pre-existing territorial features of the pre-capitalist system of reproduction and the structure of its administrative apparatus of rule” (von Braunmühl 1978: 167; see also Gerstenberger 2007). Initially the nature of pre-capitalist states was critical for the primitive accumulation of capital (through external conquest, plunder, and colonies as well as dispossession of pre-capitalist classes at home), the creation of a home market, the development of foreign trade, the relation between national monies, international currencies, and an emergent world money, and, finally, the global division of labor. Different modes of insertion into the world market at different stages in its development are linked to quite different forms of capitalism and political regime. This implies that world systems theory (e.g., Wallerstein 1975, 2000) would have been rejected by Marx, who did not assume a logic that operates at the level of a world system and unfolds over centuries but regarded the nature of the world market as a contingent effect of the changing global division of labor, successive and rival economic strategies, the plurality of states, and other emerging processes and events.

While the world market (*Weltmarkt*) is tendentially unified and integrated through the logic of profit-oriented, market-mediated competition, there is no world state to govern the world market. On the contrary, as Marx observed in the entry’s opening quotation, the world political system is marked by a “motley diversity” of states. These tend to co-exist as hostile rivals, if not as deadly enemies. In addition, the world of states (*Staatenwelt*) is not a simple aggregate of sovereign states—some are more equal than others, engaged in center-periphery and other hierarchical relations. The *Staatenwelt* comprises a plurality of diverse states of different sizes, capacities, and abilities to defend the interests of their respective capitals and/or the capitals operating within the economic space(s) that they seek to govern. The world market and the world of states have different logics that nonetheless interact to shape the emerging dynamic of capital accumulation on a world scale. These aspects are closely interrelated, but one is not reducible to the other, and there is real scope for disjunctions. In their historical analyses, Marx and Engels provided rich and detailed studies of how this interaction unfolds in specific cases and affects the overall development of the world market.

Nonetheless, as the first opening quotation indicates, despite their motley diversity states, present states do share important features insofar as their respective territories and national formations are dominated by capitalist relations and tied into the world market. This is because, as world market integration intensifies, it creates pressures on different states to adapt to the imperatives of capital accumulation. As Marx observed, “The world market, which is not only the internal market in relation to all foreign markets

existing outside it, but at the same time the internal market of all foreign markets as, in turn, components of the home market" (Marx 1973b: 280). Furthermore, the more integrated the world market, the greater the acceleration of different forms of competition and their pressures on the differential accumulation of particular capitals as expressed in profits of enterprise, interest, rents, or other revenues. More generally, growing integration of the world market creates the conditions for world crises and, potentially, world revolution as capital's contradictions unfold globally. Whether this occurs is not guaranteed by some final global crisis (especially given Marx's analyses of the potential for environmental crisis) but depends on political struggles.

## 4. Other Aspects of the Capitalist Type of State

### 4.1 The Modern Tax State

Marx considered capitalism to be a political as well as economic phenomenon. It follows that "taxes are the existence of the state expressed in economic terms" (Marx 1976c). For the capitalist type of state, this existence takes the historically specific form of a tax state. This gets revenue from its general power to levy taxes on the activities and subjects of an essentially private economic order; this depends in turn on the state's monopoly of coercion and its ability to determine the currency for tax payments. For the modern state, "purchased gradually by the owners of property by means of taxation, has fallen entirely into their hands through the national debt, and its existence has become wholly dependent on the commercial credit which the owners of property, the bourgeois, extend to it, as reflected in the rise and fall of government securities on the stock exchange" (Marx and Engels 1975: 90). Thus, although taxes were not invented by capitalist states, the latter have refined them as a specific instrument of state organization and administration. Specifically, the constitutional state, which accompanied capitalist development, transformed taxes: (1) from payments linked to precisely circumscribed tasks into general contributions to government revenue that could be applied freely to any legitimate task; (2) from extraordinary, irregular, and overwhelmingly short-term imposts into regular and permanently levied taxes; and (3) from payments which the monarch had to secure through negotiation to payments that effectively became compulsory<sup>3</sup> (see Gerloff 1948: 152–154). Hence Krätke notes that "the idea of a general duty on the part of each individual citizen to pay taxes to the state, which cannot be contested, whatever his (her) own judgement about state activities or the specific tasks to which they are applied, is a very modern one" (1987: 57–58).

These features distinguish the capitalist type of state not only from private economic agents, individual or corporate, who must earn money through their own economic activities or valorize their own property before they can obtain goods and services from the market but also from states that use their own productive property to generate resources for use or sale (whether through strategic resources, such as oil or gas, through state-owned productive property, or sovereign wealth funds). This anticipates Schumpeter's remark that "the budget is the skeleton of the state stripped of all

misleading ideologies” (1954: 6). Indeed, given the politico-economic nature of the “fisco-financial” system, budgets also tell us much about the economy, the priorities of the dominant fractions and classes, and the influence of other social forces.

The interdependence of the capitalist economy and the capitalist tax-state has inspired analyses that focus on the structural power of capital over state managers. In short, there are strong limits to state autonomy because of the economic strike power of capital and/or the state’s dependence on revenues generated by capital. A well-known example of this approach is Claus Offe’s account of the structural power of capital (Offe 1983). It is no surprise, then, that taxes, fiat money, state credit, and public debt would have been key themes in the book on the state—along with the “unproductive” classes employed by the state or financed through taxes and debt (Marx 1973a: 45).

### 4.2 The Nation and Nation-States

When Marx and Engels were writing, struggles for national self-determination had not yet led to any widespread correspondence between given territorial states and nationalities (i.e., to nation-states). The state was more concerned to organize large national market (i.e., to form national territorial states as the basis for national economic and political development). This said, individual citizenship and democracy could be better organized around national states and/or nation-states, which could also provide the basis for an illusory community of interests. Accordingly, Marx and Engels often supported national movements as a step in the development of functioning democratic states, initially to assist the national bourgeoisie against the Ancien Regime, later to aid the open democratic organization of the working-class movement. However, they also held, sometimes for patently xenophobic and racist reasons, that not all nations could build states and exercise self-determination. They also noted that nationalism divides the working class (remember that the *Manifesto* ends with the cry, “Workers of all countries, unite!”).

In this respect, Rosdolsky (1965) suggests that, for Marx and Engels: (1) the working class must first conduct a national struggle to make itself the leading force in national states; (2) it must then work toward eliminating the distinctions, hostilities, and antagonisms between nations—hence its struggle will not be national “in the bourgeois sense of the word”; and (3) it will thereby contribute to the withering away of the state (including its national form). Thus their view that “workers have no country” means that workers must regard the bourgeois national state as a machinery for their oppression and that, after achieving power, they, too, will have “no country” in the political sense, inasmuch as the separate socialist national states *will be only a transitional stage on the way to the classless and stateless society of the future*, since the construction of such a society is possible only on an international scale’ (1965: 337, italics in original).

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### 4.3 The Ideal Collective Capitalist?

Marx also analyzed or commented on many aspects of economic and social policy. A famous example, which has influenced subsequent Marxist state theory, concerned legislation on the length of the working day and the employment of women and children. These factory laws illustrate the need for state intervention in labor markets and working conditions in the interests of capital itself as well as working-class families. Competition between capitals (in a period when absolute rather than relative surplus value was the dominant axis of competition) prevented any individual capitalist from being the first to cut hours, reduce female and child labor, and improve working conditions. Yet cutthroat competition produced growing infant and adult mortality, demographic decline, and declining productivity—all of this reported by factory inspectors and other state officials. This phenomenon can be seen in the twenty-first century in competition in the world market and in relation to the difficulties of being a first mover in relation to climate change. Reverting to Marx, trade unions, “bourgeois socialists” (see the *Communist Manifesto*), philanthropists and progressive capitalists (who could make profits through relative surplus value) allied to press the state to pass legislation against the will of many individual capitalists. This is an example of what Engels would later call the state’s role as the “ideal collective capitalist.” He wrote that “the modern State, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital” (Engels 1989: 319).

At stake here is how the changing balance of forces is mediated and condensed through specific institutional forms in particular periods, stages, and conjunctures regardless of whether these institutions correspond to the formally adequate capitalist type of state. This does not mean that the state form is irrelevant but rather that there are no structural guarantees that the state will always advance the interests of capital in general. So, analyses of the state must pay more attention to the contest among political forces to shape the political process in ways that privilege accumulation over other modes of societalization. This approach excludes both an instrumentalist and an autonomist reading of Marx’s (and Engels’s) work on the state. The institutional separation of the economic and political spheres, each with its own sites, stakes, and logics of class struggle, excludes any simple instrumentalist assumption that a unified class can wield political power to impose its will on society. Conversely, the interdependence of the economic and political spheres and the capitalist tax-state’s dependence on revenues generated by the capitalist economy combine to limit the autonomy of the state as a force capable of standing outside and above the economy. Between these two theoretical limits lies the field of economic and political struggle.

### 4.4 The State and Ideological Domination

In *The German Ideology*, Marx and Engels analyzed the crucial role of states in ideological domination through their own apparatuses and by maintaining the manual-mental division of labor and defending the private ownership of the means of intellectual production (Marx and Engels 1975). Gramsci was probably unaware of these arguments

but his analysis of hegemony (see section 5) is compatible with them. Louis Althusser was aware of the text, of course, and his analysis of repressive and ideological apparatuses has affinities with the claim that “the ideas of the ruling class are in every epoch the ruling ideas: i.e., the class which is the ruling *material* force of society is at the same time its ruling *intellectual* force” (Marx and Engels 1975: 59). Nonetheless, Marx developed several perspectives on ideological class domination—ranging from the impact of commodity fetishism through the individualism generated by political forms such as citizenship to the struggles for hearts and minds in civil society. More generally, different state forms were clearly associated with different claims to political legitimacy, with different forms of political representation and with different policies, and these were equally clearly shown to have a differential impact on the forms in which class forces appeared on the political scene and on their capacity to realize their interests. However, as working-class resistance in labor markets and the labor process as well as on the political terrain indicate, the successful exercise of power is also a conjunctural phenomenon.

## 5. Marxist Theories of the State and State Power after Marx

For whatever reason(s), Marx did not write the promised book on the state, whether as outlined in his 1843 draft, as anticipated in the plans for *Capital* from 1857–1863, or as adumbrated in his drafts for the manuscript on the Civil War in France. This created space for a wide variety of interpretations and debates on the Marxist theory of the state, the capitalist type of state, the state in capitalist societies, and the future of the state. Many of these accounts and controversies rest on one-sided analyses of Marx’s own rich, differentiated, and complex body of work. This has prompted in turn many spurious debates based on oversimplified readings that reduce a sophisticated corpus to formulaic accounts that are then juxtaposed without regard to the nuances in Marx’s own work. This is evident from debates such as instrumentalism versus structuralism, the adequacy of the base-superstructure metaphor, the relativity of the relative autonomy of the state (how relative is relative?), capital vs class-theoretical approaches, and so forth (for well-grounded surveys of Marxist state theory, see Holloway and Picciotto 1978; Lenin 1964; Jessop 1982, 2007b).

A major figure in developing Marxist state theory is Antonio Gramsci, the Italian Communist leader imprisoned by Mussolini’s fascist regime. In his *Prison Notebooks* and elsewhere, Gramsci drew on Marx, Engels, and Lenin; the histories of the French and Bolshevik revolutions; and his experience of fascism in Italy and the wider economic, political, and societal crises affecting interwar Europe and the United States. In a comment that could constitute a good summary of Marx’s analyses of the modern state, Gramsci suggested that the state is “the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its domination, but manages to win the active consent of those over whom it rules” (1971: 244). He also

analyzed state power in terms of “political society + civil society, in other words, hegemony protected by the armour of coercion” (1971: 263). Note how this approach plays down the significance of the institutional separation between different spheres in favor of a focus on class struggle. Above all, Gramsci emphasized that, with the entry of the popular masses into politics during the 1870s, politics became focused on a struggle for national-popular hegemony, to make the interests of the ruling class into the illusory general interest of society.<sup>4</sup> Where hegemonic struggles could not secure the institutionalized class compromise necessary to reconcile the “fundamental contradiction” in the democratic constitution, the dominant classes would seek to secure their power through force, fraud, and corruption, police-military action, or an open war of class struggle against the subordinate classes (1971: 80–82, 95, 105–120, 203–202). These comments elaborate and update Marx’s insights and analyses, especially regarding Bonapartism, for the early twentieth century. They must be further revised in the light of developments after Gramsci’s death in 1937, especially the further integration of the world market, new forms of communication, and the expanded scope for surveillance of everyday life.

There was a major revival in Marxist state theory in the 1960s and 1970s. In Germany, this prompted the state derivation debate (*Staatsableitungdebatte*), which sought to find the right starting point in Marxist political economy for deriving the necessary form and functions of the capitalist type of state (for representative texts, see Holloway and Picciotto 1978). Joachim Hirsch, an early contributor to this debate, departing from its narrow concern with capital accumulation to explore how social forces working through the capitalist type of state, considered as a social relation, sought to organize and reproduce the inherently contradictory and crisis-prone process of bourgeois societalization (*Vergesellschaftung*), i.e., securing the dominance in a social formation of the economic, political, and socio-cultural logics of capital accumulation (e.g., Hirsch 2005; see also Holloway and Picciotto 1978; Jessop 1982).

In France, the revival of interest in the state was evident in the work of Louis Althusser, a Marxist philosopher strongly influenced by structuralism, and Nicos Poulantzas, a Greek legal theorist and political sociologist, resident in France from the early 1960s until his death in 1979. Louis Althusser aimed to complete the Marxist theory of the state by distinguishing two faces of the state apparatus: a centralized repressive state apparatus and a dispersed, pluralistic set of ideological state apparatuses. He also argued that the distinction between the private and public spheres was a juridico-political construct that disguised the effective integration of both spheres as sites of class domination, with their institutional separation serving to mystify the realities of class power. His analysis owed more to Lenin (1964) than to Marx and was initially critical of Gramsci’s work on the spurious grounds that it allowed too much scope for historical contingency. Althusser later conceded that there were important overlaps between Gramsci’s analysis of “hegemony protected by the armour of coercion” and his own work on ideological and repressive apparatuses (Althusser’s most complete presentation of his views is the posthumous *Reproduction of Capitalism*, 2014).

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Nicos Poulantzas developed an original “relational theory” of the state (see the quotation at the beginning of section 1), inspired by Marx, Lenin, and Gramsci. Initially close to the Althusserian position outlined above, Poulantzas later argued that state power should be seen as a social relation. His analysis of the normal form of the capitalist type of state built on Marx’s analysis of the relation of formal adequacy between advanced capitalist and liberal democracy. Specifically, he argued that the separation between the economic and political spheres opened a space for the dominant classes to win hegemony by transcending narrow economic interests, making short-term economic concessions when necessary, defining the purposes of state power, and offering a broader national-popular vision. A shared orientation to securing and maintaining bourgeois hegemony provides guides the political and ideological organization of the dominant classes at the same time as it disorganizes the dominated classes by putting their members into competition with each other as wage-earners, citizens, welfare claimants, and so on (Poulantzas 1973, 1978). However, where one dominant class fraction could not secure its hegemony over other dominant classes (or fractions) and/or where a unified or divided “power bloc” could not win hegemony over the “people,” liberal democracy was thrown into crisis. The typical response was attempts to suspend democratic rule and impose one or another form of exceptional regime: Bonapartism, military dictatorship, fascism, and so forth. In analyses shortly before his death in 1979, Poulantzas identified a growing trend towards authoritarian statism, i.e., a normal form of state with a democratic façade but with very marked exceptional features that limited the capacity of the subaltern classes to influence politics and policies and enabled greater latitude to the dominant classes to deal with intensifying crisis-tendencies (for different steps in the development of his work, see Poulantzas 1973, 1974, and 1978; for a comprehensive overview of his work, see Jessop 1985).

Although it occurred forty to fifty years ago, it is still worth mentioning the controversy between Nicos Poulantzas and Ralph Miliband, because it remains a reference point in discussions of Marxist state theory. It is presented, falsely, as a debate between a structuralist and an instrumentalist, respectively. In fact, Poulantzas started from structural features of the capitalist type of state in its relation to the economic sphere and then followed their implications for class struggle and the relative autonomy of the state; and Miliband started from the class background of state managers, moved through structural constraints on state power, and concluded with an analysis of struggles for hegemony. This debate tells us less about Marx’s theorization of the state and more about the problems generated by simplistic dichotomies (for Miliband’s classic, cathartic analysis, see 1969; for Poulantzas, see 1973; for a summary and critique of the debate, see Jessop 2007a).

## Conclusion

Theorization of the state and state power is a rich and hotly contested field of debate in Marx’s time, in classical Marx, Western Marxism, and contemporary analyses. This reflects the heterogeneity of Marx’s own analyses, the absence of the several times



promised book on the state, which might have provided some general guidelines as well as substantive analyses, and the politico-ideological stakes as well as theoretical stakes involved in any theorization.

Regarding Marx himself, it is reasonable to speculate that four key issues for the missing book would have been: (1) capitalist legal and state forms, their contradictions, and crisis-tendencies; (2) fiat money, state credit, and public debt; (3) the role of taxes and fiscal crises; and (4) economic and social policy and their links to class struggles at different scales from the local to the global. The fourth theme is most fully explored in Marx's analyses of the French state and politics. Like his other analyses of specific political periods, stages, or conjunctures, these study three interrelated moments: (1) the state's historical and/or formal constitution as a complex institutional ensemble that has inherent biases favouring some interests over others but which can be subverted or overthrown through appropriate forms of class struggle; (2) the historical and substantive organization and configuration of political forces in specific conjunctures and their strategies, including their capacity to reflect on and respond to the strategic biases inscribed in the set of state apparatuses considered as a whole; and (3) the interaction of these forces on this strategically selective terrain and/or at a distance from the state as they pursue. This approach remains valid today. It also highlights the importance of studying state formation, politics, and policies in terms of the changing mix of structural constraints, strategic opportunities, and concrete struggles.

Finally, we should note that debates over the state and state power are not purely academic matters—and, indeed, this was never Marx's real concern. Errors in theoretical analysis have practical consequences. For, as Marx himself argued in his 1875 *Critique of the Gotha Programme*, errors of analysis concerning the "present state" are linked to errors in political practice (Marx 1989a: 94–96). Such problems were even more disastrous in the mis-reading of the political conjuncture in the rise of Italian Fascism and German Nazism (on which, see, for example, Poulantzas 1974). It follows that no serious critic of the "present state" can afford to ignore the specificity of the state apparatus and state power in the pursuit of objectives that are politically mediated and/or conditioned. This is where work to build on Marx's critiques of capital and the state as social relations and their significance in specific conjunctures demands much additional serious work.

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Note: *MECW* refers to *Marx-Engels Collected Works*, in fifty volumes (1975 to 2004), published simultaneously in London by Lawrence & Wishart; in New York by International Publishers; and in Moscow by Progress Publishers.

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## Notes:

(<sup>1</sup>) Marx wrote that "the rule of the naked sword is proclaimed in most unmistakable terms, and Bonaparte wants France to clearly understand that the imperial rule does rest not on her will but on 600,000 bayonets ... Under the second Empire the interest of the army itself is to predominate.... The army is to maintain its own rule, personated by its

own dynasty, over the French people in general....It is to represent the *State* in antagonism to the *society*." (1986a: 465).

(<sup>2</sup>) The examples in this paragraph come from Pradella 2017: 153. More generally, see Lucia Pradella's revised PhD thesis (2015) on the importance of Marx's notebooks for the analysis of the world market.

(<sup>3</sup>) Interestingly, this third feature is now in decline because transnational firms and banks as well as many wealthy households can now choose how to present their accounts for tax purposes and to "offshore" wealth and income beyond the formal reach of local, national, or even supranational states.

(<sup>4</sup>) The Feuerbach chapter in *The German Ideology*, relevant for an analysis of hegemony, was published in Russian 1924 and German in 1926. Gramsci was probably unaware of it. He did discuss *The Eighteenth Brumaire* (e.g., 1971: 166, 190, 211, 219–222, 264, 407).

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## Oxford Handbooks Online

### **Capitalist Social Reproduction: The Contradiction between Production and Social Reproduction Under Capitalism**

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### **Abstract and Keywords**

This entry will look at Marx's theoretical contributions to social reproduction in relationship to critical assessments of his alleged "neglect" of reproduction and to the development of the social sciences, particularly the "radical" social sciences that emerged in the late 1960s and early 1970s, and continued to develop ever since. Marx, as well as Engels, offered important insights for understanding social reproduction as an abstract feature of human societies that, however, can only be fully understood in its historically specific context (i.e., in the context of the interface between modes of production and social formations). Social reproduction in the twenty-first century is capitalist social reproduction, inherently contradictory, as successful struggles for the reproduction of the working classes, for example, do not necessarily challenge capitalism. Finally, this article argues that radical social scientists, because they identify the capitalist foundations of the social phenomena they study, have made important contributions to the study of capitalist reproduction.

Keywords: capitalist social reproduction, social reproduction, mode of production, social formation, social relations of reproduction, historical materialism, racial inequality, gender inequality, oppression of women

In their work, and at the highest, transhistorical level of analysis, Marx and Engels observed that production presupposes reproduction and vice versa. Thus, the production of things presupposes the reproduction of the material conditions of production and of the agents of production, whose survival depends on the continuity of the production and reproduction processes. Marx's work on political economy, however, was focused primarily on a historically specific lower level of analysis: the capitalist mode of production. There are references, in *Capital*, to reproduction in the context of production, and to the reproduction of labor power and the laboring population, but no comprehensive, fully developed theory.<sup>1</sup>

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Social reproduction theory (SRT)<sup>2</sup> is the result of Marxist feminists' critique of Marx's "neglect" of reproduction. Even though production is impossible without the reproduction of labor power, Marx, they argued, took its reproduction for granted. The reproduction of labor power, however, is only one among many other dimensions of social reproduction that these scholars identify, such as the reproduction of the labor force, social classes, racial inequality, etc.

The purpose of this chapter is to identify Marx's theoretical insights about social reproduction and assess the extent to which social reproduction scholars' critique is valid; in doing so, we will identify some of the strengths and weaknesses of social reproduction theory. Presented here are some of Marx and Engels's statements relevant to theorizing social reproduction, followed by a brief overview of social reproduction literature. Lastly, there will be a historical materialist perspective on social reproduction to demonstrate criticisms based on perceived shortcomings in Marx's work are misplaced. Marx differentiates between the levels of analysis of mode of production and social formation. The social phenomena that fall under the umbrella of social reproduction belong to the level of social formations where they are affected by a multiplicity of historically specific determinations, varying from one social formation to another. This chapter also argues that under capitalist conditions, the mode of production determines social reproduction, in general, and the capitalist mode of social reproduction of labor power, in particular. We will explore how the historical materialist perspective on capitalist social reproduction can illuminate a variety of topics of common concern to Marxist and non-Marxist social scientists.

## 1. Reproduction as a Premise of Historical Materialism

In the process of identifying the premises of historical materialism, Marx and Engels examine the relationship between production and reproduction at the highest level of abstraction. First, in order to "make history" people must be able to satisfy their basic needs to sustain life, thus engaging in the production of their material life. Second, as needs are satisfied, new needs emerge in an ever-continuous process of change. Third, as people produce their material conditions of existence, they also reproduce themselves. These are not different stages but aspects or moments of one integrated process that underlays all human history:

The production of life, of one's own life in labor and of another in procreation, now appears as a double relationship: on the one hand as a natural relationship, on the other as a social one. The latter is social in the sense that individuals cooperate ... consequently, a certain mode of production or industrial stage is always combined with a certain mode of cooperation or social stage, and this mode of cooperation is itself a 'productive force.'

(Marx and Engels [1932] 1994:115–116)

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These are *historical materialist* premises. For Marx and Engels, human history is not the product of “human nature” (e.g., greed, the propensity to trade, selfishness, thirst for power, etc.).<sup>3</sup> But is the effect of the activities necessary for the production and reproduction of material life. “[M]en have history because they must *produce* their life” (Marx and Engels [1932] 1994:117, emphasis in original), and as they produce their material and social life, they produce their language, consciousness, and historically specific traits.

Writing almost forty years later, Engels ([1884] 1972) summed up the premises of historical materialism as follows:

According to the materialistic conception, the determining factor in history is, in the final instance, the production and reproduction of immediate life. This, again, is of a twofold character: on the one side, the production of the means of existence, of food, clothing and shelter and the tools necessary for that production; on the other side, the production of the human beings themselves, the propagation of the species. The social organization under which the people of a particular historical epoch and a particular country live is determined by both kinds of production: by the stage of development of labor on the one hand and of the family on the other. (71–72)

At this level of analysis, the categories and processes (e.g., the twofold nature of production, kinship, consciousness, language, labor, family, procreation, population growth) Marx and Engels identified are common to all social epochs; they are “sensible abstractions,” in the sense that they are useful to identify constituent elements of historically specific social formations. Theoretically and methodologically it is important to differentiate between categories common to all societies (e.g., labor power, the labor process) and those that identify more recent historical phenomena (e.g., capital, commodities).<sup>4</sup> Furthermore, while ancient and modern societies have categories in common (e.g., production, reproduction), “it is precisely their divergence from those general and common features which constitutes their development” (Marx [1859] 1970: 190).

Marx did not develop a full-fledged theory of the social reproduction of capitalism. In *Capital* Volume I ([1867] 1970), however, he offered observations and theoretical insights useful for theorizing some determinants of the capitalist reproduction of labor power, population, and social classes today.

## 2. Marx on the Reproduction of Labor Power

Labor power, in a general, abstract sense, is the human capacity to engage with nature and change it, producing something useful. “[L]abor power or capacity for labor is ... the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description” (Marx [1867] 1970:167). Given that labor power is a capacity of living individuals, its production and reproduction



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presuppose their existence and maintenance, which requires a given quantity of the means of subsistence. The labor time required to produce those means of subsistence determines the labor time required for the reproduction of labor power; it follows that the “value of labor power is the value of the means of subsistence” (Marx [1867] 1970:171). The quantity and quality of the means of subsistence (food, clothing, housing, entertainment, education, etc.) depend on the standards typical of different sectors of the labor force, their relative power, the state of the class struggle, and on the culture and customs of different countries: “there enters in the determination of the value of labor power a historical and moral element” (Marx [1867] 1970:171).

At the level of analysis of market relations, owners of money assume that labor power will always be available for sale. The continuity of the process whereby money is converted into capital assumes an unceasing supply of labor. Laborers are mortal; their capacity for working deteriorates because of age and multiple other causes, but they replace themselves through procreation. As a result, “the means of subsistence necessary for the production of labor power must include the means necessary for the laborer’s substitutes, i.e., ... children, in order that this race of peculiar commodity-owners may perpetuate its appearance in the market” (Marx [1867] 1970:171–172). Besides their physical reproduction through procreation, laborers reproduce themselves socially, through the development of skills that make them suitable for working in different sectors of the economy. The costs of education and training must be added to labor power’s costs of production, and the amount varies depending on the degree of complexity of different kinds of labor power (Marx [1867] 1970:172).

In discussing the buying and selling of labor power and the physical and social reproduction of labor power’s sellers—the laborers, Marx differentiates between two levels of analysis: the *level of market relations or sphere of circulation* where commodities, including labor power, are bought and sold, and the *sphere of production* where capital is produced (Marx [1867] 1970:176). Marx ([1867] 1970) also differentiates between the mode of production and social formations:

It is always the direct relationship of the owners of the conditions of production to the direct producers ... which reveals the innermost secret, the hidden basis of the entire social structure, and with it the political form of the relation of sovereignty and dependence, in short, the corresponding specific form of the state. This does not prevent *the same economic basis*—the same from the standpoint of its main conditions—due to innumerable different empirical circumstances, natural environment, racial relations, external historical influences, etc., from showing infinite variations and gradations of appearance, which can be ascertained only by analysis of the empirically given circumstances. (791–792)

It is in the context of market and social relations and a variety of historically specific “empirically given circumstances” that labor power is reproduced.

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Marx's analysis of the working day illuminates the roots of class struggles at the point of production—struggles centered on its duration. While the day is twenty-four hours long, capital seeks to expand the working day for as long as feasible. "Capital is dead labor, that, vampire-like, only lives by sucking living labor, and lives the more, the more labor it sucks. The time during which the laborer works is the time during which the capitalist consumes the labor-power he has purchased of him" (Marx [1867] 1970:233). Capital must contend with the laborers' need for time to satisfy their physical needs and their intellectual and social wants. As buyers, capitalists have a right to extract as much surplus labor as they can from the commodity they bought. As sellers of that commodity, laborers have the right to strive for a normal working day that will allow them to replenish their energies and enjoy life. However, "between equal rights force decides ... in the history of capitalist production, the determination of what is a working-day, presents itself as the result of a struggle, a struggle between collective capital, i.e., the class of capitalists, and collective labor, i.e., the working class" (Marx [1867] 1970:235).

The historical evidence presented in the chapter on the working day substantiates, in great detail, Marx's conclusions about the nature of the relationship between capitalist production and the reproduction of labor power. Workers, he argues, have a right to a normal working day, which in practice would allow for the "normal maintenance of labor power": that is, sufficient time to satisfy basic physical needs and for "education, for intellectual development, for the fulfilling of social functions and for social intercourse, for the free-play of his bodily and mental activity, ... [for] rest time ... growth, development, and healthy maintenance of the body ... consumption of fresh air and sunlight ... sound sleep" (Marx [1867] 1970:264–265). Capitalists, on the other hand, would like nothing better than a twenty-four-hour working day. For capital, workers are just the commodity they purchased: labor power. From the standpoint of capital, it is not the time required for the "normal maintenance" or reproduction of labor power that determines the duration of the working day but the maximum use of its capacity to produce surplus value. Consequently, the extension of the working day beyond what laborers can withstand robs them not only of their "normal, moral and physical, conditions of development and function" but also of their health and, often, their lives. "Capital cares nothing for the length of life of labor power" (Marx [1867] 1970:265).

In the preceding references to reproduction in the context of capitalism, the concept refers to the production and reproduction of labor power, as a commodity, and of the laborers, who are the owners of labor power. Returning to reproduction in its transhistorical sense—as a process inherent in all forms of human organization, depicting their continuity over time—Marx applies it to production, whatever its form may be in a given society. "A society can no more cease to produce than it can cease to consume. When viewed, therefore, as a connected whole, and as flowing on with incessant renewal, every social process of production is, at the same time, a process of reproduction" (Marx [1867] 1970:566). It follows that "if production be capitalistic in form, so, too, will be reproduction" (Marx [1867] 1970:265). The expropriation of the means of production from the direct producers, so that owners of the means of production and subsistence and the owners of nothing but labor power meet as buyers and sellers constitutes "the starting

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point of capitalist production” which becomes, “by the mere continuity of the process, by simple reproduction, the peculiar result, constantly renewed and perpetuated, of capitalist production” Marx [1867] 1970:570).

It is in the context of this unending process of capitalist production that “the laborer therefore constantly produces material, objective wealth, but in the form of capital ... and the capitalist as constantly produces labor power, but in the form of a subjective source of wealth; ... in short, he produces the laborer but as a wage laborer. *This incessant reproduction, this perpetuation of the laborer, is the sine qua non of capitalist production*” (Marx [1867] 1970:571, emphasis added). Labor power is reproduced, then, in the context of the process of production, at the same time the sellers of labor power, (i.e., the working class, the mass of laborers set in motion by capital) are produced and reproduced as wage workers. Conversely, in the continuous process of producing and reproducing capital, the workers produce and reproduce its owners, the capitalist class.

Just as labor power, a category of analysis in political economy, is inseparable from the living worker, capital is inseparable from the living capitalist. As categories of analysis within Marx’s political economy, capital and labor power are produced and reproduced *within* the process of production. Living and institutional owners of capital and living owners of labor power, on the other hand, are produced and reproduced *outside* the production process and in the context of capitalist social formations. With respect to the reproduction of labor power, workers exchange their wages for the means of subsistence necessary to replenish their energies and beget new workers, thus producing “fresh labor power” for the capitalists to exploit. The conditions under which workers reproduce themselves and the new generation of workers falls outside capitalists’ concerns. “The maintenance and reproduction of the working class is, and must ever be, a necessary condition to the reproduction of capital. But the capitalist may safely leave its fulfillment to the laborers’ instincts of self-preservation and of propagation” (Marx [1867] 1970:572).

Nevertheless, capitalists’ decisions in the process of capital accumulation, resulting in changes in the composition of capital do affect “the lot of the laboring class” (Marx [1867] 1970:612).<sup>5</sup> Capital can grow due to increase in either its variable or its constant constituent part. As long as the composition of capital—“the total social capital of a country” (Marx [1867] 1970:613)—remains constant as capital grows, the demand for labor grows proportionally and with the same rhythm. Changes in capital accumulation might lead to a demand for labor greater than its supply and, consequently, wages might rise. Higher wages, however, do not change the capital-labor relationship: “reproduction on a progressive scale, i.e., capital accumulation, reproduces the capital-labor relation on a progressive scale, more capitalists or larger capitalists at this pole, more wage workers at that. The reproduction of a mass of labor power ... forms, in fact, an essential (part) of the reproduction of capital itself. Accumulation of capital is, therefore, increase of the proletariat” (Marx [1867] 1970:613–614).

When capital accumulation leads to a rise in wages, wages will rise as long as this does not interfere with accumulation. In this situation, wages do not rise because the supply of

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labor is insufficient but because there is an “excess of capital.” Alternatively, rising wages might threaten to lower profits, and the process slows down. It is this “relative diminution of capital that causes the exploitable labor power to be in excess.” Against the Malthusian view that the level of wages varies because of changes in the size of the working population, Marx argues that “the rate of accumulation is the independent, not the dependent variable; and the rate of wages the dependent, not the independent, variable” (Marx [1867] 1970:619–620).

The organic composition of capital, however, does not remain constant. The increase in the productivity of labor, “the most powerful lever of accumulation,” alters the proportion of variable capital in relationship to constant capital. “The increase [in the productivity of labor] appears ... in the diminution of the mass of labor in proportion to the means of production moved by it” (Marx [1867] 1970:621–622). “Processes of centralization of capital ... intensify and accelerate the effects of accumulation ... [and] simultaneously extend and speed up those revolutions in the technical composition of capital which raise its constant portion at the expense of its variable portion, thus diminishing the relative demand for labor” (Marx [1867] 1970:628). The demand for labor is determined only by the variable constituent of capital as a whole so, as total capital increases, “that demand falls ... relatively to the magnitude of the total capital and at an accelerated rate, as this magnitude increases” (Marx [1867] 1970:629).

As the demand for labor declines, it takes the form of “an apparently absolute increase of the laboring population,” a population that seems to grow faster than the means of employment. However, “it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of laborers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus population” (Marx [1867] 1970:630).

The greater the productivity of labor and, consequently, the amount of surplus appropriated by capital, the greater the number of workers who become unemployed, underemployed, poor, homeless, and so on. As Marx observed,

The laboring population therefore produces, along with the accumulation of capital produced by it, the means by which it itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production; and in fact every special historic mode of production has its own special laws of population, historically valid within its limits alone.

(Marx [1867] 1970:630–631)

It is in the effects of the law of capital accumulation that the material determinants of the reproduction of labor power can be found.

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The preceding sample of pertinent citations is sufficient, I believe, to provide readers a good grasp of Marx's main ideas about the relationship between capitalist production and the reproduction of labor power, useful to evaluate the elements of SRT presented in the section that follows.

### 3. Social Reproduction: Overview

SRT's main object of analysis, the reproduction of labor power, stems from early Marxist feminist theories. They identified a material basis of women's oppression in their responsibility for domestic labor and the reproduction of labor power, as well as the relationship between domestic labor and surplus production in class societies (see a useful bibliography of early Marxist feminist theory in Hamilton and Barrett 1986:467–469). Vogel ([1983] 2013) proposed a theory of social reproduction where the oppression of women under capitalism is rooted in their responsibility for the production and reproduction of labor power, a necessary condition for the continuous production and reproduction of capital.

Like their Marxist feminist forebears, those writing more recently about social reproduction are critical of the absence in Marx's work and in political economy of a systematic analysis of the reproduction of labor power. For example, Bhattacharya identifies "a tremendous *underdeveloped* insight at the heart of Marx's analysis of capitalism" (2013:1, emphasis in original). According to Bhattacharya, while labor power is indispensable for the production of surplus value, Marx nevertheless remains silent about the conditions that make the continuous reproduction of labor power possible. Critics contend Marxist and neo-classical economists "focus on the production of goods for markets, ignoring or taking for granted the production of people" (Luxton 2018:37) even though "social reproduction is fundamental to human survival—all societies have to organize the labor involved in maintaining and renewing the population" (Luxton, 2018: 38, summarizing Brenner 2014:33).

There is no agreed-upon definition of social reproduction. According to Katz, social reproduction "is a set of structured practices that unfold in dialectical relation with production" and "encompasses daily and long term reproduction both of the means of production and the labor power to make them work" (2001:711). It comprises the daily and generational biological reproduction of the labor force, as well as the reproduction of a "differentiated and skilled" labor force, which call for "access to the means of existence ... and a range of geographically and historically specific cultural forms and practices" (Katz 2001:711). According to Bhattacharya, social reproduction is a "theoretical concept [Marx] deploys to draw attention to the reproduction of society as a whole." The social reproduction of the *capitalist system* does not presuppose a separation between the economic and the non-economic spheres; it is "about how the economic impulse of capitalist production conditions the so called non-economic ... [which] includes among other things, what sort of state, juridical institutions and property-form a society has—while these in turn are conditioned, but not always determined, by the

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economy” (Bhattacharya (2015:10). Besides the reproduction of labor power, social reproduction comprises “the social production of members of specific societies, cultures, and their various strata based on gender, class, race, ethnicity, language and religion ... the complex processes that ensure the production and reproduction of different sectors of the population on a daily and generational basis” (Luxton 2015:166–167). Ferguson (2016 :48), argues that “at the heart of social reproduction feminism is the conception of labor as broadly productive–creative not just of economic values, but of society (and thus of life) itself.” Ferguson et al. (2016) view social reproduction theory as a positive development in comparison to Marxist feminism. It is about “the relationship of households to workplaces” and “about the relationships between the workplace and *all* the institutions and processes through which labor power is renewed including ... schools, hospitals and daycare centers” (Ferguson et al. 2016:31, emphasis in original).

SRT places the reproduction of labor power in national and global contexts. Federici, for example, argued that globalization and the rise of neoliberalism have led to a “drastic worldwide devaluation of labor power and underdevelopment of social reproduction” (2010:12). Rejecting the “methodological nationalism” of social reproduction studies that focus on phenomena located within national boundaries, Ferguson and McNally (2014) argue that it is necessary to consider that nation-states are situated within the global economy. Everything that happens within national boundaries is affected by a “global dynamics” leading to the rise of a “complexly differentiated global working class” whose social reproduction “crucially entails processes of migration and racialization that are *inseparable* from its class and gender dimensions” (Ferguson and McNally 2014:3).

Sociologists Dickinson and Russell (1986)—critical of sociological and economic order and equilibrium paradigms and of Marxists’ neglect of reproduction except in purely economic terms—welcomed Marxist feminist theories about the reproduction of labor power. They opened the way to theorizing the social reproduction of the key capitalist relationship: that between wage labor and capital. Social reproduction theory “investigates the institutions, mechanisms and processes associated with the economic, social, political and ideological reproduction of labor power, and of the relations of production” (Dickinson and Russell 1986:1). The reproduction of labor power as a commodity, they argued, is “an outcome of the relationship or interplay between three major institutional realms: the productive consumption of capital by labor within the economy; the formation and maintenance of working class households through individual consumption; and the social interventions of the modern state which constitute collective or social consumption” (Dickinson and Russell 1986:5).

Unlike the approaches to SRT examined so far, Cammack’s (2015) is not intended to fill perceived gaps in Marx’s work. Instead, he argues that the integration of production and social reproduction—which he captures in the concept of social production complex—is inherent in Marx and Engels’s work about the industrial revolution, unleashing relentless processes of change, led to the development of the world market and had profound and negative effects upon the reproduction of labor power (i.e., upon working-class families,

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standard of living, health, and mortality). Marx and Engels's concern for the fate of workers and their families in the context of ever-shifting and uncertain conditions of employment demonstrate that "the domestic side of social reproduction" was incorporated in Marx and Engels's framework from the beginning. Marx and Engels's focus on social reproduction "was parsimonious, restricted to the role of the family unit (in its variety of forms) in the material production of labor power on a daily and generational basis" (Cammack 2015:17). Their framework, Cammack contends, is still relevant. Globalization and its effects on the global labor force (e.g., the fragmentation of family relations and the precarization of employment) demonstrate that today, as it was in Marx and Engels's time, the stable working-class family supported by a male bread winner is an exception, rather than the rule (Cammack 2015:18).

No overview of social reproduction perspectives, no matter how limited, can ignore Althusser's important contribution, set forth in "Ideology and Ideological State Apparatuses" (Althusser [1971] 2001:85–126). Althusser frames the discussion paraphrasing Marx: "Every child knows that a social formation which did not reproduce the conditions of production at the same time it produced would not last a year" (Althusser, [1971] 2001:85). The conditions of production are the forces of production—that is, the means of production and labor power—and the relations of production. The reproduction of labor power, he points out, occurs outside the sphere of production. Reproduction is ensured by wages that give workers access to the material conditions of reproduction indispensable for themselves and for their children (Althusser [1971] 2001:87–88). Access to the material conditions (e.g., food, clothing, shelter) necessary for the reproduction of labor power, he contends, is not sufficient to reproduce it as such. As the complexity of the social and technical division of labor increases, labor power has to be "diversely" skilled. The necessary knowledge, training, and "know-how" is acquired in the schools and other institutions where individuals learn, at the same time, the beliefs and practices associated with their place in the division of labor and in the class structure:

The reproduction of labor power requires not only a reproduction of its skills, but also, at the same time, a reproduction of its submission to the rules of the established order, i.e. a reproduction of submission to the ruling ideology for the workers, and a reproduction of the ability to manipulate the ruling ideology correctly for the agents of exploitation and repression ... the school [and, I should add, other ideological state apparatuses, e.g., the family and the church] teaches 'know-how,' but in forms which ensure *subjection to the ruling ideology* or the mastery of its 'practice' ... *it is in the forms and under the forms of ideological subjection that provision is made for the reproduction of the skills of labor power.*

(Althusser [1971] 2001:89, emphasis in original)

Consequently, in capitalist social formations, the reproduction of labor power entails also its ideological reproduction through the activities of the repressive and the ideological state apparatuses: these use force, repression, persuasion, and indoctrination to

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contribute to the reproduction of the relations of production, a process that is always the outcome of class struggles. The state and its apparatuses, repressive and ideological, only have meaning in the context of class struggles (Althusser [1971] 2001:124–126).

As they bring together production and reproduction, arguing that processes of social reproduction—particularly the reproduction of labor power—are essential to capital accumulation, advocates of social reproduction contend that production and reproduction are “an integrated and unified process” (Ferguson 1999:9, cited in Ferguson et al. 2016:28). They constitute a social totality. “The most important insight of social reproduction theory is that capitalism is a *unitary* system that can successfully, if unevenly, integrate the sphere of production and the sphere of reproduction” (Bhattacharya 2013:3). Production and reproduction may be separate in a “strictly spatial sense but they are actually united in both the theoretical and operational senses” (Bhattacharya 2015:9). The activities of social reproduction are “the foundation on which markets, production and exchange rest” (Ferguson et al. 2016:28). The economic and the non-economic are part of an integrated totality. In Marx’s terms, “when viewed, therefore, as a connected whole, and as flowing with incessant renewal, every social process of production is at the same time a process of reproduction” (Marx [1867] 1976 cited in Bhattacharya 2015:10).

The nature of this integration, unity, or totality varies according to scholars’ interpretation of Marxist theory. Bhattacharya suggests that capitalist production “*conditions* the so called non-economic” (2015:10, emphasis added). Ferguson et al. (2016:28) view the activities related to the reproduction of labor power as *foundational*, while McNally and Ferguson (2015:4, emphasis added), after pointing out that the fact workers’ lack of “means of subsistence (or social reproduction) ... broadly shapes what is possible” within and outside workplace relations, proceed to warn readers that this is not a “throw-back to Marxist fundamentalism,” because “the capitalist imperative to accumulate is *determinative* in the sense that it sets limits to what is possible, even if specific possibilities ... are ... altered through struggle.”

Arruzza argues that the reproduction of social formations occurs through changes in the relations of production brought about by “purposive activity,” guided by human subjectivity “constituted through class, gender, racialization, sexuality and so on” (2016:26–27). Critical of mechanical understandings of capitalism, functioning in terms of automatically unfolding laws, Arruzza argues that, from the standpoint of a unitary theory of social reproduction, the reproduction of capitalism combines “its automatic aspects” with “human agency and class agency within the process of total reproduction” (2016:28). According to adherents of social reproduction theory, Leach points out, “If Marx’s interrogation of capitalism is understood as being a discussion of social relations and processes, *as opposed to a static thing-the economy*—then the social ‘production of people’ must be included within the social processes and not assumed” (Leach 2016:120).



## **4. Social Reproduction: Some Critical Observations**

Underlying these different views of the relationship between production and reproduction, there is a reluctance to acknowledge the determinant role of production and of social structures, lest it be labeled some form of determinism or “Marxist fundamentalism.” The unity or integration between production and reproduction is difficult to theorize when a stark contrast is posited between the economy, as a mechanism operating “automatically,” independently of “human agency,” and the realm of the “social,” the “non-economic,” where “agency” reigns. The proposed solutions do not succeed in elucidating the nature of that relationship. Scholars attempt to combine production and reproduction (Arruzza 2016:28) or to erase the distinction as well as the existence of enduring structures by reducing capitalism to “power relations and social processes” thus expanding the scope of the mode of production to include social reproduction (Ferguson 2008:48).

Criticisms that Marx ignores the production of people do not recognize this apparent weakness as the result of the very logic of capital. The specific satisfaction of reproduction is of little concern to capital. Marx is not silent, but his critique necessarily follows capital’s externalization of the conditions that reproduce labor power. Unquestionably, the reproduction of labor power, the focus of SRT is an important social phenomenon. It is “an essential condition undergirding the dynamic of the capitalist system, making it possible for capitalism to reproduce itself” (Ferguson and McNally 2013, p. xxv, cited in Ferguson 2016:50). The analysis of domestic labor and other social processes and institutions from the standpoint of social reproduction calls attention to their relevance to the reproduction of labor power, and to the ongoing functioning of capitalism.

Social reproduction theory, however, is not without ambiguities. As Edholm, Harris, and Young (1977) argued, in their critique of feminists’ application of reproduction and other concepts, it is important to use clearly defined concepts, placing them in their historically specific context and identifying the level of analysis within which they are used, the social phenomena they identify, and so on. From this standpoint, reproduction and social reproduction are problematic concepts. The reproduction of labor power, Edholm et al. (1977) point out, is conflated with several analytically different social phenomena (i.e., biological reproduction, reproduction of the population, and reproduction of the labor force, to which one can add, for example, social classes, social strata, the working class, etc.). Whatever their functional importance for the reproduction of capitalism might be, these phenomena are the object of analysis of different theoretical frameworks, have different determinants, and cannot be entirely subsumed under the notion of labor power or be fully understood only through the lens of social reproduction.

Another source of ambiguity is the relationship between Marxist feminism and social reproduction theory. Ferguson et al. (2016), for example, are critical of “social

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reproduction feminism” because it partakes of the limitations of Marxist Feminism, which “privileges” class, gender, and household labor while neglecting the wider institutional context within which labor power is reproduced, as well as “race, sexuality, colonialism and other constitutive social relations” (Ferguson et al. 2016:30). If theoretical and political emphasis on class and gender is a “weakness” that has to be overcome by broadening the scope of social reproduction to the extent described in this chapter, and if class struggle is, as some of its proponents argue, “at its core,” why is SRT considered a *feminist* theory? And, given that race, sexuality, colonialism, class (i.e., the “wider institutional context”) has been the subject of extensive Marxist-inspired social science theorizing and research, what is the relationship between SRT and those theories and research findings?

In light of space limitations, we will not examine these issues in depth. Instead, this article will present the perspective on social reproduction that can be inferred from Marx’s work, particularly the excerpts discussed earlier in this chapter.

## 5. Capitalist Social Reproduction: A Historical Materialist Approach to Reproduction

Reproduction or social reproduction—as it is currently called—is an abstract category, common to ancient and contemporary societies. Paraphrasing Marx, there is no social reproduction in general, and no general social reproduction. Instead, given that capitalism is the dominant mode of production, at this time there is *capitalist social reproduction*, a concept that applies to the reproduction of the *totality* (i.e., the reproduction of the mode of production, and its historically specific contexts) and to the reproduction of *particular* elements of capitalist social formations (e.g., labor power, social classes and social inequalities, ideologies, legal systems, etc.) (Marx [1859] 1970: 190–191).

Abstractly considered, production is a necessary condition for reproduction and vice versa. Historically, however, in capitalist social formations, the relationship between production and reproduction is contradictory; the capitalist economy can flourish while a variable proportion of the working classes lacks access to the basic necessary conditions for their reproduction, and most workers live in a state of economic uncertainty. The key theoretical guideline to be drawn from Marx is that the changing organization of production in the pursuit of profit determines the constraints and opportunities within which the physical and social reproduction of the direct producers, the owners of the material conditions of production, and the material conditions of production (i.e., natural resources) take place.

As capital accumulation proceeds, developing the forces of production and revolutionizing the means of production, changing the location of investments, requiring workers to develop new skills while rendering existing skills obsolete and so on, the quantity and quality of the demand for labor fluctuates accordingly, rising in some

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locations, falling in others, producing constant upheavals and uncertainty in large sectors of the population whose steady access to the means of exchange and reproduction is never stable or assured (Gimenez 1977; see also Coontz 1957 and Secombe 1983). Working-class families and households are tentative achievements, always dependent on the vagaries of capital accumulation. Capital is indifferent to the reproduction of the living laborers, the owners of labor power: hence the contradictory relationship between the production of things and the reproduction, physical and social, of the laboring population. The contradiction between capital and labor can be thus expressed as the contradiction between capital and the physical and social reproduction of the working class. This contradiction is likely to intensify as Artificial Intelligence renders obsolete millions of low-, middle-, and high-level white collar jobs, as well as technical and professional jobs (Rainie and Anderson 2017). Capital is also indifferent to the preservation and reproduction of natural resources unless waste and destruction interfere with capital accumulation (see, for example, Gimenez, 2000). This is why the relationship between capitalism and its conditions of reproduction are inherently contradictory.

Arguably, Marx provides the basis for theories of the reproduction of labor power and, by implication, the working classes, in all its aspects: (a) *labor power in general*, as a human capacity latent in living individuals; (b) *laborers, the living, free individuals* themselves, the owners and sellers of labor power and “bearers” of *class relations*, members of the *labor force* in a given social formation; and (c) *labor power in historically specific forms* (e.g., the kinds of labor power required in different sectors of the capitalist economy in a given capitalist social formation). Just as he did not take into account the input of—primarily but not exclusively—female domestic labor in the variety of processes that enter in the daily and generational reproduction of labor power, he did not theorize the labor input of supervisors, managers, elementary school teachers, doctors, nurses, and other workers, male and female, whose labor enter in the physical and social reproduction of specific kinds of labor skills. He identified, however, the fundamental determinants of social classes’ access to their material conditions of reproduction: wages for labor, capital for the capitalists, rent, salaries, and profits for the classes in between.

That the reproduction of labor power, as an inherent human capacity, presupposes the physical reproduction of human beings (i.e., the population) brings attention to its material basis. The generalized intellectual and material capacity to labor presupposes a healthy physical development. To the extent that capital denies large sectors of the working classes full access to their material conditions of reproduction because of low incomes, unemployment, scant welfare support, inadequate access to health care, pre- and post-natal care for mothers and babies, etc., it undermines the capacity to work of a substantial proportion of the working classes. Ownership of capital and economic resources sufficient to give households and individuals control over the material conditions for daily and generational reproduction allow members of the capitalist and privileged classes not only access to optimal conditions for social reproduction (e.g., the best schools and the freedom to pursue one’s “calling” without subordinating personal growth and learning to economic survival) but also access to good housing, clean water,

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nutritious food, health care, and the best that science and medicine can offer. These differences deepen the inequality between classes and are reflected not only on educational and income differences but in differences in overall health and life expectancy.

The simplest explanation for the exclusion of the reproduction of living capitalists and living laborers from the theory of the mode of production as expounded in *Capital* is that it occurs outside the mode of production, under historical conditions that vary from one capitalist social formation to another. The social relations of reproduction, unlike the relations of production, are not invariable and differ within social formations (e.g., according to class and SES), and among social formations, depending on their historically specific characteristics.<sup>6</sup>

These theoretical insights, which give a determinant role to changes in capital accumulation and their effects, are also useful for theorizing the capitalist reproduction—or non-reproduction—of the material conditions of production, i.e., land and other natural resources, and of the various institutions constitutive of the social formations where capitalism is the dominant mode of production. In turn, the material (e.g., climate, availability of fertile land) and the historically specific characteristics of social formations (e.g., the political and legal system, population size, dominant ideologies, relative power within the global economy) affect the reproduction of labor power, the relations of production, and the mode of production as a whole.

As these brief observations indicate, Marx has left theoretical insights useful for the development of historical materialist theories and research on capitalist social reproduction in its manifold dimensions. A great deal of work has already been done. The social movements of the late 1960s eventually resulted not only in the emergence of feminist, anti-racist, and other theoretical perspectives and research agendas directly related to the movements but also in the flourishing of Marxist scholarship in the social sciences. “Radical” sociologists, economists, geographers, ecologists, environmentalists, political scientists, lawyers, and historians, even “concerned” demographers, produced (and continue to do so) a large and growing body of scholarship about the variety of ways in which the social, economic, demographic, political, cultural, legal and other areas of life in capitalist social formations reproduce, undermine, or challenge the reproduction of capitalism within social formations.

## 6. Conclusion

In its broader and most general sense, social reproduction denotes a sociological truism, that all existing societies reproduce themselves, thus leading to the criticism of social reproduction as a functionalist concept. There is a kernel of truth in this critique because abstractly considered, social reproduction is a universal social process. Marx, however, differentiates between processes common to all societies and their historically specific manifestations in the context of a given mode of production. Therefore, today, social

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reproduction is *capitalist social reproduction*. Then the question arises: is a general theory of capitalist social reproduction possible?

Radical, critical, and Marxist social scientists rejected order models of society and functionalist and structural functionalist frameworks. Instead, they identified the capitalist foundations of social phenomena and the capitalist contradictions underlying class struggles and processes of social change. They theorized and investigated capitalist forms of exploitation, oppression, and repression, as well as the ways in which people challenge and resist, for capitalist contradictions open spaces for the rise of anti-capitalist practices and forms of consciousness. They identified and studied processes of reproduction and non-reproduction, and it is only in this sense that it may be possible to argue that a general theory of capitalist social reproduction—based upon social scientists' understanding of Marx and Engels's work and of Marxist scholarship—functions like a metatheory underlying the body of Marxist social science work that developed in the last fifty years. A great deal of work about capitalist social reproduction has been done by Marxist and critical social scientists, even if they were not self-consciously engaged in theorizing or researching social reproduction.

As shown in the previous sections, there are considerable overlaps between SRTs and capitalist social reproduction theory. There are, however, differences that are important to identify. SRTs' focus on the reproduction of labor power point out that a great deal of reproductive labor is unpaid and female, and give salience to gender, race, immigrant status, and other differences within the labor force. SRTs are critical of Marxism's alleged determinism. Their efforts to theorize the relationship between production and reproduction presuppose an abstract opposition between a mechanistic, deterministic mode of production (i.e., "the economy," and the free, active, purposive and "messy" activities of people engaged in the daily processes of social reproduction).

Capitalist social reproduction theory, inferred from the elements of Marx's work presented earlier, differs from SRTs as follows: (1) It emphasizes the determinant role of capital accumulation and the state of the class struggle upon the conditions of reproduction of the social classes, and of the material conditions of production. (2) It views the reproduction of labor power inseparable from the reproduction of the social classes. Central to SRTs and to capitalist reproduction theory is the reproduction of the working class, which includes not only the employed but those whose needs can be satisfied only through the sale of labor power whether or not they are employed, the political implications of its reproduction outside the mode of production, and the complex network of relationships and institutions within which its reproduction takes place within and across national boundaries. Consequently, struggles for the conditions of reproduction (e.g., housing, education, social services, access to health care, etc.) are also class struggles (see, for example, Gimenez 1999; Bhattacharya 2013; Bhattacharya 2015). (3) While acknowledging the importance of women's domestic labor in the daily and generational reproduction of labor power, their disproportionate paid and unpaid participation in social reproduction, and the heterogeneity (in terms of racial, ethnic, national origin, etc.) of the laboring population engaged in reproductive work, capitalist

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social reproduction theory gives similar attention to men's participation in reproduction and the negative effects of capitalist reproduction upon male workers, particularly the urban poor, agricultural workers, and those located in the lower strata of the working class. Changes in the gender composition of the wage/salary dependent, and below the poverty level populations indicate not only the "feminization" of poverty and the proletariat, but profound changes in the economic opportunities open to male workers and, consequently, in the working classes' access to the material conditions necessary for family formation and daily and generational reproduction (see, for example, Cherlin 2014 and Nurse 2003). (4) Finally, capitalist social reproduction theory emphasizes the contradictions of capitalism that constantly alter the terrain where workers engage in struggles for economic survival, within and outside the workplace, and the inherent contradiction between capitalism and its overall conditions of reproduction.

At the time Marx wrote, the social sciences had not yet developed. When they did, they developed largely in reaction to Marx and Marxist scholarship, denying the determinant role of the mode of production in the development and characteristics of social formations. Generations of social scientists, particularly in the U.S., have learned about Marx and Marxism through strawman arguments against class reductionism and economic determinism. The enduring effects of that ideological struggle continue, therefore this reading of Marx is open to be interpreted as some form of reductionism. Marx, however, transcended the opposition between materialism and idealism, structure and agency, pointing out that while people make history, they do so under conditions not of their own choosing, but inherited from the past (Marx [1852] 1969:15). Workers all over the world engage in struggles for economic survival, and people of all social classes are actively involved in making the best of their resources and opportunities. They do so, however, within the limits and possibilities the capitalist mode of production determines for different social classes and, in this sense, struggles for social reproduction tend to remain within the parameters set by the mode of production. Even if successful, they reproduce it. Only through successful revolutionary struggle could the relationship between production and reproduction change to place the needs of social reproduction at the center.

Given the heterogeneity of the phenomena that can be studied through the lens of social reproduction—whether from a feminist, Marxist feminist, or Marxist theoretical perspective—social reproduction can be fruitfully viewed as an inherently interdisciplinary perspective that can build upon the contributions of Marxist and critical social science and brings to the fore the continuing relevance of Marx's work.

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### Notes:

- (<sup>1</sup>) For a useful overview of reproduction see Himmelweit, (1996:469–471).
- (<sup>2</sup>) For a previous overview of social reproduction and elaboration of capitalist social reproduction, see Gimenez 2018 (forthcoming).
- (<sup>3</sup>) Marx is critical of social contract theories of society (which presuppose the existence of individuals already characterized by specific traits, values, and tendencies) and of political economists' tendency to find in the past the origin of eighteenth-century individuals' traits. "It is not until the eighteenth century that in bourgeois society the various forms of the social texture confront the individual as merely means towards his private ends ... But the epoch that produces this standpoint, namely that of the solitary

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individual, is precisely the epoch of the (as yet) most highly developed social ... relations" (Marx [1859] 1970:188–189).

(<sup>4</sup>) "The labor process ... is human action with a view to the production of use values ... it is the necessary condition for effecting exchange of matter between man and Nature; it is the everlasting Nature imposed condition of human existence, and therefore is independent of every social phase of that existence, or rather, is common to every such phase" (Marx [1867] 1970:183–184).

(<sup>5</sup>) Marx differentiates between the *value-composition* of capital (the proportion invested in means of production and wages) and the *technical composition* of capital (the proportion of means of production and labor that enters in the production process). He postulates a "strict correlation" between them such that the latter determines the former, and its changes are mirrored in changes in the value composition. The *organic composition* of capital is the concept that captures this relationship and is implied in Marx's references to the composition of capital, as he expounds the general law of capital accumulation (Marx [1867] 1970:612).

(<sup>6</sup>) In the context of the physical reproduction of laborers and their capacity to work, these are the relations between adults and children, and between adults, working within households and other contexts (e.g., orphanages, hospitals), engaged in tasks necessary for their physical and social reproduction. In the context of the purely social reproduction of labor power, these are the relations between, for example, teachers and students, job trainers and trainees, and so on. Within the capitalist class, the social relations of reproduction reflect a different division of labor because many of the tasks of physical daily and generational reproduction and some of those inherent in social reproduction are outsourced to housekeepers, butlers, cooks, nannies, maids, and the like.

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## Oxford Handbooks Online

### Karl Marx on Technology in Capitalism

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### Abstract and Keywords

This entry begins with a summary of the almost universally accepted “standard view” of technological change in capitalism. Marx’s alternative account of the role of technology in capitalist society is then presented, followed by a survey of essential tendencies regarding technological change associated with each phase in the circuit of capital. The chapter concludes with an examination of four long-term consequences of technological change in the course of capitalism’s historical development: environmental crises, limits to wage labor as a social form, severe global inequality, and persisting overaccumulation difficulties. Together they establish that more than ever the fundamental question confronting our historical moment is the stark alternative: “Socialism or barbarism?”

Keywords: technology, intellectual property right, overaccumulation, war on labor, valorization

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Today, 150 years after the publication of the first volume of *Capital*, Marx remains our contemporary. Social life is shaped more than ever by the commodification imperative (goods and services *must* take the form of commodities), the monetary imperative (money *is required* to gain access to the objective preconditions for human life), and the valorization imperative (monetary returns (M') *must* exceed initial investment, M). Technological change continues to be shaped by these imperatives as well. Marx’s critique of political economy illuminates these crucial dimensions of our world better than any other social theory, and so remains indispensable (Smith 2000).

We begin with a summary of the almost universally accepted “standard view” of technological change in capitalism. Then we cover Marx’s alternative account of the role of technology in capitalist society, followed by essential tendencies regarding technological change associated with each phase in the circuit of capital. We conclude with an examination of four long-term consequences of technological change in the course of capitalism’s historical development. Together they establish that more than

ever the fundamental question confronting our historical moment is the stark alternative: “Socialism or barbarism?”

# 1. The Standard View

In what may be termed “the standard view” of mainstream social theory the unprecedented rate of economic growth in modern capitalism is rooted in its technological dynamism. Taking prices as given, units of capital offering superior products, better able to meet purchasers’ wants and needs, tend to be more successful in market competition. Taking product quality as given, units of capital with more “efficient” production processes necessarily tend to charge lower prices and thereby expand their market share.<sup>1</sup> It follows that there is a strong and systematic tendency for *product innovations* and *process innovations* in capitalist market societies. A prominent mainstream economist concludes:

It is the spectacular and historically unprecedented growth rates of the industrialized market economies—the growth rates of their productivity and their per capital incomes—that above all, set them apart from all alternative economic systems....The market mechanism achieves much of its efficiency and its adaptation to consumer desires through financial incentives, by providing higher payoffs to those firms that are more efficient and whose products are most closely adapted to the wishes of consumers. The same mechanism obviously drives innovation in an even more powerful way....The firm that lets its rivals outperform it substantially in innovative products and processes is faced with the prospect of imminent demise. The firm must innovate or die.

(Baumol 2002, 10).

A powerful normative defense of capitalist market societies is implicit here. Product innovations lead to goods and services “closely adapted to the wishes of consumers,” while process innovations make these products more widely affordable. Adherents of the standard view conclude that the technological dynamism of capitalism necessarily tends to further *subjective welfare*. From this standpoint *individual autonomy* is institutionalized as well; people will generally be better able to live the sorts of lives they choose to live when they have better access to goods and services more closely adapted to their wishes. In so far as technological dynamism and the economic growth accompanying it tend to lead to longer life expectancies, lower infant mortality rates, higher levels of education, and other improvements, a defense of capitalism based on the claim that it systematically furthers *objective well-being* can be derived as well.

While defenders of the standard view dispute many other matters, they agree on two essential points. First, technologies are essentially means to further human ends, whether understood in terms of subjective well-being, individual autonomy, or objective well-being. Second, capitalist market societies can in principle provide these means more

efficiently and on a greater scale than any feasible alternative, enabling human ends to be attained more efficiently and on a greater scale.

## 2. Marx's Alternative to the Standard View

The person who wrote “every degree of the development of the social productive forces, of intercourse, of knowledge, etc., appears to [capital] as a barrier which it strives to overcome” could hardly be accused of underestimating capitalism’s technological dynamism (Marx 1986 [1939]: 465).<sup>2</sup> Striving to overcome these barriers results in scientific-technological knowledge becoming increasingly subsumed under capital:

All the sciences have been forced into the service of capital ... invention becomes a business, and the application of science to immediate production itself becomes a factor determining and soliciting science.

(Marx 1987 [1939]:89-90)

Contemporary economists who proclaim that technological change is endogenous to capitalism, and that capitalism evolves into a “knowledge economy,” merely echo Marx. For Marx, however, they get the relationships between means and ends in a capitalist market society profoundly wrong.

It is obvious, of course, that in a profit-driven system, capitalist firms aim at monetary returns. Nonetheless, defenders of the standard view assert, money is merely a proximate end of an economy whose ultimate goal is to fulfill “the wishes of consumers.” From this standpoint capitalist profits, no less than product and process innovations, are ultimately a means to further human ends, specifically, a means to provide goods and services addressing human wants and needs (Hayek 1976:8-9). The heart of Marx’s critique of political economy is that means and ends have been inverted from what this this “common sense” view takes them to be.

In circuits of capital, money, supposedly a means to further human ends, is an end in itself, the ultimate goal of a process beginning when investment capital (M) is used to purchase the commodity inputs (C) into a production process (P), resulting in a set of commodity outputs (C’). These outputs must then be sold for a monetary return exceeding the initial investment (M’), enabling successful units of capital to begin a new circuit with an initial M greater than their previous starting point (Figure 1).

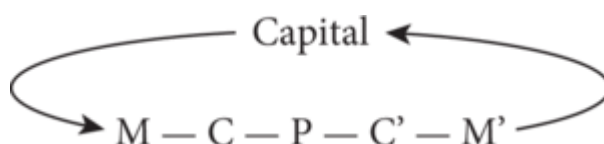


Figure 1 The circuit of capital.

When final consumers purchase commodities to further their ends, then, their actions are not “outside” circuits of capital aiming at monetary

returns. These purchases are part of the final phase of capital circuits, where output C’ is sold for a monetary return. Investors, needless to say, will not invest in producing and

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distributing commodities unless they anticipate demand for them. But the only demand that matters here is *effective* demand, demand with purchasing power behind it. How can the fulfillment of human wants and needs be seen as the ultimate end goal, when even the most pressing human need is systematically neglected if there is not sufficient purchasing power behind it? We also must ask where purchasing power comes from. In general, it is income (wages, salaries, dividends, capital gains, interest) derived from participating in some manner or other in circuits of capital with monetary profits as their goal.

These considerations establish that the goal of profits has an ultimate logical priority over the fulfillment of consumers' wants and needs. In capitalist market society, "Use-values must therefore never be treated as the immediate aim....[The] aim is rather the unceasing movement of profit-making" (Marx 1976 [1867]:254). Technology is indeed essentially a means, as the standard view asserts. And technological change in capitalism does sometimes and to some extent further human ends. But in a capitalist market society technology is first and foremost a means to *capital's* goal, *valorization*, the transformation of M into a greater monetary value, M'. At best, human ends are furthered in an extremely partial and provisional manner. At worst, they are sacrificed to further capital's end (Smith 2017a).

This general point can be illustrated in each particular phase of the capital circuit.

### 3. Technological Change Within Circuits of Capital

The starting point for any given unit of capital, and for total social capital in the aggregate, is not investment capital. The social relationship between those who own and control this capital and those who do not is the essential matter. The latter lack access to the objective preconditions of human existence (means of subsistence and means of production), which confront them in the social form of commodities owned by others. In order to gain access to these material conditions of life for themselves and their dependents, they must sell the one commodity they do own, their labor power, for a wage in the initial M-C phase of a capital circuit.<sup>3</sup>

From the standpoint of capital, wage levels must be low enough that investors anticipate they will obtain satisfactory profits after paying them and that workers have to continue selling their labor power. When there is some doubt these conditions will be met, those controlling capital investment always have the option of ceasing to invest, trusting that workers will be forced to accept terms favorable to capital as their reserve funds become exhausted. In the interim, however, profitmaking is curtailed. From capital's standpoint it is better by far to introduce technological changes promising to keep wages within the range required for valorization without the disruption of a capital strike (Marx 1976 [1867]: chapter 15):

\* Technologies can enable production to be shifted to regions where labor market conditions are more favorable to capital. This directly benefits the units of capital enjoying lower labor costs. Other capitals benefit from the greater economic insecurity within the work force as a whole resulting when technologies are used for this purpose on a significant scale. In the ‘globalization’ of recent decades advances in transportation and information technologies (containerized shipping, software for managing complex cross-border supply chains, etc.) have had this social consequence.

\* Automation can be introduced to displace labor. While other jobs may be created elsewhere in the global economy, the numbers created may not compensate for those lost. Or the displaced laborers may not live in regions where job growth is happening, or have the requisite skills and training for those jobs. Whether or not employment is reduced in the long-term, the short-to-medium threat of unemployment from labor-saving technologies intensifies economic insecurity, heightening the structural coercion underlying labor markets, thereby helping to keep wages within the zone compatible with capitalist profits.<sup>4</sup>

A leading business publication describes the contemporary social consequences of these forms of technological change with admirable honesty: “Labor has been on the losing end of technological change for several decades.... Over the last thirty years or so ...the share of income going to labour has fallen steadily the world over” (*The Economist* 2014:7).

Marx’s account in *Capital* of the next phase of the circuit of capital, production (P), derived a tendency for technological changes to speed up labor processes (Marx 1976 [1867]:533–564). Speed-ups further valorization by increasing output per unit of investment in labor power. Marx, of course, could not have foreseen the electronic monitoring so prevalent in the contemporary workplace. It, too, has been introduced with the aim of forcing more work in factories and offices to be performed in a given period of time per unit of investment in labor power. Like technologies Marx examined in *Capital*, its purpose is to contribute to the formation of “relative” surplus value, in Marx’s terminology.<sup>5</sup>

Valorization can also be furthered by extending the work day. Today, information technologies have considerably eroded the spatial distinction between the workplace and other social spaces, allowing work for capital to encroach on supposedly “free” time (Crary 2014). No less than extensions of the work day in the nineteenth century, technologies of “networked” labor enable more surplus value to be created per unit of money invested in the purchase of labor power (“absolute” surplus value; Marx 1976 [1867]: Part 5).<sup>6</sup>

Intensifications and extensions of the labor process lead to increased stress, sleep deprivation, a lack of time and energy for interactions with family and friends, projects of one’s own choosing, community involvement, and so on. The pernicious effects on

workers' physical and psychological health from these phenomena were well understood by Marx, and contemporary studies fully justify his concern (Marx 1976 [1867]: chapter 25; Wilkinson and Pickett 2009). Anyone seeking evidence that technological change in capitalism systematically subordinates human well-being to the goal of capital accumulation will find ample amounts here.

In the final C'-M' phase of the capital circuit outputs of production are sold. In Volume 2 of *Capital* Marx examined how purchases of means of production and means of consumption valorize the capital invested in producing and distributing these products, thereby reproducing and augmenting total social capital over time. Marx stressed in this context the importance of technologies reducing the time of circulation, such as the transportation technologies that bring commodities to markets. The more circuits of capital completed in a given period of time, the more profits accumulated in that period. The information technology revolution has been used to speed the circulation time of capital for the same ultimate purpose. Units of capital, for example, now undertake close to continuous electronic surveillance of consumers, processing the collected data to predict what ads are most likely to spur more and faster purchases. This comes at an immense human cost: there has never in human history been a more intensive, extensive, and scientifically and technologically sophisticated project of behavior modification than the system of corporate advertising, or a more technically sophisticated system of indoctrination into an ideology ("consumerism") that does not in fact promote human well-being (Kasser 2002).<sup>7</sup>

Marx's account of technological change in capitalism was not limited to the systematic tendencies generated in each phase of the capital circuit. Other tendencies emerge over the course of a series of circuits. Four with special importance in world history will be considered in the remainder of this chapter.

## 4. Four Cumulative Results of Technological Change in Capitalism

Over time technological change under the social forms of capital necessarily tends to lead to severe environmental disruptions, intensified pressure on wages, significant and persisting global inequality, and slowdowns of accumulation. In the present moment of world history these tendencies, and the social pathologies associated with them, are all being greatly exacerbated.

### 4.1 Environmental Crises

All life, from the simplest amoeba on, makes use of resources from its surrounding environment and generates wastes in that environment. The long-term evolutionary success of a species is determined mainly by whether it depletes resources at a rate commensurate with the rate they are replenished in the surrounding ecosystem, as well as whether it generates wastes at a rate commensurate with the rate they are processed



in that ecosystem. Capitalism rules out our species enjoying long-term success by this measure.

Units of capital are generally forced by market competition to accumulate as much capital as possible as rapidly as possible if they hope to survive market competition. This generally requires using technologies to produce and sell as many commodities as possible, as fast as possible. As a direct result, there is a necessary tendency for technologies in capitalism to be used in a manner that depletes resources at a faster rate than the planetary system can replenish them, while generating wastes at a faster rate than they can be processed (Marx 1976:638).

Product innovations may provide technological substitutes for depleted resources. Process innovations may limit the amount of wastes or allow them to be processed more effectively. Such technological changes, however, at most mitigate the fundamental discordance between the accelerated hypertemporality of capitalism and the temporality of planetary processes. They do not remove it.<sup>8</sup> The longer technological change functions as a means to capital's end goal, the more the environment will be transformed in a manner harmful to human well-being.

### 4.2 The Historical Limits of Wage Labor

From the outbreak of the first industrial revolution technological change has continually increased labor productivity (physical output per unit of labor input). Marx anticipated that this process would eventually make the world historical limits of wage labor as a social form increasingly evident. In the famous "Fragment on Machines" section of the *Grundrisse* he foresaw that the "general intellect," the cumulative knowledge collectively generated in the course of social history, would become increasingly central to the production of social wealth, making the time engaged in wage labor progressively less central to social reproduction. Eventually,

It is neither the immediate labour performed by man himself, nor the time for which he works, but the appropriation of his own general productive power, his comprehension of Nature and domination of it by virtue of his being a social entity—in a word, the development of the social individual—that appears as the cornerstone of production and wealth.

(Marx 1987 [1939]:91)

There are good reasons to think that the embodiment of the general intellect in technological artifacts today (so-called intelligent machines, robots, etc.) is rapidly bringing us to the qualitative transformation Marx anticipated. A widely cited study undertaken at Oxford University examined seven hundred occupations in the United States today, concluding that 47% of employment is at high risk of being automated in under twenty years (Frey and Osborne 2013). The business consulting firm McKinsey & Company has asserted that 45% of activities people are paid to perform today could be automated now, and that with foreseeable advances in machine processing of natural

languages the figure jumps to 60% (Chui, Manyika, and Miremadi 2016). The scale of labor displacement from technological change will almost surely be immense and utterly unprecedented, as Marx projected.

No one disputes that the “robot revolution” will create new jobs, some highly skilled and well remunerated. Nor is it disputed that there will be numerous tasks machines are unlikely to take over (certain forms of creative work, employment involving a significant amount of tacit knowledge, tasks involving personal care, work where the wages are so low capital will not undertake the expense of automating, etc.). Nonetheless, the available evidence suggests that technological change is rapidly bringing about a serious social crisis in wage labor as a social form.

- \* The number of relatively well-paid new positions is likely to be far less than the number of relatively well-paid positions eliminated by advances in machine intelligence.

- \* The percentage of the global population falling into Marx’s category “surplus population” can be expected grow inexorably (Marx 1976 [1867]: chapter 25).

- \* In the remaining occupations the global oversupply of labor will intensify yet further the immense deflationary pressures on wages in remaining occupations already imposed by automation, global supply chains, and other aspects of the war on labor (discussed further in 4.5.2).

Interestingly, the more far-sighted “organic intellectuals” of capital have a sharp sense of the radical challenge posed to capitalism by these world-historical technological developments. Many are concerned that the foreseeable shift of income from working households (with a high propensity to spend) to wealthy households (with a low propensity to spend) will severely constrain aggregate demand. There is a growing fear that economic reproduction and social stability could be threatened in the wake of the “robot revolution.” Leading business spokespersons have been led to consider governmental provision of a universal basic income in response (*The Economist* 2014:17–18).

However, universal basic income adequately compensating for the depressionary pressures on wages and the increase in surplus population brought about by the “robot revolution” would be fundamentally incompatible with the continuation of capitalist social relations. This is not because motivation to engage in socially important work would disappear (unpaid care labor and the successes of open-source innovation refute that canard). But a universal basic income at a level sufficient to counteract the social crisis of wage labor would undermine the motivation to cooperate with the production of surplus value where wage labor was still in play. Why would workers agree to produce a social surplus under conditions they do not collectively determine, for purposes they do not collectively set, when they have a realistic option of refusing? Given this, any resort to a

guaranteed income as a response to technological change can be expected to be similar to the minimal subsistence provided to migrants in camps to keep them alive.

Two other tendencies of technological change in capitalism over time anticipated by Marx remain to be discussed. Neither can be adequately comprehended today without considering a dimension of technological change just beginning to emerge when Marx wrote: national innovation systems. A brief digression on these systems is therefore in order.

### 4.3 National Innovation Systems

Marx never wrote the book on the state that was always a part of his theoretical project. Whatever else the work might have contained, it surely would have stressed that capitalism requires a capitalist state, providing whatever necessary preconditions for accumulation capital cannot provide for itself.

A continuing stream of potentially commercializable technological innovations is a necessary precondition for capital accumulation. Generating and maintaining such a stream today requires considerable and expensive basic research, as well as long-term research and development projects. The risks to capital from investing in R&D at the scientific-technological frontier, however, are high. It is costly, and no commercializable innovations may ever result. Those that do result may not appear within a timeframe relevant to investors. If they do appear within the relevant timeframe, there may not be sufficient market demand for the new commercialized products. And even if the innovations are successfully commercialized within a relevant timeframe, much of the profits may be appropriated by imitators. Given these considerable dangers, those controlling investment capital necessarily tend to underinvest in basic research and long-term R&D, relative to what is necessary to provide a steady stream of commercializable innovations. If capital itself cannot adequately provide this necessary precondition for accumulation, then the capitalist state must intervene. The basic social unit of innovation in capitalism is therefore not the corporate lab, but an entire *national innovation system* where a significant portion of the costs of innovation are socialized.<sup>9</sup>

### 4.4 Technology and Neo-Imperialism

There are a great many reasons why the world market is not a level playing field. Here we concentrate on one aspect of this extremely complex and multidimensional process: the role of technology as a weapon in inter-capital competition.

Establishing an effective national innovation system tends to be extremely costly. R&D at the scientific-technological frontier is therefore most likely to take place in wealthy regions of the global economy. This enables a *virtuous circle* to be established and maintained over time in these regions: access to advanced R&D provides the basis for domestic capitals to successfully commercialize innovations in the world market; successful innovations tend to generate high returns; and high returns (with their large positive multiplier effects) provide the revenues to fund the next generation of research

at the scientific-technological frontier. This sets the stage for further innovations, further success in the world market, and further high returns. It is certainly not the case that each individual unit of capital based in wealthy regions is guaranteed to attain and maintain a leading position in the world market. But there are nonetheless compelling reasons to assert that in the aggregate capitals from the wealthy regions of the global economy are in a privileged position to attain and reproduce their competitive advantages over time.

In contrast, there is a strong tendency for a *vicious circle* to be established in the least advantaged regions. The initial inability to fund state of the art R&D in the national economy makes it quite unlikely domestic firms in those regions will be able to introduce significant innovations. Lacking competitive advantages in the world market, they will generally be condemned to low returns. Relatively low returns, and their correspondingly small positive multiplier effects in domestic economies, restrict the ability of poorer regions to participate in advanced R&D in the succeeding period, limiting the ability of capitals based in those regions to commercialize profitable innovations in the future.<sup>10</sup>

The causes of systematic divergence (“uneven development”) in the global economy are varied and complex. Many are no doubt contingent. But the virtuous and vicious circles just described are not an accidental feature of the capitalist world market. The technological innovation that is an essential feature of global capitalism necessarily tends to generate severe and persisting disparities of economic wealth and power, condemning much of the world’s population to deprivation. Technology is, in brief, a weapon of neo-imperialism (Marx and Engels 1976:488; Shaikh).<sup>11</sup>

Mainstream commentators are too polite to speak of “neo-imperialism.” But the more honest in effect grant that Marx was correct. A prominent “new growth theorist” concedes that

(I)nvestment in innovation widens the gap between rich and poor countries. The output gains of the industrial countries exceed the output gains of the less-developed countries. We therefore conclude that *investment in innovation in the industrial countries leads to divergence of income between the North and the South*.

(Helpman 2004:85, emphasis added).

When we add the social disruptions climate change has begun to inflict on the most vulnerable regions, the conclusion is inescapable: technological change in capitalism has not brought about a global techno-utopia but a rather a profound and continuous social crisis across the globe. Billions of human beings are condemned to radical economic insecurity and material deprivation, not in spite of technological change but because of it—or, rather, because of the social consequences of technological change when the capitalist mode of production is established.

If severe inequality and poverty in the global economy is maintained through there being *too few* national innovation systems, it is also the case that in other respects the global economy is now threatened because there are *too many*.

### 4.5 Technology and Overaccumulation

Marx (in)famously asserted that the capital investment fueling economic upswings would eventually tend to generate a fall in the rate of profit, setting off an extended downswing (Marx 1981 [1894]: Part III). His argument for the tendency of the rate of profit to fall was complex and controversial. At its heart we find the claim that the valorization imperative forces firms to invest in “constant capital”—primarily, the fixed capital invested in machinery and extended machine systems embodying scientific-technological knowledge—to the point where there is an “overaccumulation” of investments in productive capacity arises, preventing them from being adequately valorized in the aggregate (Reuten 1991).

In Marx’s account, an extended upswing in capital accumulation can continue after symptoms of overaccumulation have begun to appear, so long as credit is extended in sufficient quantities. Marx referred to this as the “overexertion” phase of an upswing (Marx 1981 [1894]:619). Generalizing from the available historical evidence, however, Marx concluded that the overexertion phase could only defer a downturn for a fairly brief period of time. In the subsequent recession or depression productive capacity (fixed constant capital) would be either physically destroyed or significantly devalued on an extensive scale, establishing one of the key preconditions for the start of a new upswing.

Marx wrote prior to the spread of national innovation systems. How does this new development in the world market affect his account? While the number of regions able to develop effective innovation ecosystems remains low in absolute terms, there are relatively more productive national innovation systems in place in the 21st century than in any previous period of capitalist development. In 2016 the US share of total global R&D funding was 26.4%. Europe funded another one-fifth of total global R&D. Asia’s share reached 41.8%, with China alone accounting for 20.4% (R&D Magazine 2016:3).

This is a positive development as far as the rates of innovation and diffusion are concerned.<sup>12</sup> But these are use-value considerations, and in capitalism it is value, and not use-value, that ultimately matters. More precisely, what matters to capital in this context is not innovation in itself, but *the period of time high profits can be won from a competitive advantage due to innovation*. From *this* standpoint there are too many national innovation systems. As soon as an innovation showing promise of being exceptionally profitable is developed in one region of the world, national innovation systems across the global are mobilized more or less immediately, hoping to get a piece of the action. As investment flows into the new sector, too much productive capacity in this sector is accumulated too quickly. The time high profits can be won from innovations—the time prior to the emergence of excess productive capacity—tends to be significantly

compressed, vindicating Marx's claim regarding the tendency for the rate of profit to fall due to an overaccumulation of investment.

In the past capitalism has dealt with overaccumulation difficulties by destroying or devaluating the fixed capital invested in technologies of production and distribution. With the proliferation of national innovation systems across the globe, however, the destruction and devaluation necessary to eliminate the problem today would be immense, requiring a global depression of truly horrific proportions, even by capitalism's brutal standards. Political elites in leading centers of accumulation have desperately attempted to avoid this catastrophe, fearing the economic and political instability it would surely unleash (Desai 2013:24–25; see also Brenner 2006). Through trial and error they stumbled upon an alternative path forward for capital, commonly termed “neoliberalism.” Four specific features of neoliberalism will be highlighted here. All can be seen as responses to the difficulties the innovation process poses to capital at the present moment of world history.

### 4.5.1 An Explosion of Credit

The move to purely fiat money created ex nihilo by central banks, combined with central banks' accommodation of private creation of credit money within the banking system (and increasingly the shadow banking system) resulted in a massive and historically unprecedented explosion of credit in the global economy. Like steroids taken by weightlifters, this artificial stimulus has enabled markets to expand artificially, absorbing (valorizing) productive capacity that would otherwise not have been absorbed (valorized). Collapse has been avoided.<sup>13</sup>

The challenge for capital, however, is not merely to avoid collapse but to transform M into M' on a growing scale. By itself expanding credit does not guarantee this, and so we must turn to the other developments.

### 4.5.2 An Intensified War on Labor

The technological dimension of the ongoing war on labor has been discussed above. No less than the machinery systems Marx examined in Volume 1, contemporary technologies enabling cross-border production chains, automation, robotization, electronic monitoring of the workplace, and electronic networks enabling work to invade daily life have all shifted the balance of power in labor markets and the labor process in capital's favor. Wage gains have stagnated despite continued productivity gains; labor's share of national income has fallen across the globe (*The Economist* 2014:8). In Marx's terminology, technological changes have directly contributed to an increase in the rate of surplus value, compensating for the compression of the time profits can be won from innovation.

### 4.5.3 An Extension of the Intellectual Property Rights System

In the intellectual property rights system, the coercive powers of the state are used to connect inherently non-rivalrous and non-excludable knowledge goods to artificially rivalrous and excludable commodities. The more the intellectual property rights system is

extended in scope and enforcement, the more the tendency for time a unit of capital can enjoy a competitive advantage from an innovation to be compressed is put out of play.

### 4.5.4 Financialization

A great historical irony is that the dynamism of technological change in capitalism in use-value terms has eroded the dynamism of contemporary capitalism in value terms. Even with the war on labor and the extension of intellectual property rights, the non-financial sector simply cannot provide sufficient outlets for increasing investment in a world awash with cheap credit for investors. In these conditions financial assets provide an attractive option. As investment flows for the purchase of these assets increase, there will be an inflation of their (fictitious) monetary value in the aggregate. When the retained profits and borrowings of non-financial firms are used for stock buybacks and mergers and acquisitions, this inflation of financial assets will be heightened.

The expansion of credit is the proximate cause of the stampedes of investment leading to a long-term inflation in the (fictitious) value of financial assets. But technological change is central to a fuller explanation in three ways. First, the explosion in credit was a response to the need to avoid a major global depression, and this danger stems from excess productive capacity ("overaccumulation") in the world market due to the rapid rate of technological diffusion. Second, the financial sector could not have metastasized to the degree it has without information technologies enabling increasingly exotic financial products and investments to circulate faster across the globe. The financial sector has spent more on computing power and networks than any other private sector in the United States. It has had a greater concentration of the most advanced knowledge workers than any other sector. And it has enjoyed a faster rate of product innovation than any other non-governmental sector thanks to information technologies. Third, capital gains from the inflation of financial assets offer more favorable prospects for valorization because the speed of technological innovation and diffusion in a world of multiple national innovation systems limits the scope of new investment to expand productive capacity.

None of these strategies, nor all of them taken together, counts as a "solution" to problem of overaccumulation.

The *explosion of credit* has allowed productive capacity to be absorbed that would otherwise have gone unused, valorizing investments that would otherwise have gone unvalorized. It has justified replacing productive capacity as it became worn out or outdated. It has also justified the commercialization of promising paths of innovation. It has even justified some regions (such as China) increasing investment at an unprecedented rate. What it has not justified is the major increase in the rate of investment in the world market as a whole required for a new period of rapid and extended global growth. Instead, the "overexertion" phase that Marx thought short-lived has been extended for decades. Established sectors either continue to suffer from excess productive capacity, or from the threat that they soon would were investment to spike upward in the sector. Dynamic emerging new sectors suffer overaccumulation difficulties

quicker than has ever been the case before. While a global depression has been deferred, it has come at the cost of zombie capitals kept alive by transfusions of credit, walking the planet in increasing numbers.

Raising the rate of surplus value through an *intensified war on labor* contributes to the global social crisis of wage labor discussed earlier in this chapter.

The *extension of the intellectual property rights system* furthers the valorization of a relative handful of firms integrated within leading national innovation systems. But it does not prevent the continuous threat of overaccumulation. It merely requires that greater efforts and resources must be directed to designing around existing intellectual property claims, generating systematic inefficiencies in scientific-technological research. It hampers future prospects of valorization for the “knowledge economy” as a whole in a host of other ways as well:

- more resources must be devoted to unproductive legal expenditures attacking and defending intellectual property claims;
- firms are more able to claim rights to innovations even when they have no intention of developing them, but simply wish to block competitors from profitable opportunities;
- the greater monopoly profits from intellectual rights, the greater the incentive for established firms to use their considerable economic and political power to hamper breakthroughs threatening their established monopolies; and
- large companies are in the best position to meet infringement suits with counter-suits, negotiate favorable cross-licensing agreements, and so on, enabling them to increasingly subordinate small innovating companies, choking economic dynamism whenever profits in their profitable established lines are threatened.

Past a certain point the costs to capital of an extension in scale and enforcement of intellectual property rights neutralize, or perhaps even outweigh, any benefits they might bring to total social capital.

*Financialization* also only counteracts overaccumulation to a limited extent, while creating other problems of its own. When investments stampede into financial assets, the stage is set for a self-sustaining financial bubble as soon as a critical mass of investors becomes convinced some type of asset or other is the next big thing. When widely shared optimistic estimations of the future value of these assets set off a sharp increase in their prices, those owning them can then use their increased (paper) wealth as collateral for loans. Then they can use the loans to increase demand for (and thus the prices of) financial assets. The now wealthier investors can return to banks for yet another round of loans to invest in yet more financial speculation. At some point the nagging thought may arise that only a fool would purchase a capital asset at an obviously inflated price, and only a very foolish bank would lend money for that purchase. However, as long as it is



reasonable to think that a yet bigger fool will come along, it is “rational” to want to purchase it now, and “rational” for a bank to agree to lend (Toporowski 2000:54). Eventually, of course, every bubble bursts. Central Banks have discovered that if sufficient liquidity is pumped into financial markets after a bubble bursts, the negative repercussions on the financial sector can be contained. Liquidly infusions on a broad enough scale, however, soon set off another round of financial asset inflation.

I have argued in this Chapter that Marx’s theory provides a framework for comprehending how technological change remains primarily a means to further the end goal of capital rather than human ends. Today too technologies are sought, and implemented when found, designed to shift the balance of power in labor markets in capital’s favor, increase the control of capital over the labor process (in formal workplaces and beyond), increase the speed circuits of capital are completed, and so on. Marx’s critical account of technology also provides an indispensable framework for understanding why there is an environmental crisis on a planetary scale, a social crisis of wage labor across the globe, tremendous global disparities and depravation, extreme monetary policies incapable of stimulating significant growth rates, a corporate sector increasingly obsessed with rent extraction from intellectual property, and an increasing frequency of large-scale financial bubbles. None of these phenomena can by a simple appeal to technological determinism. But they are all consequences of technological change when the social forms of capital are in place.

## 5. Where Do We Go From Here?

The overaccumulation difficulties Marx saw as a relatively brief moment between the end of an upswing and the beginning of a downturn have persisted, thanks to an unprecedented explosion of debt, higher rate of exploitation, extension of intellectual property rights, and credit-fueled monetary gains from financialization. Perhaps capitalism somehow proves able to continue down this path, and the present period of “overexertion” continues. The horrific environmental costs of capitalism’s “grow or die” imperative would then continue. Labor’s share of national income would continue to decline as the robot revolution advances. Intellectual property rights would continue to provide monopoly rents to ever-more powerful oligopolies. Credit money would continue to explode, and zombie capitals would continue to roam the planet. Financial assets would continue to inflate, their ascent periodically punctuated by financial crises and restored by more Central Bank infusions of liquidity. Capitalist democracy—never that vibrant to begin with—would continue to erode. Capitalism, in brief, would continue to mutate into something that what might equally well be termed “technofeudalism” (Ford 2015:266).

A second possibility is that at some point the devaluation and destruction of excess productive capacity can no longer be deferred, and an outright global depression erupts. The increasingly strong belief among policy elites that monetary policies must return to “normal” and zombie capitals allowed to die, might well have this effect. It is impossible

to know how many firms might prove to have been kept alive directly or indirectly by extraordinary infusions of credit. The scale of destruction and devaluation of capital that would occur would surely be immense. And what would it accomplish? Unless a massive historical regression returns us to a historical period where only one or two regions in global economy possess effective national innovation systems, it would still be the case that the time competitive advantages that could be won from innovations would be greatly compressed relative to earlier periods of capitalist development; this would be along with the time before difficulties stemming from excess productive capacity arose in even the most dynamic sectors of the world market.

Both alternatives are forms of barbarism. The real choice at the present moment in world history remains socialism or barbarism.

Whatever progressive elements capitalism may once have claimed, whatever emergent possibilities lie latent in its technological dynamism, it is past time to recognize that technological change in capitalism is essentially a means to *capital's* end, and that human flourishing tends to be sacrificed whenever it threatens the flourishing of capital (Smith 2017a). Our task, and the task of generations coming after us, is to create democratic structures so that future technological change has a quite different final purpose.

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### Notes:

(<sup>1</sup>) "Efficiency" is implicitly defined here in terms of lower unit costs, that is, lower *market* costs of production per unit of output. Lower market costs tend to allow prices to fall without sacrificing profits, and lower prices tend to result in greater market share. Other—better—notions of "efficiency" take more costs into account than those measured by market prices.

(<sup>2</sup>) “The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature’s forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalisation of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labour?” (Marx and Engels 1976 [1848]:489).

(<sup>3</sup>) Investment capital is also used to purchase the other major category of commodity inputs, means of production (tools, machinery, raw materials, etc.).

(<sup>4</sup>) “(M)achinery does not just act as a superior competitor to the worker, always on the point of making him superfluous. It is a power inimical to him ... It would be possible to write a whole history of the inventions made since 1830 for the sole purpose of providing capital with weapons against working-class revolt (Marx 1976 [1867]:562–563).

(<sup>5</sup>) “John Stuart Mill says ... ‘It is questionable if all the mechanical inventions yet made have lightened the day’s toil of any human being’. That is, however, by no means the aim of the application of machinery under capitalism. Like every other instrument for increasing the productivity of labour, machinery is intended to cheapen commodities and, by shortening the part of the working day in which the worker works for himself, to lengthen the other part, the part he gives to the capitalist for nothing. The machine is a means for producing surplus-value” (Marx 1976 [1867], p. 492).

(<sup>6</sup>) Marxists have often also asserted a tendency for technologies of production to “deskill” the workforce, that is, reduce laboring to a homogenous exertion of energy, indifferent to specific tasks. As Marx repeatedly insisted, however, what ultimately matters to capital is the abstract socially necessary labor that creates value, and *not* concrete labor (and so not concrete labor considered in terms of homogenous units of effort). In some contexts, technologies demanding less skill of the workforce will indeed further valorization. In many others, however, for labor to be value-producing it must combine formal knowledge from education and training with informal (“embodied,” “tacit”) knowledge acquired through “learning by doing.” The drive for valorization will even lead capital to nurture the development of higher-order skills whenever this promises to aid the transformation of M into M’ (Fuchs 2014: chapter 9). (It is worth noting in passing that a completely deskilled workforce would lack the requisite capacities for collective self-management of workplaces and social reproduction as a whole. To accept a strong form of the deskilling thesis, then, is to imply that over time worker self-management becomes less and less feasible.)

(<sup>7</sup>) The very technologies deployed to intensify deflationary pressures on wages through automation and geographically dispersed production chains are today also used to induce more and faster spending by working men and women. The only way these contradictory objectives can be reconciled is through higher household debt, exacerbating the structural coercion at the heart of the capital/wage labor relation.

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(<sup>8</sup>) Technologies that lower the amount of resources used and waste generated per unit of output can even be associated with *greater* resource depletion and waste whenever the number of units produced increases sufficiently. The imperative to accumulate as much capital as possible, as fast as possible, by producing and selling as many commodities as possible, as fast as possible, implies that this increase will occur (Smith 2013).

(<sup>9</sup>) Today in the United States the “private” sector covers roughly two-thirds of total R&D spending, while public funds only account for the remaining one-third. From a qualitative standpoint, however, the relative importance of the two forms of spending is inverted. Corporate R&D spending is overwhelmingly devoted to incremental technological changes foreseen to have commercializable results in the short-to-medium term. Almost all of the most important innovations tend to result from projects funded with public monies in whole or in part (Block and Keller 2011). Besides investment in R&D the national innovation system also includes government spending providing a market for high-tech products when their cost severely restricts market demand for them, public- and privately funded institutions for educating the next generation of knowledge workers, public funds for high-tech startups in the crucial early stages, venture capitalist funds for startups in a later phase of development, legal and marketing firms aiding the commercialization of innovations, and so on (Ramella Francesco 2016).

(<sup>10</sup>) At the turn of the century more than 95% of all research and development was undertaken in the wealthy regions of the global economy, granting units of capital based in these regions with tremendous advantages in the world market (Helpman 2004:64). Since then a higher proportion of global R&D has been subcontracted by multinationals based in wealthy regions to labs in poorer regions of the world economy, where scientific-technical labor is cheaper. This has in general reinforced, rather than limited, the advantages of the dominant capitals.

(<sup>11</sup>) The fact that a handful of countries were able to break out of the vicious circle after World War II does not refute this Marxian claim. They were only able to do so for contingent and temporary geopolitical reasons. Geopolitical allies of the United States in Asia were given immense financial aid and access to advanced technologies (Westra 2012 :59–60). A similar level of aid and technology transfer was not on offer elsewhere or offered after the conclusion of the Cold War. At a later point in time China was able to escape from the vicious circle in at least some important sectors. It, too, was a special case that cannot be generalized. China was able to industrialize and begin constructing an effective national innovation system by offering multinationals access to more or less unlimited inexpensive and skilled labor, along with the promise of access to the huge Chinese market, in return for technology transfers. Advances in automation, along with China’s immense success, condemn other poor regions to “premature deindustrialization,” ruling out following China’s path. *The Economist* draws the stark conclusion: “There is no obvious strategy for turning poor countries into rich ones.” (*The Economist* 2014:11).

(<sup>12</sup>) When we consider environmental costs of technological change in capitalism, however, things are not so positive, as noted above.

(<sup>13</sup>) The business press has acknowledged this state of affairs to some extent. “Zombie capital” has become an accepted technical term to refer to companies that spend more on interest payments than they earn, surviving only because of access to cheap credit enabling them to roll over interest payments (Clenfield 2014, 2017; Giles 2013; Stothard 2013). This phenomenon only came to general attention with the extreme monetary policies of central banks in the decade following the Great Recession, when interest rates were kept unprecedentedly low for an unprecedented period of time (Smith 2018). It began, however, much earlier (Duncan 2012). Further, the definition should be broadened to include all capitals that would have gone under had levels of investment and consumption not been propped up by the purchasing power injected into the economy by the explosion of credit creation. While there is no way to determine such a counterfactual empirically, there are compelling theoretical grounds to regard the proportion of capitals falling into this category as systematically significant (Smith 2017b).

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# Oxford Handbooks Online

## Alienation, or Why Capitalism is Bad for Us

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## Abstract and Keywords

This chapter considers the significance of Marx's concept of alienation to his overall criticism of capitalism. At the concept's core is the idea that while labor is potentially a fulfilling and liberating activity, under capitalism it appears only as a hostile, dominating force. Workers thus experience their own activity, natural and built environments, and fellow human beings as alien and hostile. While this idea has been deeply influential, it has also been the subject of heated controversies, in particular for its apparent dependence on an essentialist or teleological idea of human nature. While important, such controversies were often inflated by their political and intellectual context, and this chapter argues they should be considered alongside the lasting significance of alienation as an explanatory concept. Understood as such, it can still contribute a great deal to understanding and criticizing contemporary society, and provide guidance for how to transcend and replace it.

Keywords: alienation, labor, capitalism, essentialism, human nature, Marxism

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## 1. Labor and Alienation

In his famous *Economic and Philosophical Manuscripts* of 1844, Marx begins his analysis of estranged labor by noting "a present day economic fact":

The worker becomes poorer the more wealth he produces, the more his production increases in power and extent. The worker becomes an ever cheaper commodity the more commodities he produces. The devaluation of the human world grows in direct proportion to the increase in value of the world of things. Labor not only produces commodities; it also produces itself and the workers as a commodity, and it does so in the same proportion in which it produces commodities in general.



(Marx [1844] 1975:323–324)

But in addressing this economic fact, Marx hit upon a concept that was to have significance not merely for understanding economics but also for understanding the social, psychological, and even physical conditions of human beings under capitalism. Estrangement, or alienation, became, as Bertell Ollman (1971:131) puts it, “the intellectual construct in which Marx displays the devastating effect of capitalist production on human beings, on their physical and mental states and on the social processes of which they are a part.” As a result, alienation is simultaneously one of the most contested and most enduring of Marx’s concepts, having inspired generations to criticize and rebel against capitalism; however, this concept has also been subject to intense theoretical debate and scrutiny. While such debates are worthwhile, they should be considered alongside a reckoning with the lasting significance of alienation as an explanatory concept. Whatever philosophical controversies surround it, the concept of alienation can still help us understand, criticize, and perhaps even overcome a series of contemporary phenomena.

At the core of the concept of alienation is the idea that while human labor is potentially a fulfilling and liberating activity, under capitalism it appears only as a hostile, dominating force. Marx saw the fact that labor took this form as needing historical explanation. In particular, he refused to accept the ideas of earlier political economists that work was necessarily and always burdensome and that the condition of modern workers could be explained according to some natural laws or “imaginary primordial condition,” which “simply pushes the question into the grey and nebulous distance” (Marx [1844] 1975: 323). This is in part because of his belief that productive activity was fundamental to the formation of human identity. Following Hegel, Marx saw labor as a process by which human beings *objectify* themselves in nature and thus come to make themselves at home within it. Through engaging with and transforming the natural world we make it an extension of ourselves and thus become better able to recognize ourselves within it (Sayers 2011:14–31; Mészáros 1970:66–92). Labor was thus (potentially) an action of freedom, the means by which people realize their identity in the world. For Marx, however, labor is never pure, unmediated labor. Rather, our existence as social beings means that we also undertake labor in specific social relationships. Thus, if labor does not afford workers the chance to feel at home in the world but in fact appears to enrich a world of objects that stands against and outside them, then this must be due to some particular (and in some senses deficient) form of social organization.

Marx’s analysis thus begins with the observation that workers are alienated from the products they produce: from the *object* of their labor. Such objects are the material embodiment of human activity and represent potentially a field for human self-realization. However, in specific forms of production, this world of objects appears instead as not merely an externalized part of the human but as something that exists “outside him, independently of him and alien to him, and begins to confront him as an autonomous power” (Marx [1844] 1975:324). Put simply, this is because under capitalist conditions of production the product is never the possession of the producer. Unlike earlier forms of

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craft production, the product is not owned by the producers and then sold at market (or seized by a lord), it is always already the property of the capitalist. Moreover, the more workers produce, the more they expand and enrich the world of objects and the more they empower the capitalist over them. Here Marx also identified the domination of products over producers with the domination of *capital*, pointing to how workers not only experience their *product* as alien but also the various machines, tools, and spaces used to create those products. These, too, appear in production as the property of another, and their growth and development take place at the workers' expense. Later, in *Capital*, Marx described capital as dead labor, which "vampire-like, lives only by sucking living labor, and lives the more, the more labor it sucks" (Marx [1867] 1976:342), vividly indicating how machines that could enable our freedom appear instead as something to fear.

But alienation from the product rests on a more basic alienation. If the product always already belongs to the capitalist, the reason for this lies within the nature of the labor that produced it:

How could the product of the worker's activity confront him as something alien if it were not for the fact that in the act of production he was estranging himself from himself? ... if the product of labor is alienation, production itself must be active alienation, the alienation of activity, the activity of alienation.

(Marx [1844] 1975:326)

Marx's point here is that the alienation of the product of labor rests on a moment of alienation within the production process, in which labor itself becomes separated from the laborer and appears as an external activity:

This relationship is the relationship of the worker to his own activity as something which is alien and does not belong to him, activity as passivity, power as impotence, procreation as emasculation, the worker's *own* physical and mental energy, his personal life—for what is life but activity?—as an activity directed against himself.

(Marx [1844] 1975:327).

Thus labor appears not as the worker's own activity, as a way of realizing their freedom in the world but as something apart from him or her.

The source of this is the transformation of labor itself into a commodity, something Marx had already observed in the 1844 writings but developed more systematically later through the concept of labor power. Under capitalism, workers appear as free workers, bearers of their own labor, over which they exercise ownership relations and thus can (and must) sell to capitalists for a given period. This already requires representing the capacity to labor as in some sense separable from the human being who labors as something that can be "alienated" away in the act of sale. Moreover, having bought the labor of a group of workers, the capitalist must then put the group to work in order to generate as much profit as possible. Capitalists thus appear as the organizers of

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cooperative production, bringing together otherwise separate workers in a given workplace and subjecting them to a plan of work. Thus the work itself can only appear as someone else's plan, just as the machines must appear as the property of others: "Hence the interconnection between their various labors confronts them, in the realm of ideas, as a plan drawn up by the capitalist, and, in practice, as his authority, as the powerful will of a being outside them, who subjects their activity to his purpose." (Marx [1867] 1976:450).

In addition to the transformation of labor power into a commodity (and laborers into bearers of that commodity), Marx saw labor under capitalism as undergoing a process of *abstraction*. This is based on his analysis of the commodity. If commodities are to be exchanged according to a specific standard, it must be possible to identify something that they share. Marx suggested that this common standard is *labor* but not labor in any concrete, particular form. Rather, commodities appear as "congealed quantities of homogenous human labor, i.e. of human labor-power expended without regard to the form of its expenditure" (Marx [1867] 1976:128). While labor is always *concrete* labor—that is, a specific form of activity, with a particular product, rhythm, purpose and so forth—under capitalism it takes the appearance of *abstract* labor, an abstract quantifiable substance, with no particular determinations. The worker appears, from this point of view, as "an abstract activity and a stomach" (Marx [1844] 1975:285). A crucial part of this abstraction of labor is the growth of an apparatus for meticulously measuring and quantifying labor, and in particular notions of time as homogeneous, uniform, and measurable. These in turn move workers away from rhythms of work connected to nature and to the demands of a specific task toward a working day dominated by clocks, whistles, and timecards. Moreover, as time becomes an important measure of value, it impacts on other areas than just work. In particular, notions of time as value come to dominate not just work, but other areas of life. As Jonathan Martineau (2015:44) describes, "Just as labor-time must yield as much value as possible, leisure-time must yield as much 'leisure' as possible, and that to not make the most of it, to not organize it, to not use it adequately in a 'productive-of-leisure-way' can also be seen as a 'loss-of-time'."

These two aspects of alienation—from products and from the process of labor itself—became interwoven in an important concept for Marx's later economic theory: commodity fetishism. In a notoriously complex section of *Capital*, Marx described how the conditions of capitalist production and exchange lead to objects taking on a life of their own. Human beings relate to one another in the market as bearers of commodities—labor power on the one side and capital on the other. This means that, as I. I. Rubin (1973:29) put it, "Production relations are not established only *for* things, but *through* things," and as a result cooperative social activity appears as a kind of relationship between commodities. This leads to commodities acquiring a social significance over and above their specific use and purpose, appearing to have a life of their own. Marx (1867: 165) here draws direct comparison with fetishistic worship of objects, which involves projecting human powers onto objects that do not possess them: "There the products of the human brain appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race. So it is in the world of commodities with

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the products of men's hands" (Marx [1867] 1976:165). In the age of the smartphone, it has become almost a cliché to talk about people being ruled by their devices, seeing them not as useful products but as organizers of our lives. For Marx, this is simply the latest manifestation of a system where things dominate activity, not vice versa.

Marx did not stop, however, at observing workers' alienation from their product and from their labor itself. He suggests that in separating workers from their labor, capitalist production also separates them from what makes them distinctively human—their "essence" or "species-being." This is the source of much controversy, some of which will be addressed in section 2, but at its core is a claim that alienated labor is *inhuman* labor, since it denies the realization of distinctively human capacities (in later works, Marx talks about species powers, rather than species being). Marx identifies in humans a distinct capacity for consciously planning and reflecting on their activity: "Man reproduces himself not only intellectually, in his consciousness, but actively and actually, and he can therefore contemplate himself in a world he himself has created" ([1844]1975: 329). Alienated labor denies this capacity. Labor is frequently reduced to the status of merely reflexive and repetitive activity, and even when it is more creative or complex, it appears fundamentally as the plan of another and dominated by abstract labor time.

Marx ultimately saw this as having devastating consequences for human well-being. The worker "does not confirm himself in his work, but denies himself, feels miserable and not happy, does not develop free mental and physical energy, but mortifies his flesh and ruins his mind." (Marx [1867] 1976:326). At worst, workers are reduced to mere appendages of a machine, with their bodies fundamentally marked by the kind of labor they perform. As John Berger vividly describes, "The repetition by which gesture is laid upon gesture, precisely but inexorably, the pile of gestures being stacked minute by minute, hour by hour is exhausting. The rate of work allows no time to prepare for the gesture, to demand effort from the body. The body loses its mind in the gesture." (Berger and Mohr, [1975] 2010:100). In *Capital*, Marx ([1867] 1976:474) observed how this kind of specialization also has broader social consequences:

this division of labor seizes upon not only the economic, but every other sphere of society, and everywhere lays the foundation for that specialization, that development in a man of one single faculty at the expense of all others, which already caused Adam Ferguson, the master of Adam Smith, to exclaim: 'We make a nation of Helots, and have no free citizens.'

Thus, in narrowing down human activity to a particular form of abstractly and largely unconsciously expended labor, capitalism stunts human development, leading to "incomplete" human beings dominated by "animal" functions rather than human ones.

Marx's reference to the division of labor "seizing upon" every other sphere of society also indicates the importance of the broader social consequences of alienation—alienation from others. Those who engage in wage labor are alienated both from those they work *for*, and those they work *with*. As already discussed, the will of the capitalist appears as the dominating will of another, while other workers appear as much as potential

competitors as cooperators. Workers are only capable of engaging in collective activity through the sale of their labor power, and so while in the workplace they appear as separate elements brought together only by the capitalist, outside they must compete with one another to get the best price for their labor. Moreover, to the extent this appears (through commodity fetishism) as first of all a relationship between things, it takes on a kind of false objectivity, in which such relationships appear “natural,” rather than historically specific. Relations of production and exchange take on the appearance of a natural force, like the weather, which can be understood and even manipulated but not ultimately transformed. In this sense, alienation is self-reinforcing, since it both gives rise to and depends on representing human activity as an external, dominating force.

## 2. Essences, Natures, and Cold War Controversies

The previous section moved relatively freely between Marx’s youthful “philosophical” writings and his “mature” treatments of political economy. This form of presentation, however, is controversial. Many see in Marx not a fundamental continuity, but a significant break in which his earlier “philosophical” preoccupations are replaced by a new set of questions and concerns. Such interpretations can point to Marx’s increasing impatience with abstract philosophical questions, including several dismissive remarks about alienation, most prominently in *The German Ideology* written around 1845. Moreover, while in the *Economic and Philosophical Manuscripts* he was happy to speak about distinctively human powers and capacities, he later appeared increasingly suspicious of ideas of human essence, most famously in the *Theses on Feuerbach* where he remarked that “the human essence is no abstraction present in each individual. In its reality it is the ensemble of the social relations” (Marx, [1845] 1975:423).

In part, this is a debate about Marx’s relationship to Hegel and Hegelian milieu from which he emerged. Marx famously remarked in the preface to *Capital* that Hegel’s dialectic had been standing on its head and that it needed to be “inverted, in order to discover the rational kernel within the mystical shell” ([1867] 1976:103). Yet it is precisely the character of this “inversion” that is at stake. One possibility, as many Hegelian Marxists argue, is that Marx *advanced* Hegel’s thought by confronting it with the fact of alienated labor under capitalism, which presented a challenge to Hegel’s confidence in modern civil society’s ability to realize human freedom. For Marx, the persistence of alienation was evidence that society demanded further transformation. These approaches emphasize Marx’s deep debt to Hegel and see no particular problem in it (see, e.g., Mészáros 1970; Sayers 2011). On the other hand, Louis Althusser argues that this fails to grasp Marx’s radicalism: “If it were really a matter merely of an inversion, a restoration of what had been upside down, it is clear that to turn an object right round changes neither its nature or its content by virtue merely of a rotation!” (Althusser, [1965] 2005:73). Rather, Marx’s relationship to the Hegelian ideas that dominated the Germany of his time was not primarily one of *correction*, but one of *retreat*, withdrawing

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from these ideological debates in order to forge a new path and a new set of critical concepts. According to Althusser, this new path had no place for the concept of alienation or the idea of human essence on which it depended. Yet, as many of his critics have pointed out, *Capital* contains passages that closely mirror those of the earlier works, in which Marx talks about self-directed creative activity (labor) as a distinctively human capacity (Marx [1867] 1976:283–292) and while less frequent, the language of alienation persists (e.g., “Since, before [the worker] enters the process, his own labor has already been alienated from him, appropriated by the capitalist, and incorporated with capital, it now, in the course of the process, constantly objectifies itself so that it becomes a product alien to him” (Marx [1867] 1976:716).

This interpretive debate cannot be resolved here. However, it is worth emphasizing that if it were merely an interpretive debate, it is unlikely it would have had generated such heat. Much of this has to be understood against the background of debates within and about the “Communist” regimes in Eastern Europe. The *Economic and Philosophical Manuscripts*, while now some of Marx’s most widely read writings, came to light extremely late, and did not form part of the established corpus of his work. Their “discovery,” particularly in the West, coincided with a period of deep disillusionment in developments in the Soviet Union, where Stalinist counter-revolution was shattering the hopes that many had placed in the revolution. In this context, the discovery of a Marx that appeared concerned with notions of freedom, creativity, and individuality—and who offered a critique of stultifying, unfree labor—provided a vital basis for renewal. This was certainly the perspective of the Frankfurt School theorist Erich Fromm, who translated the manuscripts and worked to develop a tradition of socialist humanism on both sides of the Iron Curtain. Fromm (1966 [2003]:64) closely associated the relegation of Marx’s early works with defenses of the Soviet orthodoxy and insisted that “it is impossible to understand [Marx’s] concept of socialism, and his criticism of capitalism as developed in his later years, except on the basis of the concept of man which he developed in his early writings.”

It is against this position that Althusser’s ideas developed. Indeed, he submitted an essay on Marxism and humanism to a collection edited by Fromm (it was rejected). While thinkers such as Fromm saw a return to the young Marx as restoring a vital missing link, Althusser saw it as a backward step toward an idealist and unscientific approach. While Althusser’s major concern was theoretical consistency—in particular his insistence that Marxism should aspire to the objectivity of the natural sciences—his ideas are also deeply influenced by what he saw as an inadequate and inappropriate reckoning with Stalinism within the French Communist Party (and beyond) (see Elliot 2005:1–54). Althusser’s argument thus presented a clear divide between humanism and anti-humanism, around which many Western theorists (whether explicitly Marxist or not) felt the need to align themselves.

Yet this question developed somewhat differently in the East, where dissident Marxists often looked to the significance of Marx’s early writings for a trenchant criticism of the official Communist regimes (see Karkov 2015). Most prominently, the Praxis School based

in Yugoslavia developed a Marxism that foregrounded the notion of a subject engaged in the active transformation of the world and self. It may well be that while for Althusser opposing the deviations of the French Communist Party depended on a strict anti-humanism, for those who lived in “actually existing socialism” in its various forms, an assertion of humanism was a vital component of resistance. Similarly, many postcolonial Marxists, while developing a sharp critique of the pretensions of Western humanism’s universalizing tendencies, were also reluctant to abandon notions of humanism entirely, perhaps, as Nikolay Karkov (2015:195) suggests, because they recognized in them “an antidote to a history of systematic dehumanization and to forms of alienation far more profound than those of the factory floor or the computer screen.”

These debates are thus sharply overdetermined by their political context, and it is often hard to unpick the theoretical controversies from the various political battle lines they intersect with. Nonetheless, there are substantive issues at stake, mostly revolving around how to understand (and whether to take seriously) Marx’s remarks about essence and species being. For some (like Fromm), these ideas are crucial to Marx’s criticism of capitalism: capitalism deserves to be condemned precisely because it denies the realization of a distinctively human essence, a core of needs, capacities and interests, and this idea is essential to guide both the critique of capitalism and construction of an alternative. (see, e.g., Meikle 1985; Geras 1983). Yet the idea that there exists some kind of transhistorical human nature has become increasingly controversial, seen as incapable of addressing the diversity of human societies and perhaps positing too narrow a view of what it means to be human (as a laboring animal, rather than, say a speaking, writing or political one). To the extent that Marx—and in particular the notion of alienation—relied on such an idea, it might be seen as suspect. Indeed, Marx himself was at times dismissive of such ideas, in part precisely because they fail to appreciate how human nature is molded by social conditions. This allows for an alternative reading of Marx as having a “historicist” view of nature, seeing human needs and powers as historically modified and societies judged in terms of their ability to meet the specific historical needs they produce (Sayers 1998).

A connected criticism focuses on the question of *teleology*. The idea of alienation appears embedded in a logic of separation and restoration, in which human beings objectify their powers, become separated from them, and then re-appropriate them in a moment of final unity. Certainly, Marx’s earlier works tended in this direction—representing Communism as a kind of final completion of the unity of humans and nature. Two particular worries arise here. First, this view implies an overly demanding or unrealistic vision of the fully realized human, such that overcoming alienation requires complete and transparent recognition of one’s activity and place in society in a way that ignores how important elements of our social relationships remain contingent and uncontrollable (Jaeggi 2014: 11–21). Second, this might be seen as relying on a deterministic view of history, such that people are inevitably moving toward this final state of reconciliation with nature and that all of history can be understood as part of this process. As well as raising familiar criticisms of denying historical contingency and individual agency, this also seems to depend on an idea of historical progress that allows some social forms to be represented

as more “backward” than others. In this context, the long-term trajectory of some members of the Praxis School matters—their commitment to humanism did not stop them becoming apologists for violence against apparently “less developed” peoples in the wider Balkans (Karkov 2015:189–193).

However, it is worth stepping back from these various debates to ask to what extent alienation really depends on a substantive idea of human nature or of the fully realized human. In Marx, alienation appears first and foremost not as a failure to live a certain way but as a kind of *pathological* relationship to one’s own activity. Rahel Jaeggi (2014) has recently argued for a reading of alienation as a kind of “relation of relationlessness.” On this reading, what is at stake is not a failure to realize any specific essence or core self but a failure in the relationship of a subject to their own activity in which activities appear unchosen: either as externally imposed or simply as natural and inevitable. This need not depend either on identifying a specific kind of human activity, or on the idea of a perfect recognition of all activity as one’s own—but merely the idea there is some activity that we *could* see as our own that we do not. While Jaeggi does not read Marx himself in these terms, it is possible to do so. Even in the *Economic and Philosophical Manuscripts*, species being is represented not as some specific core of human activities but free, self-directed activity itself, strongly suggesting that the *relationship* to the activity was far more significant than the *kind* of activity. Moreover, Marx’s positive account of human nature generally appears as *future* oriented, often identified with the goal of Communist society itself (see Ollman 1971:111–120). In this sense, to the extent that Marx has an idea of essence or nature it can be seen as *anticipatory*, committed to the possibility that a richer relationship to our activity is possible without committing him to a particular (substantive or overdemanding) model of what this involved.

Here, alienation appears primarily as a negative concept, as a failure; but it does not therefore bring with it a specific positive alternative. Alienation thus describes an inhuman condition but does not commit us to a narrow vision of the human condition. However, it does commit us to some claims about the human animal, namely that there exist certain pathological ways of relating to our own activity, that we are capable of recognizing them as such, and that these are connected to specific forms of organization of social life. These claims are controversial, but they are capable of scrutiny and analysis independent of the broader philosophical debates about essences and natures. Perhaps, then, it makes more sense to scrutinize these claims not purely as abstract philosophical ones but as empirical ones aimed at drawing links between specific social and psychological phenomena and capitalist relations of production. If these claims can be shown to contribute to an understanding of contemporary society and its condition, then it at least partially vindicates them.

### 3. Grasping Phenomena by the Root

In the previous section, it was suggested that notions of alienation should be judged primarily on whether they can help us grasp and understand contemporary phenomena.



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To the extent that they can help us do this, it might provide evidence for the conception of the human that is implicit within it. This section will point to three quite disparate instances in which Marx's treatment of alienation might help understand contemporary phenomena. The point is not to stress that these are the most fruitful, or the only relevant ones, but merely to demonstrate the potential that alienation has for understanding the world.

First, alienation rests on an apparently controversial claim about the potential effects of certain social relationships on our health and well-being. It claims, in other words, that social relations may not merely be just or unjust based on abstract criteria, but they might appropriately be described as *bad* for us. This claim, however, is not as controversial as it once was. Developments in social epidemiology increasingly point to the psychosocial aspects of health care and particularly the way in which inequalities in both wealth and status can have dramatic effects on both physical and mental health. Strikingly, while the popular uptake of these ideas (specifically through the popularity of Richard Wilkinson and Kate Pickett's 2009 book *The Spirit Level*) has been emphasized in terms of wealth inequality, much of the foundational research behind these ideas focuses on *work* and particularly questions of power, control, and autonomy in the workplace. Michael Marmot, whose name is now inextricably associated with such ideas, began his work with a study of British civil servants, discovering that heart disease was closely correlated with the amount of control at work and that those in higher-echelon positions with more control suffered less. This went against the folk belief that responsibility and authority led to greater stress and ill-health.

Marmot (2015:172) continues to see work as having an important determining role among many different sources of social disempowerment:

inequities in power, money and resources are the fundamental causes of inequalities in health. All three of these inequities stand out in the workplace: the lower the position in the hierarchy, the more disempowered, the less the money, and the worse the physical, psychological and social resources. Worse health ensues. Work is a breeding ground for disempowerment.

Thus disempowerment at work can radiate out into broader social disempowerment, which is in turn correlated with a dramatically increased risk of illness. Much of modern work is characterized by various combinations of "high demand and low control, imbalance between effort and rewards, social isolation, organizational injustice, job insecurity, [and] shift work" which together form a "toxic cocktail" (Marmot 2015:179).

Marmot is far from a Marxist or an anti-capitalist, but he does insist on a strong connection between the social organization of work and human well-being. Moreover, he insists that these are avoidable ills, which might be overcome or at least mitigated in forms of work that allow for greater empowerment, participation, and control. All of this is conducive to being read in Marxist terms, as examples of the effects of how alienated labor "mortifies flesh and ruins minds" and how the denial of control in our productive activity can lead to deeper and more profound denials of identity and self-worth. For

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Marmot, just like for Marx, the fact that such arrangements are specific and historical rather than timeless and universal demands that we pursue alternative ways of organizing our working lives.

For Marx, pursuing such alternatives depended first of all on abandoning capitalism as a system. But Marmot's ideas raise a possible response to this: might capitalism itself be compatible with forms of work that are less alienating and more empowering for workers than those Marx focused on? Not all capitalist work seems to deny autonomy and control to the worker to the same extent—worker autonomy is even seen as valued in certain industries. To the extent that such forms of work allow for greater control over both the labor process and its product it might make sense to call them less alienated. However, Marx retains good reasons for skepticism about such possibilities in the long term. First, it is important to stress that any increased autonomy that involves or depends on control over other workers (e.g., in some of the higher ranking civil servants studied by Marmot) is merely to exacerbate alienation from others. Second, even those with a great deal of autonomy continue to sell their labor power, thus establishing a relationship in which both worker and employer relate to their activity primarily as a commodity. This activity remains “alienated” in the narrow sense of appearing as something separable and distinct, leaving in place a significant barrier to recognition of it as fully one's own. Finally, the fact that labor is bought and sold leaves in place an antagonistic relationship in which the employer has an interest in maximizing profits and the worker in maximizing wages. This in turn creates a necessity for techniques of management—while these may sometimes coincide with the affording of greater autonomy, there always remains the possibility that they do not.

Second, a different extension of the concept of alienation to contemporary problems lies in the idea of alienation from nature. In the *Economic and Philosophical Manuscripts*, Marx emphasizes the importance of understanding humans as natural beings who are both dependent upon nature and try to make nature an extension of themselves. He describes nature as “man's inorganic body” ([1844] 1975:329), as “the material in which his labor realizes itself, in which it is active and from which and by means of which it produces” ([1844] 1975:325). Thus, in separating the worker from the conditions of their labor, estranged labor separates them from nature itself, representing nature as something potentially dominating—and in turn, in need of domination. This estranged relationship can only be overcome in a higher form, which is “the perfected unity in essence of man with nature, the true resurrection of nature, the realized naturalism of man and the realized humanism of nature” (Marx [1844] 1975:349–350). This vision might be seen as utopian and perhaps even licensing a “Promethean” account that sees nature only as something to be subjected to human mastery (although Marx is clear even here that this is a unity, not a domination). Later, however, Marx's writings develop a more lasting sense of nature as a kind of limit, albeit one that is still produced and defined by human actions. While there is no “pure” nature untouched by human hand, there remains a natural world that exists independent of human beings: a world with its own laws that must be grasped and understood. Central to this is the notion of

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metabolism (*Stoffwechsel*) between humans and nature, in which labor appears as a crucial regulating element.

The concept of metabolism has formed the core of recent attempts to apply the notion of alienation from nature to contemporary environmental degradation and climate change, which draw in particular on Marx and Engels writings about soil erosion and the development of urbanization (Foster 2000:141–177). Mass migration of people to cities from the countryside led to a concentration of human waste in the cities, which presented both a crisis of hygiene and waste management and a crisis of soil quality, since these nutrients were no longer being returned to the soil:

Large landed property reduces the agricultural population to an ever decreasing minimum and confronts it with an ever growing industrial population crammed together in towns; in this way it produces the conditions that provoke an irreparable rift in the interdependent process of the social metabolism, a metabolism prescribed by the natural laws of life itself.

(Marx [1894] 1981:949)

This “rift” constitutes a breakdown of the metabolic relationship between humans and nature, which can only be overcome through a system of social regulation and planning. Indeed, one of Marx’s more famous passages in which he describes the conditions of Communism makes use of this idea of metabolism: “Freedom [in the sphere of necessity] can consist only in this, that socialized man, the associated producers, govern the human metabolism with nature in a rational way, bringing it under collective control instead of being dominated by it as a blind power” (Marx, [1894] 1981:959).

This notion of metabolic rift can be extended to the problems of environmental degradation we confront today—most dramatically in the case of a breakdown in the process of carbon emissions and capture but also in more comically grotesque crises such as the fatbergs that clog the London sewers. While there is debate about precisely how best to extend and develop these insights, the concept of alienated labor remains central to them (Burkett and Foster 2016:222–242). The central point is that while capitalist production separates productive activity from its natural basis and seems to pull itself free of the limits of nature, those limits reimpose themselves in dramatic forms and in ways that ultimately undermine the basis of this production—and even the basis of human existence itself.

Finally, a somewhat different aspect of alienation can be identified in contemporary *politics*. Especially in his earlier works, Marx presents politics as an alienated sphere, which arises on the basis of divisions within society but is unable to resolve those divisions itself. Politics can be seen as following the same pattern as other areas of human life: Human activity appears as an abstract force of nature: something external and dominating. This approach dominates both the image and the reality of modern politics. The news reports economic movements in the same language they use for reporting the weather—and the same goes for politics. Parties and candidates rise and fall in the polls

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in an almost mystical and mysterious way, while the polls themselves begin to determine the strategies taken in response to them. This, in turn, leads to an ever-narrower sense of political engagement and political strategy, seeing politics as essentially a game of data mining and modeling.

To an extent, this treatment of politics reflects a reality—contemporary politics is too detached from the active engagement and participation of most people. Politics is an alienated sphere, operating with its own laws, which can be mastered by particularly smart data analysts—that is, until it can't anymore. Hillary Clinton's ultimately doomed campaign for the American presidency followed precisely this pattern. Her strategists were completely enamored with "analytics," which attempted to model voters according to their likelihood of voting for Clinton, thus concentrating resources according to these models. While this involved vast quantities of data, it reduced most people to static and statistical quantities:

The data team would collect as much information as possible about potential voters, including age, race, ethnicity, voting history, and magazine subscriptions, among other things. Each person was given a score, ranging from zero to one hundred, in each of three categories: probability of voting, probability of voting for Hillary, and probability, if they were undecided, that they could be persuaded to vote for her. These scores determined which voters got contacted by the campaign and in which manner—a television spot, an ad on their favorite website, a knock on their door, or a piece of direct mail. 'It's a grayscale,' said a campaign aide familiar with the operation. 'You start with the people who are the best targets and go down until you run out of resources.'

(Allen and Parnes 2017: 229)

This model had, in more "normal" elections, reaped great rewards. In focusing resources on a narrow section of the electorate likely to vote, it helped mobilize maximum turnout. With no reason to believe people who usually did not vote would vote, this strategy involves the most effective use of resources. Yet throughout the campaign, this approach proved to be ineffective, first as a predictor of outcomes (Clinton tended to do worse than her own analytics team expected), and ultimately as a political strategy.

What does alienation have to do with this? Firstly, it helps us think about a way in which human activity can appear as a "natural," statistical process, capable of analysis and ultimately manipulation. If political developments can be reduced to such models, then all that is required is a particularly skilled analyst to understand and manipulate these forces to their own end. Such models gain their apparent wisdom from the fact that they are effective under certain conditions in which people do in fact engage passively with politics. But their claims appear weak at moments of irruption that shake up such categories, either through new people engaging with politics, or through the breakdown of established assumptions about people's preferences and level of engagement. Such strategies "work" because they grasp an element of the reality that for many politics is an alienated sphere engaged in passively or not at all. Yet they mystify to the extent that

they preclude the possibility of a different kind of engagement in politics. In this sense, the “anti-political” shocks that throw all of this into doubt can be seen as reactions against this narrow, alienated sphere of politics. This is not, of course, to say that such shocks will always take emancipatory forms, but understanding them in these terms helps grasp something important about the alienation of contemporary politics.

These examples suggest alienation can still contribute a great deal to grasping (and perhaps uprooting) contemporary phenomena and that it has lasting significance as an explanatory concept, which must be considered alongside philosophical debates about human nature, essentialism, or the subject. Indeed, instead of beginning with an abstract human being, perhaps we should begin with such concrete phenomena in order to “work backward” to the picture of the human they imply. None of this is to suggest that an airy invocation of alienation is a substitute for doing the painstaking empirical work necessary to demonstrate and analyze these connections. As Lucien Séve (2012:109) suggests, alienation can appear as a seductively simple concept, capable of explaining diverse phenomena. But if we simply leave it at that, then we risk invoking alienation as a “formula of formulas” with which “instead of undertaking a concrete scientific analysis; we just need to formulate [phenomena] in the language of alienation to ‘account’ for them and even to ‘deduce’ them.” But this is not to say that the empirical work cannot be done. While the risk of oversimplification and abstraction is real, the answer is not to abandon claims about alienation entirely but rather be prepared to do the empirical and conceptual work necessary to support and develop them.

## 4. Alienation and Emancipation

Marx did not see alienation, as some others have: as an inevitable product of modern technology or mass society. Rather, he saw it as connected to a particular form of economic organization: capitalism. He believed that it could be overcome, or at least minimized, in an alternative society. Moreover, he believed that alienated workers had an interest in confronting and challenging their alienation and that through this process such an alternative society might emerge. These points, too, provide fertile grounds for debate. We have already discussed the importance of the concept of alienation in the context of the Cold War and the debates concerning the nature of the official Communist regimes but more generally the notion of Communism as an unalienated, or at least less alienated, society can provide a touchstone for practical political debates. In particular, to the extent that alienation has its roots in forms of workplace organization, it suggests that alternatives that leave workplace hierarchies substantially intact are unlikely to be sufficient. It cautions against an overidentification of Communism with nationalization and state control, at the expense of sustained consideration of questions of social domination and empowerment. At the same time, Marx’s insistence that lack of control at work is fundamentally rooted in capitalist relationships of production and exchange provides a challenge to accounts that believe we can empower people while leaving such relations fundamentally intact.

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If a focus on alienation can tell us something important about alternatives to capitalism, it also suggests something about the process by which such a society comes to be. In particular, it suggests an idea of revolution as an activity of “de-alienation.” On this understanding, revolutionary transformation involves a process coming to recognize oneself in the world through the process of changing it: and in particular recognizing what appeared as alien, external forces as human activity. Marx seems to have believed that this kind of process took place to a certain extent “naturally” as workers are forced to organize to defend their own interests in necessarily antagonistic relationships with their exploiters. Here it is important to note that, while Marx sees both workers and capitalists as alienated, there is an important difference:

The worker stands on a higher plane than the capitalist from the outset, since the latter has his roots in the process of alienation and finds absolute satisfaction in it whereas right from the start the worker is a victim who confronts it as a rebel and experiences it as a process of enslavement.

(Marx [1867] 1976:990)

Thus while the capitalist sees in alienation only the means to increase their wealth—reinforcing and confirming their identity as capitalists—workers already see labor as a kind of domination against which they are likely to rebel. It is in this rebellion that the possibility to transform social relations can be found.

Seeing revolutionary activity as a process of de-alienation raises a number of practical debates: The first is about the role of labor—particularly the official labor movement. Marx saw the struggle of workers as workers—for higher wages, better conditions etc.—as a vital part of the development of a class identity and ultimately of preparing workers for social revolution. And as a result, Marxists have tended to see such struggles as having a certain priority. This has often been criticized in terms of blindness to other struggles, but some have gone further, suggesting that a focus on the point of view of labor offers no way out of alienation. For example, John Holloway (2010:151–164) develops such an argument rooted in the distinction between concrete and abstract labor. In its struggle for higher wages, better conditions and more secure employment, the labor movement remains trapped within a logic that sees the significance of labor as measured solely in terms of the value it produces. He argues that this maintains and takes for granted the dominance of abstract labor over concrete labor (and thus of alienated social relations). Instead, Holloway calls for a rejection of this logic through a revolt of “doing against labor,” in which people distance themselves as far as possible with the wage-labor relation and do things for themselves (through forms of direct action, social experiments, etc.). Others (see, e.g., Lebowitz 2003:178–196), however, argue that while such struggles do not necessarily break the logic of alienation themselves, they expand the horizons of workers and help them recognize themselves as active transformers of the world.

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A similar debate concerns politics. As previously discussed, Marx presents politics as an alienated sphere of activity that stands above society and appears beyond the control of ordinary people. Yet he also insists that the working class must engage in political activity, up to and including conquering state power. This is partly for narrowly strategic reasons but also because such struggles are an important part of forming class consciousness and helping people better articulate their own demands and interests. This raises a series of practical questions of how to engage in political activity in a way that does not merely reproduce the alienated norms of politics as it currently exists, in particular over the role of leadership, organization, and how and when to contest political power.

Finally, this raises the role of revolutionary theory. If revolution is understood as de-alienation, then theory should play a role in helping people understand and transform their place in the world. This is the crucial sentiment behind Marx's famous eleventh *Thesis on Feuerbach*: that philosophers have only interpreted the world, but the point is to change it. An important aspect of this is that theory should aim to overcome fetishes and reveal how seemingly natural features of society are really merely alienated reflections of human activity (see Feenberg 2014). This suggests a particular view of *emancipatory* theory, which is intimately connected to practical struggles to transform the world and take sides within those struggles. Moreover, if theory is to play this role, it cannot remain the preserve of a small group of experts: it must be capable of being recognized and incorporated into the projects of ordinary people and in a way that does not simply reproduce hierarchies of domination. All of this is easier said than done.

As with the previous empirical examples given, these practical questions suggest the enduring relevance of alienation as a concept for helping understand and transform the world. While seeing the alternative to capitalism as a less alienated society does not provide a blueprint or road map, it does provide a set of pointers that can motivate action and debate. Similarly, seeing revolutionary transformation as a process of de-alienation may not be specific enough to provide hard and fast answers, but it can provide a framework and coordinates for shared practical debate. The fact that these questions do not have easy answers should not be seen as a weakness of alienation as a concept but rather as a sign of its enduring vitality and relevance. Again, these point to the enduring significance of alienation not as a master key or "formula of formulas" but as a living concept that can help shed real light on contemporary problems and challenges.

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## **Alienation, or Why Capitalism is Bad for Us**

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## Oxford Handbooks Online

### **The Commodification of Knowledge and Information**

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### **Abstract and Keywords**

This entry presents an analysis of the commodification of knowledge and information in contemporary capitalism. We provide a consistent account of how information as a commodity effects the workings of both capitalism and of Marxist theory. The first part of the chapter critically revisits Marx's own writings on the commodification of knowledge and how the immaterial labor hypothesis initially interpreted these writings. Based on the new categories knowledge-commodity and knowledge-rent, we then present our own approach in response to the challenges raised by the immaterial labor hypothesis. Lastly, there is an analysis of the more recent contributions on the commodification of knowledge and information within the Marxist literature. The current debate on the value of knowledge has been divided between two camps: the reproduction cost approach and the average cost approach. Finally, there is a look at empirical estimates of the magnitudes of knowledge-rents.

Keywords: knowledge-commodities, knowledge-rents, value theory, Marx, immaterial labor

The commodification of knowledge and information has been an undeniable feature of our economic system. Copyrights, patents, and intellectual property rights have proliferated worldwide in the past decades (OECD 2013). The commodity form thus appears to spare nothing and no one.

At every point in time in the history of capitalism when the commodity form took hold of a new economic object, a profound transformation would ensue. When the commodity form took hold of land, capitalist *land rents* emerged. When the commodity form took hold of labor power, wage labor and *wages* emerged. When the commodity form took hold of capital, *interest-bearing capital* emerged. Now we claim that when the commodity form took hold of knowledge and information, *knowledge-rents* emerged.

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Here we present an analysis of the commodification of knowledge and information in contemporary capitalism. Our approach aims primarily at developing Marxist theory so that it can face the new challenges posed by the existence of commodified information. In the nineteenth century Marx himself developed some deep insights on the future of science and information as productive forces within capitalism. Marx, however, had not yet experienced the vast and profound commodification of knowledge we experience nowadays. This fact bears consequences for the Marxist tradition, and it is our current task to provide a consistent account of how information as a commodity effects the workings of both capitalism and Marxist theory.

The structure of the chapter is as follows. First, we will critically revisit Marx's own writings on the importance of knowledge in production and how the immaterial labor hypothesis initially interpreted these writings. In revisiting Marx's insights on the roles of science and the "general intellect" we will be able to see how he foresaw the production and distribution of wealth in a future stage of capitalism. The immaterial labor hypothesis originally raised the argument that capitalism has been going through a structural shift by relying ever more on immaterial commodities produced during non-labor time. The hypothesis of a supposed change in the nature of both labor and commodities began to question abstract labor as the substance of value, and as a consequence called into question the analytical validity of Marx's value theory.

Second, we present our own approach in response to the challenges raised by the immaterial labor hypothesis. We introduce new Marxist categories with the explicit purpose of theorizing the emergence of commodified information: *knowledge-commodities* with zero value, *knowledge-rents*, and *knowledge-lords*. Crucial to our argument is Marx's distinction between production and reproduction time, and between productive and unproductive activity. Our own approach, we claim, coherently integrates Marx's value theory with the transformation of knowledge and information into commodities.

Third, we analyze the more recent contributions on the commodification of knowledge within the Marxist literature. The current debate on the value of knowledge is divided between two camps: the reproduction cost approach (of Teixeira and Rotta), and the average cost approach (of Starosta and Fuchs). The reproduction cost approach claims that commodified knowledge tends to have zero value because of its costless reproduction. The average cost approach, on the contrary, claims that commodified knowledge has value and that its value is given by the initial expenditures necessary to produce it. We argue that the reproduction cost approach is theoretically superior to the average cost approach, as only the zero-value interpretation is consistent with the notion of moral (i.e., value) depreciation. We also present empirical estimates of the magnitudes of knowledge-rents, and then conclude with final remarks on artificial intelligence and the limits of the Marxist theory of value.

# 1. Cognitive Capitalism and the Immaterial Labor Hypothesis

In an insightful passage in the 1857–1858 *Grundrisse*, a passage that did not reappear afterward in any edition of *Capital*, Marx has an intriguing comment on the impact of technology and science on the limits of value as the form of wealth in capitalism. He explicitly posits that labor time is the measure of value. But then acknowledges that technology and science applied to production progressively render labor time a miserable measure of wealth. It is a lengthy passage but well worth quoting in full:

But to the degree that large industry develops, the creation of real wealth comes to depend less on labour time and on the amount of labour employed than on the power of the agencies set in motion during labour time, whose ‘powerful effectiveness’ is itself in turn out of all proportion to the direct labour time spent on their production, but depends rather on the general state of science and on the progress of technology, or the application of this science to production....Real wealth manifests itself, rather—and large industry reveals this—in the monstrous disproportion between the labour time applied, and its product, as well as in the qualitative imbalance between labour, reduced to a pure abstraction, and the power of the production process it superintends.... In this transformation, it is neither the direct human labour he [the worker] himself performs, nor the time during which he works, but rather the appropriation of his own general productive power ... which appears as the great foundation-stone of production and of wealth. The *theft of alien labour time, on which the present wealth is based*, appears a miserable foundation in face of this new one, created by large-scale industry itself. As soon as labour in the direct form has ceased to be the great well-spring of wealth, labour time ceases and must cease to be its measure, and hence exchange value [must cease to be the measure] of use value.... Capital itself is the moving contradiction, [in] that it presses to reduce labour time to a minimum, while it posits labour time, on the other side, as sole measure and source of wealth. Hence it diminishes labour time in the necessary form so as to increase it in the superfluous form; hence posits the superfluous in growing measure as a condition—question of life or death—for the necessary. On the one side, then, it calls to life all the powers of science and of nature, as of social combination and of social intercourse, in order to make the creation of wealth independent (relatively) of the labour time employed on it. On the other side, it wants to use labour time as the measuring rod for the giant social forces thereby created, and to confine them within the limits required to maintain the already created value as value.... The development of fixed capital indicates to what degree general social knowledge has become a direct force of production, and to what degree, hence, the conditions of the process of social life itself have come under the control of the general intellect and been transformed in accordance with it.

(Marx [1858]1973:705–706, emphasis in the original)

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This passage from the 1857–1858 *Grundrisse* was unknown to readers until its publication in 1939. In the 1990s it then became the basis for the *immaterial labor* hypothesis of André Gorz, Toni Negri, Michael Hardt, and Maurizio Lazzarato. The core idea of this hypothesis is that technological progress makes labor time an inadequate measure of value, for the “general intellect” depends ever more on what is produced during non-labor time. These authors identify the “transformation” that Marx alludes to as the transition from an industry-based to a service-based economy. This transition from industry to services is, in their understanding, the limit to value theory grounded on labor time.

Negri (1991), Hardt and Negri (2001, 2004) and Lazzarato (2006) have put forth the argument that *immaterial labor* has modified the forms under which capitalist production takes place. Immaterial labor, they claim, produces *immaterial products* such as knowledge, information, ideas, images, affection etc. The qualities and specific characteristics of immaterial production tend to transform the labor process and even society itself as a whole. In contrast to agriculture and industry, immaterial labor emerges in the service sector and does not produce tangible goods. Immaterial labor blurs the distinction between *work* and *non-work time* and changes the nature of labor time from quantitative to qualitative.

Gorz ([2003] 2010) developed a similar set of ideas under his notion of *cognitive capitalism*. According to Gorz, current production relations are more tied to the complex and unmeasurable dimensions of human capital than to the former tangible forms of fixed capital. This replacement of fixed capital by human capital occurs because capitalism has gradually subordinated to the profit motive the knowledge, the science, and the arts developed during *non-work time*. Gorz ([2003] 2010) also differentiates between the present post-Fordist worker and the former industry worker still attached to the assembly line. The worker typical of Fordism is an appendix to material production and its work time is measured in hours of repetitive physical effort. The post-Fordist worker, on the contrary, is known for the qualitative aspects of its labor, for its knowledge and skills, for its behavior and improvisation, for its imaginative and cooperative capabilities mostly nurtured outside of the workplace.

The main argument that Hardt, Negri, Lazzarato, and Gorz have raised against Marxist value theory is that *abstract labor is no longer the substance of value*. The profound changes that immaterial labor has introduced into the nature of labor and production ended up displacing labor time as the internal regulating mechanism of capitalism. Immaterial labor, these authors claim, creates immaterial commodities whose values cannot be measured by the labor time required for their production. The valorization of value now depends less on unpaid labor time and hence more on the scientific knowledge and skills developed during *non-labor time*.

Along similar lines, Paulani (2001), Fausto (2002), and Prado (2005) have suggested that present-day capitalism is developing under the *post-large industry* form, in reference to a “third moment” that succeeds manufacturing and the large industry that Marx theorized

in *Capital*. The crucial feature of post-large industry is that knowledge itself becomes a core engine of production. As capital increasingly makes labor time a poor measure of value, it modifies the way in which capital subjugates labor within and outside the production process. If previous forms of capitalism led to the *formal* and *real* subordination of labor to capital, capitalism now achieves a higher stage with the *intellectual subordination* of labor to capital. More recently, Virno (2007) and Vercellone (2007) have also developed the idea that in cognitive capitalism the general intellect operates as a sublation of the real subordination of labor to capital.<sup>1</sup>

The concept of immaterial labor poses a theoretical challenge to Marxist theory. If abstract labor is no longer the substance of value, then value has lost both its internal measure in labor time and its role in regulating production and exchange. One crucial consequence of value losing its internal measure in labor time is that the price system becomes more arbitrary and dependent on non-economic factors such as monopoly rights.

In the next section we address these concerns and show how it is possible, and logically consistent, to remain within the Marxist theory of value while concomitantly acknowledging the recent transformations in capitalism.

## 2. Knowledge-Commodities and Knowledge-Rents

In a more recent analysis, Teixeira and Rotta (2012), Rotta and Teixeira (2016), and Rotta (2018) propose a solution to the theoretical challenge inherent to the concept of immaterial labor. In these studies we conceptualize the role of commodified knowledge but we do so *within* Marx's value theory, without rejecting abstract labor as the substance of value.

In this regard it is crucial to distinguish between *production* and *reproduction* in the determination of value and socially necessary labor time. Marx begins *Capital* at a very high level of abstraction, a stage in his theoretical exposition at which we only find the *production* of commodities. Growth, reproduction, and inter-capitalist competition are not yet explicitly (even though they are implicitly) included in the analysis.<sup>2</sup> But as soon as Marx approaches a more concrete level of analysis he progressively introduces the conditions of capital *reproduction*. At this point, once reproduction comes to the forefront of the theoretical exposition, there begins an important shift within Marx's value theory.

At the initial higher level of abstraction, in which only production is featured, commodity *production* determines the magnitude of values. But once reproduction is explicitly brought into the picture at a more concrete level of analysis, value is then determined by the conditions of commodity *reproduction*. The Marxist theory of value is fundamentally reliant on the difference between the production and the reproduction of commodities. Because of its undue focus on the very first chapters of *Capital*, the Marxist tradition has

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misunderstood how reproduction (not production) determines value and socially necessary labor time.

Once the reproduction of capital is explicitly brought into the analysis, Marx posits that what determines the value of any commodity is *not* the socially necessary labor time required for its production but the socially necessary labor time required for its *re*-production.

For example, from *Capital I*:

But in addition to the material wear and tear, a machine also undergoes what we might call a *moral depreciation*. It loses exchange-value, either because machines of the same sort are being produced more cheaply than it was, or because better machines are entering into competition with it. In both cases, however young and full of life the machine may be, *its value is no longer determined by the necessary labour-time actually objectified in it, but by the labour-time necessary to reproduce either it or the better machine*. It has therefore been devalued to a greater or lesser extent.

(Marx [1887]1990:528, emphasis added)

From *Capital II*:

Just as with any other commodity, so in the case of labour-power, too, its value is determined by the amount of labour needed to *reproduce* it.... wages are the value of the commodity labour-power, and the latter can be determined (like the value of any other commodity) by the labour needed for its *reproduction*.

(Marx [1893]1992:458–459, emphasis added)

In *Capital III* Marx pointed to “the great difference in costs between the first construction of a new machine and its reproduction” ([1894]1994:199), and then claimed that:

Once machines, factory buildings or any other kind of fixed capital have reached a certain degree of maturity, so that they remain unchanged for a long while at least in their basic construction, a further *devaluation* takes place as a result of improvements in the *methods of reproduction* of this fixed capital. The value of machines, etc. now falls not because they are quickly supplanted or partially devalued by newer, more productive machines, etc., but because they can now be *reproduced more cheaply*.

(Marx [1894]1994:209, emphasis added)

Fluctuations in the rate of profit that are independent of changes in either the capital's organic components or its absolute magnitude are possible only if the value of the capital advanced, whatever might be the form— fixed or circulating—in which it exists, rises or falls as a result of an increase or decrease in the *labour-time necessary for its reproduction*, an increase or decrease that is independent of

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the capital already in existence. The *value of any commodity*—and thus also of the commodities which capital consists of—is determined *not* by the necessary labour-time that it itself contains, but by the *socially necessary labour-time required for its reproduction*. This *reproduction may differ from the conditions of its original production* by taking place under easier or more difficult circumstances.

(Marx [1894]1994:237–238, emphasis added)

Apart from all the accidental circumstances, a large part of the existing capital is always being more or less *devalued* in the course of the reproduction process, since *the value of commodities is determined not by the labor-time originally taken by their production, but rather by the labor-time that their reproduction takes*, and this steadily decreases as the social productivity of labor develops. At a higher level of development of social productivity, therefore, all existing capital, instead of appearing as the result of a long process of capital accumulation, appears as the result of a relatively short *reproduction period*.

(Marx [1894]1994:522, emphasis added)

In the case of commodified knowledge, Marx's reasoning is pushed to its limit: once initially produced as commodities, knowledge and information tend to require no labor time to be further reproduced. They become *knowledge-commodities with zero value* and the ownership of them gives rise to *knowledge-rents*. Examples of knowledge-commodities are all sorts of commodified data, computer software, chemical formulas, patented information, recorded music, copyrighted compositions and movies, and monopolized scientific knowledge. Mokyr (2002) prefers to call it the “useful knowledge” of information, techniques, and instructions stored in technical artifacts.

The owners of commodified knowledge, which are mostly private companies, are *knowledge-lords*, the primary appropriators of knowledge-rents. In a process analogous to the original enclosures of the commons in the 16th century we can now speak of the “new enclosures” that privatize knowledge. The new enclosures of the 21st century deny labor the free access to knowledge as much as the 16th century enclosures denied labor the access to free land (the commons) as a means of production.

Because it produces no new value, the creation and ownership of commodified knowledge is actually an *unproductive* form of capital accumulation (Rotta 2018). *Productive activities* are those activities that create new surplus value, while *unproductive activities* are those that do not create new surplus value. Because knowledge and information can be reproduced without any labor, its production generates no value and hence no surplus value and must therefore be classified as unproductive activity.

A knowledge-commodity is, in all cases, a commodity. It has value and use-value as its social determinations. But *quantitatively* this value is zero, because the measure of value is the (zero) labor time necessary to reproduce the commodity. The knowledge-commodity does not lose value as one of its determinations, otherwise it would cease to be a



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commodity in the first place. It is thus more accurate to speak of *knowledge-commodities with zero value* than of *valueless knowledge-commodities*, even though we employ these two terms interchangeably. This is somehow analogous to a situation in which the temperature of an object is zero degree Celsius. The temperature as a property (physical, not social in this analogy) of the object is present, as the kinetic energy of its constituent particles, even though quantitatively the temperature on the Celsius scale is zero.

A corollary of this reasoning is that what Hardt, Negri, Lazzarato, and Gorz labeled as “immaterial labor” belongs mostly to the *unproductive* side of capitalism. Commodified knowledge and information have no value and hence cannot contain any surplus value. The profits that accrue to knowledge owners are knowledge-rents that represent value drawn from other value-producing activities in the economy. This is consistent with Marxist value theory and thus cannot be an argument favoring the dismissal of labor time as the measure of value.

The main theoretical misunderstanding of those who advocate the end of Marx’s theory of value is that they have not properly conceptualized the difference between production and *re*-production time, and neither the difference between productive and unproductive activity. Even though the language is not completely clear, Marx gave us a hint of this reasoning:

[The] product of mental labor—science—always stands far below its value, because the labor-time needed to reproduce it has no relation at all to the labor-time required for its original production

(Marx [1863]1988:Addenda to Vol. 1).

Once discovered, the law of the deflection of a magnetic needle in the field of an electric current, or the law of the magnetization of iron by electricity, cost absolutely nothing.... Science, generally speaking, costs the capitalist nothing, a fact that by no means prevents him from exploiting it.

(Marx [1887]1990:508)

In *Capital III* Marx then considers the existence of use-values that require no labor to be reproduced:

The use-value is the general bearer of the exchange-value, but not its cause. If the same use-value could be created without labor, it would have no exchange-value, yet it would have the same useful effect as ever.

(Marx [1894]1994:786)

It is, nonetheless, crucial to distinguish between the knowledge-commodity itself and other tangible and non-tangible commodities it might be attached to. In certain cases the knowledge-commodity is traded (sold or licensed) *per se*. Examples are when customers and companies purchase the license to use software, or when a company pays the

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royalties required to use a specific drug formula. But in other cases the knowledge-commodity can only be traded if bundled together with another commodity. This situation leads to a potential theoretical confusion if we do not properly distinguish the knowledge-commodity itself from the other commodities bundled together with it.

A few examples might clarify this instance. When a band performs a live concert its fans must pay for the entrance tickets. The ticket price covers the costs of all the inputs used such as the musical and technical equipment necessary for a live concert. The ticket price also covers the compensation of the productive labor of the musicians performing live to the public. However, the musicians are playing copyrighted compositions, and this is where the knowledge-rents arise. The copyrighted songs are knowledge-commodities and a share of the concert revenues are actually payments for the knowledge-rents associated with these songs. Hence, what we call a concert is in fact a bundle of several commodities, among them knowledge-commodities such as musical compositions. The live performance is a combination of the *productive* labor of musicians and technical staff, plus the *unproductive* labor of those who composed the songs in the first place. If recorded, the video of the concert itself can be sold afterward as a knowledge-commodity with zero value in a DVD or via Internet streaming.

When you buy a smartphone, part of the phone price covers the production costs of the physical components. But another part of the price remunerates the patented design and the copyrighted software stored in the memory. The copyrighted parts of the phone are therefore knowledge-commodities, and the revenues associated with these specific components are knowledge-rents. This implies that your smartphone is in fact a combination of more than one commodity. A share of the phone price pays for the *productive* labor of those workers making the physical components. Another share of the phone price pays for the knowledge-rents, out of which the knowledge-lords pay for the *unproductive* labor of those workers making the design and the software.<sup>3</sup>

Even fixed capital in the form of machines and equipment are combinations of different commodities. Suppose that a company takes ten years to develop a new type of machine capable of performing a very precise process. The physical machine does need labor time to the reproduced, and hence it contains value. But the copyrighted design and the copyrighted blueprint of the machine are the knowledge-commodities inherently attached to the machine itself. The same goes for any software used to operate this machine. This copyrighted knowledge is the knowledge-commodity that gives rise to knowledge-rents. Therefore, knowledge-commodities and knowledge-rents are present even in fixed forms of capital such as machines and equipment. The physical part of this fixed capital suffers both use-value depreciation and value (moral) depreciation, such that the machine gradually transfers (and hence loses) its value to the output. But the copyrighted part of this fixed capital does not have value and the payments associated to it are knowledge-rents.

The knowledge-commodity is *not* a commodity that is knowledge-intensive. The knowledge-commodity is *not* the technical artifact in which information is stored. The

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knowledge-commodity is the commodified information itself. For example, take the case of pharmaceuticals. A pill (the tangible drug) is *not* a knowledge-commodity. The knowledge-commodity is the information that allows the company to make the drug in the first place. The information that allows the pharmaceutical company to make the drug is a commodity because this useful information was produced with the explicit purpose of making a profit. Hence, this information is commodified. But because commodified information has zero value, it gives rise not to surplus value but to rents. For the knowledge-commodity to have zero value, we do not even need to wait until another competitor company can reproduce this drug at zero labor time. The pharmaceutical company that paid for all the initial sunk and fixed costs of research and development can itself already reproduce this commodified information at zero labor time. For a knowledge-commodity to have zero value is not necessary that competitors replicate it. The innovating company that created the knowledge-commodity in the first place can already reproduce this commodified information indefinitely, regardless of what its competitors do.

Marx's theory of ground rent related only to agriculture and mining (Fine 1979; Harvey 2006:349–357; Rigi 2014; Basu 2018). But we can now draw on his insights to claim the existence of four categories of knowledge-rents:

**(i) Monopoly Rent:** Because of intellectual property rights the owner of information is able to price (the use of) its knowledge-commodities above their zero value, hence extracting a monopoly rent from its users. The intellectual property rights transform a non-scarce commodity into one that is artificially scarce. The monopoly rent exists regardless if the user of the knowledge-commodity is a final consumer or a company using it as an input. If the owner of the knowledge-commodity sells not its use rights but the actual ownership, then the price of the knowledge-commodity is the discounted expected stream of future knowledge-rents.

**(ii) Differential Rent type I (DR-1):** Each knowledge-commodity gives rise to different levels of productivity for the companies using them as inputs. If certain companies use a particular software to enhance their productivity, these privileged companies will obtain DR-1. The software gives them a concrete productive differential. This is analogous to lands with different levels of fertility. But if all companies use the same software, the productive differential is eroded and DR-1 ceases to exist. Note that software need to be upgraded constantly but, in any case, each upgraded version is a new knowledge-commodity with zero value.

**(iii) Differential Rent type II (DR-2):** Companies using knowledge-commodities as inputs do so but with different amounts of capital. If the organic composition of capital or the amount of capital invested across companies that use the software are not the same, even if all of them use the same software, DR-2 will emerge.

**(iv) Absolute Rent:** Absolute rent would exist only if knowledge-commodities had value and were produced within a specific sector protected by intellectual property rights and with a lower organic composition of capital than the rest of the economy. Unlike monopoly rent, which draws from the global pool of surplus value, absolute rent draws from the surplus value in a particular sector of production, like land rents

in the agricultural sector. Because these conditions are not satisfied in the case of knowledge-commodities, absolute knowledge-rents are implausible.<sup>4</sup>

As Teixeira and Rotta (2012) and Rotta (2018) demonstrated, it is empirically verifiable that present-day capitalism is indeed becoming more dependent on the existence of rents such as land-rents and knowledge-rents. In fact, the expansion of unproductive activities and of rentier forms of capital is exactly what Marx had theorized and foreseen in the development of capitalism. There is still no need to reject labor as the substance of value and hence no need to reject the Marxist theory of value. On the contrary, the rise of rentier activities and of other types of unproductive activity is exactly what Marx had conceptualized through his notion of *value autonomization* (Rotta and Teixeira 2016).

In the next section we turn to the more recent developments in the Political Economy literature regarding the roles of knowledge and immaterial labor.

### 3. The Commodification of Knowledge and Information: The Recent Literature

The political economy literature on the commodification of knowledge and information has been growing steadily in the past decades. At the present moment the scholarship is divided between two camps in regard to the determination of the value of commodified knowledge. The *reproduction cost approach* posits that commodified knowledge tends to have zero value, and that knowledge-rents are appropriations of the global pool of surplus value in the economy. The *average cost approach*, on the contrary, posits that the initial investment necessary to create commodified knowledge (the research and development costs to produce the “mold”) determines the value to be realized once the knowledge-commodity is sold or licensed. In this section we highlight the advances made in this debate. Our understanding is that the reproduction cost approach is theoretically superior to the average cost approach because it is the only one that is consistent with the notion of moral (i.e., value) depreciation.

Foley (2013) draws from the classical political economy distinction between productive and unproductive activities to claim that commodified information contains no value and that its ownership gives rise to intellectual property rents. The unique feature of commodified information is that, unlike the case of land rents in which the same soil can be used for only one crop at a time, the same piece of information can be used by multiple parties concomitantly. Unlike land, knowledge is non-rival and hence its owner can extract rents multiple times over from costless copies of the same commodity. These rents, Foley argues, are part of a pool of surplus value generated in capitalist production though they have no direct relation to the exploitation of productive workers in themselves. The production of knowledge and the associated intellectual property rights allow unproductive capitalists to grab a share of the global pool of surplus value without directly contributing to it. Foley also notes that despite being classified as an

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unproductive activity, knowledge creation can indirectly raise the productivity of labor in productive activities.

On this same issue, Foley has a very good passage on how the creation of surplus value is actually an unintended by-product of the struggle to appropriate (not necessarily to produce) surplus value. Which implies that, in capitalism, economic growth is an unintended by-product of the pursuit of profits:

The global pool of surplus value emerges from the social relations of capitalism as an unintended by-product of the competition to appropriate surplus value. Its magnitude is an emergent and contingent phenomenon beyond the influence of any individual capitalist, responsive only to broad political, cultural, and social factors. The immediate competitive challenge for all capitals is the appropriation of a larger share of this pool of surplus value. Some modes of appropriation indirectly contribute to increasing the size of the pool of surplus value, but many, including a wide variety of methods of generating rents, do not. There are some self-correcting mechanisms built into the social relations of capitalism ... If, for example, capitalists relentlessly shift capital from the generation of surplus value to the unproductive pursuit of the appropriation of surplus value, sooner or later profit rates in productive sectors will rise and profit rates in unproductive sectors will fall, according to the general law of competition.

(Foley 2013:261)

Jeon (2011) further notes that in the Marxist tradition in South Korea there has been an intense debate between those who think that knowledge-commodities have value and those who think otherwise. Among those who believe that knowledge-commodities have value, the main argument is that the fixed capital and all the costs behind the production of the very first unit (the “mold”) must be taken into account into the unit values of the output. Hence, if this hypothesis is correct, the value of knowledge-commodities is the average cost per unit produced inclusive of all sunk and fixed costs. Given the large expenditures with machinery, laboratories, and research and development that need to be spread out across all copies sold, the average cost of knowledge-commodities cannot be zero. But such an approach ignores Marx’s value theory grounded on reproduction time. As we have seen in the last section, Marx was very explicit about the fact that reproduction, not production, determines the value of any commodity. Jeon (2011) also notes that in the group of Korean scholars that identify with the hypothesis that knowledge-commodities have zero value, there has been a convergence toward the idea that intellectual property rights do imply the existence of information rents.

Starosta (2012) and Fuchs (2015) also disagree with the notion that knowledge-commodities have zero value. These authors believe that value is determined in a similar way to average costs. And because average costs are the total costs (inclusive of fixed costs such as plants and equipment) divided by the output, the value of knowledge-

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commodities is not zero. Starosta warns against attempts of determining the values of commodities taken individually:

The determination of the value of the individual commodity can no longer be considered in isolation but must be directly posited in its organic relation to the mass of commodities whose unity embodies the valorization of the capital invested.... the total value is determined 'first' and then shared out equally by each individual commodity, which now contains a proportional fraction of the former.... the real determination of value actually transcends the isolated single commodity as such.... Inasmuch as each single commodity embodies an equal fraction of the value of the product of capital as a whole, the comparison between the (exceptionally high) cost of production of the first article and (exceptionally low) cost of reproduction of the rest is rendered meaningless as far as their value-determinations are concerned.... intellectual property rights do not force the exchange-value of software above its insignificantly small (or nonexistent) value ... but mediate its full realization.... In this sense, there is no essential difference between cognitive commodities and "physical" ones beyond the aforementioned technicality of extending the legal regulation beyond the act of exchange proper and into the conditions of use.

(Starosta 2012:373–376)

Starosta argues that the total value of the entire output must be divided across each unit produced. This average cost approach to the determination of value is therefore an attempt to remain within the boundaries of Marx's value theory, while at the same time rejecting the claims that Marx's value theory has become obsolete in cognitive capitalism. Starosta cites passages from *Capital*, mostly drawn before Marx explicitly introduces reproduction into the analysis, to corroborate his perspective. But ignores those that contradict his claims. What determines the value of any commodity is the labor time required to reproduce it. And this reproduction time bears no relation with the labor time originally required to create the commodity in the first place.

Marx's value theory based on reproduction time and, consequently, on moral depreciation (the change in the values of the existing stock of commodities) is much more nuanced than a simple average cost approach. The determination of value based on the socially necessary labor time to reproduce a commodity is, in fact, similar to current cost accounting practices. A closer inspection of Marx's quotes in the previous section of this chapter shows that *moral depreciation*:

- (i) Is the loss of value that, abstracting from the physical wear and tear (the *use-value depreciation*), impacts the stock of all commodities, including those that have already been produced in the past;
- (ii) Can occur because of the existing reproduction methods on the supply side, and also because of changes on the demand side;
- (iii) Can occur because reproduction time takes into account the immediate effects of *new technologies* on the obsolescence of already existing technologies;

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(iv) Can occur because of economies of scale that reduce reproduction costs as more output is produced, for a *given technology*.

Contrary to average costs, reproduction time does not rely on the sunk and fixed costs originally employed in the production of the mold: “the value of the capital advanced ... rises or falls as a result of an increase or decrease in the labour-time necessary for its *reproduction*, an increase or decrease that is *independent of the capital already in existence*” (Marx [1894]1994:237–238—emphasis added). Reproduction time can thus fall to zero after the mold is produced regardless of the large amounts of fixed capital used in its conception.

The immediate drop in the reproduction time of knowledge-commodities after the mold is created does *not* derive from a sudden fall in the average cost due to economies of scale and neither from a change in technology. The extreme case of moral depreciation that characterizes knowledge-commodities derives from the structure of the existing methods of reproduction of commodified knowledge and information. For this reason, moral depreciation is logically consistent only with a theory of value based not on average costs but on reproduction time. We do not have to claim, therefore, that knowledge-commodities have value in order to save Marx’s value theory.

Starosta (2012) and Fuchs (2015, chapter 5; 2017) thus disagree with the notion that knowledge production is a type of unproductive activity. Our claim that knowledge creation is an unproductive activity might indicate that the unproductive workers creating knowledge and information are not exploited. But this is definitely not the case:

All capitalistically employed labor is exploited by capital, whether it is productive labor or unproductive labor. The rate of exploitation of each is their respective ratio of surplus labor time to necessary labor time.... In the case of productive workers, their rate of exploitation is also the rate of surplus value, since their surplus labor time results in surplus value.

(Shaikh and Tonak 1994:31)

In *Capital III* Marx claims that by exploiting unproductive workers the unproductive capitalist grabs a share of the global pool of surplus value:

It is only by way of its function in the realization of values that commercial capital functions as capital in the reproduction process, and therefore draws, as functioning capital, on the surplus-value that the total capital produces. For the individual merchant, the amount of his profit depends on the amount of capital that he can employ in this process, and he can employ all the more capital in buying and selling, the greater the unpaid labour of his clerks. The very function by virtue of which the commercial capitalist's money is capital is performed in large measure by his employees, on his instructions. Their unpaid labour, even though it does not create surplus-value, does create his ability to appropriate surplus-value, which, as far as this capital is concerned, gives exactly the same

result; i.e. it is its source of profit. Otherwise the business of commerce could never be conducted in the capitalist manner, or on a large scale. Just as the unpaid labour of the worker creates surplus-value for productive capital directly, so also does the unpaid labour of the commercial employee create a share in that surplus-value for commercial capital.

(Marx [1894]1994:407)

Contrary to Fuchs's approach, and drawing from Teixeira and Rotta (2012), Rigi (2014) builds on the concepts of knowledge-commodities and of knowledge-rents in order to analyze the distribution of surplus value among different forms of intellectual property such as copyrights, trademarks, patents, and trade secrets. Rigi rightfully claims that knowledge-rents cannot be conceptualized solely within national borders, for the core countries are able to extract rents from the surplus value produced in peripheral regions of the globe. In a similar way, Seda-Irizarry and Bhattacharya (2017) conceptualize knowledge-rents at the level of global value chains, as rents might imply the transfer of surplus from non-capitalist modes of production in peripheral countries to the capitalist mode of production in core countries.

Within the Marxist tradition, an early mention of a category akin to "knowledge-rent" is from Ernest Mandel (1975:192) in his theory of "technological rents" as the surplus profits derived from monopolized innovations that reduce production costs. Haddad (1998) uses the term "knowledge-rents" more precisely to indicate the revenues whose origin lies in the labor of "knowledge workers" employed at private companies. Perelman (2003:305) and Zeller (2008) further establish a comparison between land property rights and patents. But despite their insights, these authors do not develop a consistent value theory of knowledge-rents as we do in Teixeira and Rotta (2012) and Rotta (2018).

Zeller (2008), in particular, offers an attempt at theorizing information rents within a Marxist framework. He posits that intellectual property rights are similar to the enclosure of the commons in the time of primitive accumulation. Even though claiming explicitly that information rents are monopoly rents, Zeller does not explicitly engage into a discussion of whether or not commodified information has value. Despite analogies to land rents and accumulation by dispossession, in his work there is no further theoretical development besides the claim of monopoly rents associated to patents. As we put forth, without a proper value theory of commodified information it is not possible to develop a consistent theory of information rents. Zeller (2008:97) seems to suggest that commodified knowledge does have value and that patents ensure the value of knowledge is realized, but if commodified information has value then the analogy with monopolized land (which does not have value) and land rents is unclear:

Knowledge is a product of labor. But the problem lies in the fact that information and technology once produced are usually quite simple to reproduce, and therefore the *realization of the exchange value* is questioned ... The phase of producing knowledge and information whose acquisition will be secured based on



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a patent is normally characterized by a high share of variable capital. Therefore, a potentially high *surplus value* arises here. But it is *not yet realized*.

(Zeller 2008:97–99, emphasis added)

As Teixeira and Rotta (2012:456–459) explain, within a Marxist framework, *interest* is the form of revenue associated with loaned money or with licensed commodities that have value. *Rent*, on the contrary, is the form of revenue associated with commodities that do not have value. Borrowed money is an amount of value and hence is paid back with *interest*. Borrowed (i.e., leased) machines and equipment have value and hence the lease payments are *interest* payments. In the case of licensed knowledge there is no value being borrowed, and hence the payments associated with it are not interest but *rents* instead. Unworked land yields *rents* to its owner because unworked land requires no labor to be produced (as it is a free gift from nature) and thus contains no value. Without a consistent value theory, as Teixeira and Rotta (2012:456–459) develop, there is a great risk in conflating interest and rent.

The political economy notion that knowledge has zero value is featured in mainstream economics, albeit under a different value theory, as the *zero marginal cost* of knowledge (Duffy 2004). Shavell and van Ypersel (2001:545) note that this special feature of knowledge also applies to industries producing pharmaceuticals, software, movies, recorded music, books, and visual products.

Rotta (2018) is one of the yet few empirical works that attempt to estimate the actual size of knowledge-rents and their evolution over time. Using input-output matrices and national income accounts for the United States from 1947 to 2011, Rotta (2018) arrives at aggregate and disaggregate estimates of Marxist categories for both productive and unproductive activities. The rise of knowledge-rents is just one dimension within the larger secular trend of rising unproductive activity. Unproductive activity has been growing at a fast pace in terms of incomes, fixed assets, and employment. The total income of unproductive activities quadrupled relative to the total value generated in productive activities during the 1947 to 2011 period. The estimates reveal that knowledge creation and finance have been the fastest growing unproductive activities both in terms of net income and capital stock. As percentage shares of the net income of all unproductive activity within the American economy, there has been substantial growth in the shares of finance and insurance from 14% to 23.2%, and also in knowledge and information rents from 7.9% to 17.4%. Finance and knowledge-rents combined have risen from 21.9% to 40.5% of the net income of all unproductive activity, hence nearly doubling in the postwar period. As percentage shares of the net capital stock in all unproductive activities, the fastest growth rates in shares have been in knowledge and information (from 0.8% to 5.0%) and in finance and insurance (from 1.7% to 10.3%). Finance- and knowledge-related activities have grown their combined capital stocks six- fold (or 502%) from 1947 to 2011 as a share of the total unproductive capital stock.

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Robbins (2009) provides detailed estimates of corporate income of United States corporations from the use of intellectual property, including royalties and licensing fees. The evidence indicates that these transactions have been growing rapidly at 11% on average per year from 1994 to 2004. Robbins (2009)'s work provides further discussion on how intangible assets and the revenues associated with them impact official GDP estimates. The US Bureau of Economic Analysis, for example, now plans to include investment in intangible assets as part of GDP.

The concepts of knowledge-commodities and of knowledge-rents can also unify two important branches of Marxism: the cultural industry (including digital media) and value theory. As Fredric Jameson noticed back in 1984, the Marxist tradition had not yet been able to integrate "cultural and informational commodities" with the labor theory of value. Our approach, we argue, bridges this gap in the political economy scholarship:

This description is also quite consistent with the Frankfurt School's conception of the 'culture industry' and the penetration of commodity fetishism into those realms of the imagination and the psyche which had, since classical German philosophy, always been taken as some last impregnable stronghold against the instrumental logic of capital. What remains problematical about such conceptions—and about mediatory formulations such as that of Guy Debord, for whom 'the image is the last stage of commodity reification'—is of course the *difficulty of articulating cultural and informational commodities with the labor theory of value*, the methodological problem of reconciling an analysis in terms of quantity and in particular of *labor time* (or of the sale of labor power in so many units) with the nature of 'mental' work and of nonphysical and noncomensurable 'commodities' of the type of informational bits or indeed of media or entertainment 'products.'

(Jameson 1984:xi, emphasis added)

In this regard, Fuchs (2010, 2013, 2014, 2015, 2016; also Fisher and Fuchs 2015) has done some interesting work on the production of knowledge and information in social media such as Facebook, YouTube, Instagram, Myspace, WordPress, etc. His argument is that the users themselves are producing the content of the information commodities. Social media companies appropriate and commodify user-generated content without paying for the labor time required to produce it. In return, these companies offer their services without charge. Fuchs thus labels these users as *prosumers*: consumers that actually produce the content that they themselves consume. Social media companies are responsible for providing the digital platform, thus encoding all the content, and then receiving fees from advertisers.

In spite of our theoretical disagreements in terms of value theory, Fuchs does offer an interesting hypothesis, namely that on social media it is the users (the *prosumers*) themselves that generate the information that is then gathered and commodified by the companies developing the online platforms. Wikipedia, the biggest encyclopedia in the history of humankind, would be another great example of user-generated content, even though in this particular case there is no profit motive and hence knowledge is not

commodified. The question that remains open is if, once produced by the users themselves, these information commodities on social media still require labor time to be further reproduced. From our perspective, this user-generated content online necessitates labor to be produced but, once produced, necessitates no further labor to be reproduced. Companies such as Google and Facebook can commodify the online content of their users, but it is still a commodity with zero value. Our argument does not negate the possibility that the users are somehow “exploited” when they generate the content online that is later on gathered, processed, and commodified.<sup>5</sup> It does question, however, the notion that this online content on social media has value. Our understanding is that commodified information, because of its effortless reproduction, has always zero value regardless of who produces it.

## 4. Implications and Final Remarks

Notwithstanding the ongoing debate on whether or not commodified knowledge has value, the Marxian political economy literature has been able to reach one consensus: that, contrary to the immaterial labor hypothesis, there is still no need to reject the Marxist value theory. The immaterial labor hypothesis has claimed that Marx’s value theory is no longer relevant in cognitive capitalism. In this chapter we argued otherwise, namely that the commodification of knowledge and information can be explained in a consistent way within the Marxist value theory.

This does not mean, of course, that the Marxist theory of value faces no limits. As a theory that is contingent on a specific mode of production and on a specific historical moment, it will make evident its own constraints. One possible case, even still within the capitalist mode of production, is that of artificial intelligence (AI). In Marxist theory, only direct human labor creates new value. Machines and equipment transfer their values to the output but do not add any new value to it. AI could challenge this idea, for it is a non-labor input that does create a new output not previously conceived, foreseen, or planned by human labor. AI implies that fixed capital itself has productive and creative powers, independent of the human labor originally used to program it in the first place.

The political economy of knowledge commodification, however, has not yet reached a consensus on the status of knowledge-commodities. The *reproduction cost approach* of Teixeira and Rotta claims that knowledge-commodities tend to have zero value and that the commodification of knowledge leads to the formation of knowledge-rents, drawn from the global pool of surplus value in the economy. The *average cost approach* of Starosta and Fuchs, on the contrary, claims that knowledge-commodities have value and that their value is determined by the initial investment in the research and development of the “mold.” Intellectual property rights then assure the realization of the value of commodified knowledge.

Our understanding is that the reproduction cost approach is superior to the average cost approach for two main reasons. First, the reproduction cost approach is much closer to Marx’s own insights on value theory. Second, the reproduction cost approach is the only

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approach consistent with the notion of moral (i.e., value) depreciation; the average cost approach is not. Our empirical estimates also indicate that knowledge-rents have been rising both as a share of the total income of unproductive activities and relative to the total value created in productive activities.

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### Notes:

<sup>(1)</sup> See Smith (2013) for a critique of Virno and Vercellone and also for a further critique against the immaterial labor hypothesis for not properly considering the distinction between *wealth* and *value* in Marxist theory.

<sup>(2)</sup> Fausto (1987a, 1987b) theorizes this distinction between *implicit* and *explicit*, or between *presupposed* and *posited* determinations as Marx moves from more abstract to more concrete levels of analysis.

<sup>(3)</sup> Kraemer, Linden, and Dedrick (2011) estimate the production costs of iPhones and iPads in 2010. They find that the cost of physical materials in the iPhone 4 represents only 22% of the final retail price, while labor costs amount to only 5.3%. They do not, however, attempt to estimate the size of the knowledge-rents.

<sup>(4)</sup> Zeller (2008) and Teixeira and Rotta (2012) had originally claimed that absolute knowledge-rents could exist, but Rigi (2014) correctly pointed out that absolute rents are not a constituent part of knowledge-rents: “the surplus value that is transformed into patent rent is not produced in the knowledge sector ... knowledge has no value, and, therefore, the knowledge sector does not produce surplus value at all. This surplus value is produced outside the knowledge sector.”

<sup>(5)</sup> Following Smith’s (2013) analysis of “free gifts” to capital, we could claim that when data are produced by people using computers as a by-product of their activity online, the data are provided to capital as a “free gift” outside the commodity form, becoming a commodity only at some later point in some other process. Hence, Fuchs’s notion of “exploitation” of online users does not employ Max’s concept of exploitation in its strict sense.

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# Oxford Handbooks Online

## Labor Unions and Movements

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## Abstract and Keywords

Labor unions occupy a paradoxical position within Marxist theory. They are an essential yet limited vehicle for shaping the working class into a collective actor, as unions' role is to manage the employment relationship, not transform it. This chapter assesses how that paradox has shaped Marxist debates surrounding trade unions. Unlike previous socialists, Marx and Engels highlighted unions' necessity, while noting their structural limitations. Capitalism's resilience after their deaths, combined with working class weakness and conservatism, led some Marxists to conclude that unions were irredeemable, destined to obstruct revolutionary impulses and create a conservative "labor aristocracy." Others resisted this conclusion, focusing on the need for mass action and organic working-class leadership to ensure unions' vitality. As the postwar "consensus" between labor and capital pushed revolution off the table, many Marxists adapted, with some abandoning the working class as a revolutionary agent. For the minority who did not, their task was not simply to denounce the bureaucratic and conservative character of existing unions, but how to rebuild dynamic working-class organizations in a context where labor and the left were separated. This task became more challenging as the postwar expansion came to a halt in the 1970s. While neoliberal restructuring and attacks on unions led some to pronounce the "death of class," others cautioned not to confuse class recomposition with class disappearance. The challenge was how to rebuild power as workers' traditional organizational vehicles faltered. This problem persists today, although some signs of renewed working-class dynamism are emerging.

Keywords: labor, labor unions, trade unions, class formation, party-class relations, working class

Labor unions have long occupied a paradoxical position within Marxist theory. They are an essential expression of the working class taking shape as a collective actor and an essential vehicle for working-class action. When we speak of "the working class" or "working-class activity," we are often analyzing the actions of workers either organized into unions or trying to organize themselves into unions.

At the same time, unions are an imperfect and incomplete vehicle for the working class to achieve one of Marxist theory's central goals: overthrowing capitalism. Unions by their very existence affirm and reinforce capitalist class society. As organizations which primarily negotiate wages, benefits, and working conditions with employers, unions only exist in relation to capitalists. This makes them almost by definition reformist institutions, designed to mitigate and manage the employment relationship, not transform it (Anderson 1967; Hyman 1971).

Many unions have adapted to this conservative, managerial role. Others have played key roles in challenging capital's power. Some have even played insurgent roles at one moment and managerial roles at others. When unions have organized workplace insurgencies, this has sometimes translated into political pressure that expanded democracy and led to large-scale policy reforms. In the few revolutionary historical moments that we can identify, worker organization, whether called unions or something else, has been essential.

Thus, labor unions and movements have long been a central focus of Marxist debate. At its core, the debate centers around the role of unions in class formation, the creation of the revolutionary working-class agent. The debate focuses on four key questions. First, to what degree do unions simply reflect existing relations of production and class struggle, or actively shape those relations? Second, if unions actively shape class struggle, why and under what conditions do they enhance or inhibit it? Third, how do unions shape class identities, and how does this affect unions' scope of action? Fourth, what is the relation between unions and politics? This question is comprised of two sub-questions: to what degree do unions help or hinder struggles in the workplace becoming broader political struggles? And how should unions relate to political parties, the more conventional vehicle for advancing political demands?

This chapter assesses Marxist debates surrounding trade unions, oriented by the four questions mentioned previously. It proceeds historically, first examining how Marx and Engels conceived of the roles and limitations of trade unions, then tracing how others within Marxism have pursued these debates as class relations and politics have changed over time. While the chapter includes some history of labor unions and movements themselves, the central focus is on how Marxist theorists thought of and related to those movements.

## 1. Marx and Engels on Trade Unions

Marx and Engels wrote extensively about the unions of their time, although never systematically. The majority of their writings on unions responded to concrete labor struggles of their time. From their earliest works, they grasped unions' necessity and limitations in creating a working-class agent capable of advancing class struggle against the bourgeoisie. This departed from previous variants of socialism, often based in

idealized views of rebuilding a rapidly eroding community of artisanal producers, which did not emphasize class organization or class struggle (Draper 1978; La Botz 2013).

Writing in *The Condition of the Working Class in England* about emerging forms of unionism, Engels observed that even though workers' primary struggles were over material issues such as wages, they pointed to a deeper social and political conflict:

What gives these Unions and the strikes arising from them their real importance is this, that they are the first attempt of the workers to abolish competition. They imply the recognition of the fact that the supremacy of the bourgeoisie is based wholly upon the competition of the workers among themselves; i.e., upon their want of cohesion. And precisely because the Unions direct themselves against the vital nerve of the present social order, however one-sidedly, in however narrow a way, are they so dangerous to this social order.

(Engels 1892:218–219)

At the same time, Engels saw that, even as union struggles “[kept alive] the opposition of the workers to the ... omnipotence of the bourgeoisie,” so too did they “[compel] the admission that something more is needed than Trades Unions and strikes to break the power of the ruling class” (Engels 1892: 218). Here Engels articulates the crux of the problem. First, unions are essential for working class formation, creating a collective actor both opposed to the bourgeoisie and capable of challenging it for power. Second, they are an insufficient vehicle for creating and mobilizing that collective actor.

Marx and Engels understood that unions are essential to working-class formation because, under capitalism, the system of “free labor,” where individual workers sell their labor power to an employer for a wage, fragments relations between workers and makes them compete with each other. As described in the *Communist Manifesto*, the bourgeoisie “has left no other nexus between man and man than naked self-interest, than callous ‘cash payment,’” leaving workers “exposed to all the vicissitudes of competition, to all the fluctuations of the market” (Marx and Engels 1969). While workers organized based on other collective identities, such as race, ethnicity, or religion, only unions could unite them *as workers* against the source of their exploitation—the bourgeoisie. Unions serve “as organised agencies for superseding the very system of wage labour and capital rule” (Marx 1964).

But just as unions could allow the proletariat to take shape and challenge the bourgeoisie for power, Marx and Engels also saw that they were a partial, imperfect vehicle for doing so for two reasons. First, unions' fundamentally defensive role, protecting workers against employers' efforts to drive a competitive race to the bottom, meant that they limited themselves “to a guerilla war against the effects of the existing system, instead of simultaneously trying to change it” (Marx 1976:62). Thus, even militant trade unions found themselves struggling for “a fair day's work for a fair day's wage” without challenging the bourgeoisie's fundamental power, particularly the wage labor system.

Furthermore, some layers of the trade union officialdom were content to fight for privileges for their small segment of the working class, leaving most workers behind.<sup>1</sup>

Second, unions' focus on wages and workplace issues tended to reinforce a division between economic and political struggles. This division was explicit with the more conservative "old" unions in Britain, which "bar[red] all political action on principle and in their charters" (Engels 1990b). But even with more progressive formations, such as the early 19th century's Chartists, or the late nineteenth century's "new" unions, Marx and Engels saw that the transition from workplace struggles to politics was not automatic. For one, it varied across national contexts. Engels observed that French workers were much more likely to mobilize politically, while English workers "fight, not against the Government, but directly against the bourgeoisie" (Engels 1892). But beyond national variation, they saw a recurring pattern of division, separating economic and political struggles by organization. Reflecting on the early to mid-nineteenth century English working-class movement, Engels noted a three-fold divide between "socially-based" Chartists, "politically-based" Socialists, and conservative, craft-based trade unions (Engels 1989). While the Chartists were "purely a working-men's [*sic*] cause freed from all bourgeois elements," they remained "theoretically the more backward, the less developed." Socialists may have been more theoretically sophisticated, but their bourgeois origins made it difficult to "amalgamate completely with the working class" (p. 238). Although young Engels thought an alliance of Chartism and socialism was underway, the alliance proved elusive. By the 1870s, Marx opined that politically, the English working class was "nothing more than the tail of the great Liberal Party, i.e., henchmen of the capitalists" (Marx 1968). Likewise, Engels had soured on the English working class. Both saw promise in the militant worker protest in the United States at the time, seeing the seeds of a nascent labor party (Engels 1990a; Marx 1990). But that too fell short. Thus, unions failed in Marx and Engels's central task: the formation of "a political organization of the working class as a whole" (Engels 1989:387).

Marx and Engels's sober analyses of unions' concrete difficulties in moving from economic to political struggles stood at odds with many of their theoretical pronouncements, where this transition seemed inevitable. While they noted in the *Manifesto* that the "organization of the proletarians into a class, and, consequently, into a political party, is continually being upset again by the competition between the workers themselves," they also asserted that "it ever rises up again, stronger, firmer, mightier" (Marx and Engels [1848] 1969:27). In *The Poverty of Philosophy*, Marx asserted that "in the struggle ... this mass [of people transformed by economic conditions into workers] becomes united, and constitutes itself as a class for itself" (Marx 1973). If they were attuned to the challenges of class formation, and the contradictory roles unions could play in that process, they never drew out the theoretical implications of their concrete analyses.

Nonetheless, in Marx and Engels's work we can detect in embryonic form many of the core questions that would orient subsequent Marxist debates about trade unions' role in class formation and class struggle. Marx and Engels saw that unions were inherently

products of their historical period, limited by existing relations of production. At the same time, as organizational expressions of the working class, unions could play a key role in reshaping relations of production. As for enhancing or inhibiting class struggle, they saw that unions' focus on concrete, practical workplace questions such as wages and working hours was a necessary step in developing the proletariat's fighting capacity but also constrained workers within a capitalist framework, limiting their ability to fight for broader demands such as abolition of the wage system. Similarly, different types of union organization could create different class identities, from craft unions' narrow exclusion to the "new" unions' broader inclusivity. As for the relation between unions and politics, they understood unions' necessary but limited role in mobilizing the working class around political demands. Still, these core insights remained fragmentary. Later theorists would flesh them out.

## 2. Unions after Marx and Engels: Aristocracy or Revolutionary Agent?

The problems Marx and Engels identified in their later writings on trade unions intensified after their deaths.<sup>2</sup> Formations they found promising, like the US Knights of Labor, and the "new unions" in Britain, either foundered or soon resembled the conservative "old unions" they challenged (Fraser 1999; Pelling 1976; Voss 1993). The International Workingmen's Association, or First International, to which Marx and Engels devoted much time and energy, dissolved by 1876. On the European continent, Bismarck's Anti-Socialist Law, in effect from 1878 to 1890, drove most German unions underground save for an elite layer of skilled workers, leaving the bulk of the industrial working class unorganized (Grebing and Saran 1969). In France, unions were more politically radical than in England or Germany, but numerically smaller and weaker (Linder 1985). Meanwhile, Europe and North America's capitalist class, far from entering into crisis, proved resilient, growing and consolidating its power (Hobsbawm 1989).

For Marxists, questions of explaining capitalism's durability and working-class weakness and conservatism loomed large, sparking debate on why these problems existed and how to solve them. Some like Eduard Bernstein (1911) proposed revising Marx's idea of the revolutionary overthrow of the bourgeoisie. In his vision of "evolutionary socialism," unions combined with parliamentary parties and cooperative associations would gradually expand democratic control over the economy, displacing capitalists. Karl Kautsky (1901:6-7) disagreed, warning that "the more capitalism passes over from free competition to monopoly, ... the more indispensable it will be that the trades unionists are inspired with socialist discernment and socialist enthusiasm." While he was optimistic that unions would "constitute the most energetic factors in surmounting" capitalism (Kautsky 1901:7), the reality of the workers' organizations of his time suggested otherwise.

To explain working-class conservatism, some drew on observations from Marx and Engels themselves to argue that employers in core industries had managed to “bribe” a stratum of skilled workers with super-profits. This resulted in a conservative “labor aristocracy” that aligned with its industry to protect its privileges rather than building a broad working-class movement of skilled and unskilled workers (Engels 1892 pp. xv-xix; Linder 1985). Lenin (1970) expanded the idea to the global stage, arguing that imperialists’ colonial possessions generated the super-profits with which to bribe their respective labor aristocracies. For Lenin, this helped explain not only working-class conservatism in general, but European workers’ movements’ rejection of international solidarity in favor of alliances with their national bourgeoisies in the run-up to World War I (Lenin 1920).

While it is true that some skilled workers did form conservative organizations to protect their privileges, the idea that this resulted from these layers being “bribed” by their national bourgeoisies does not withstand scrutiny. Most difficult for the labor aristocracy theory to explain is the fact that, in many cases, the most skilled workers formed the core of broader left movements, organizing for class-wide demands. Critics argue that *how* workers were organized to struggle against their national bourgeoisies, not the mere fact of skill-based wage differentials, better explains why unions took radical or conservative turns (Linder 1985; Post 2010).<sup>3</sup>

Other theorists blamed working-class conservatism on workers’ organization itself. For syndicalists like Sorel (1999), formal organization was an obstacle to workers’ ability to realize their revolutionary potential. Likewise, based on his experience operating in and observing the German SPD, Robert Michels (1915:401) reached the conclusion that “who says organization, says oligarchy.” Both argued that over time, workers’ organizations, whether parties or unions, shied away from activities that might advance workers’ interests, but at the expense of jeopardizing the organization’s existence. Sorel saw salvation in the mythical vision of the general strike, while Michels remained pessimistic about escaping the “iron law of oligarchy.”

Based on her experience with the German SPD, Rosa Luxemburg (1971) was also wary of organization’s conservatizing effects. She emphasized the need for workers’ self-activity, particularly through mass strikes. But unlike Sorel, she understood that the success of seemingly “spontaneous” mass action depended on the prior organization of leadership layers (Blanc 2017; Haro 2008). In this, her theory of how to build organizations to unite workers against capital resembled Lenin’s (1961; Lozovsky 1924), even though her “spontaneist” position is often counterposed to his “elitism.” Many emphasize Lenin’s argument that unions were insufficient vehicles for forging the revolutionary agent capable of overthrowing the bourgeoisie, which required unions to ally with political parties of intellectuals, often from outside the working class.<sup>4</sup> But this focus on Lenin’s “centralism” ignores the extent to which Lenin appreciated the fundamental importance of mass action by workers in creating revolutionary consciousness and organization (Le Blanc 1993; Lih 2008).

Both Lenin and Luxemburg saw workers' core problem as overcoming "economism." This meant separating the struggle against capital into distinct economic and political components, with unions bargaining over economic questions and parliamentary parties handling political questions. This undermined labor by taking as given the laws governing the economy, obscuring the fact that these laws were part of a political system that facilitated capital's rule (Wood 1981). In focusing on workplace demands, unions risked reinforcing the political-economic divide. Luxemburg insisted on the importance of mass action because it brought economic struggles against individual employers into the political sphere, as states and organized capitalists would have to respond to worker demands. Lenin emphasized the importance of party intellectuals not conspiring to seize power on their own but as a complement to mass action, helping to connect the economic and political dimensions of class struggle. Lenin understood—as did Luxemburg—that the transition between economic and political struggle was not automatic. Rather, workplace economic struggles created new *possibilities* for challenging capital's political rule, the outcome of which depended on the structure and character of workers' organization.

Building on Lenin and Luxemburg's insights, Gramsci focused on uniting not only the political and economic, but also ideological dimensions of class struggle (Annunziato 1988). While he was critical of the bureaucratic unions of his time, he saw them as an important site for engaging in workers' struggle for control of industry. Drawing on lessons from the Turin general strike of 1920, he advocated fusing unions with factory councils as a means of exercising worker sovereignty on the shop floor and producing a "new working-class leading stratum" (Gramsci 1978:21). For Gramsci, parties played a key role in welding together this leading stratum of "organic" intellectuals, based within the working class, and party-based "traditional" intellectuals—Lenin's "professional revolutionaries" (Gramsci 1972:4–16). Building workers' revolutionary consciousness was not something that could only be brought from outside *or* emerge purely from mass action. Rather, it was the product of an organizational structure made up of parties, unions, and factory councils, within which that consciousness could take shape and find political expression.

Like Gramsci, Trotsky focused on the role of unions in organizing workers to challenge capital in the workplace. He observed that "the danger of the trade unions [to capital] is that they do put forward—for the moment, gropingly, indecisively and half-heartedly—the principle of a workers' government" (Trotsky 1926:143). That principle would be advanced through a "class-conscious minority" in the workplace, akin to Gramsci's organic intellectuals (Trotsky 1975:9). Trotsky developed an analysis of the organizational barriers that caused the principle of workers' government to be put forth so indecisively. He argued that this was due to the trade union bureaucracy, which he saw as "drawing closely to and growing together with the state power" (Trotsky 1941:40). For him, establishing workers' government required challenging and overthrowing that bureaucratic layer within the labor movement.

The debates surrounding working-class organization in the decades after Marx's and Engels's deaths wrestled with a fundamental problem. Unions and socialist parties *did* develop organizational interests that inhibited their ability to fight for workers' interests. But even though mass action did erupt and play its transformative role on occasion, the syndicalist vision of "constant class activity" proved difficult to sustain in practice. This suggested that some form of organization was necessary to protect the gains of past struggles. Moreover, the mere fact of mass action proved insufficient for forging working-class identities and advancing workers' interests. The translation between economic and political struggles required leadership and organization. But building organizations that did not fall prey to conservatism and bureaucratization remained a challenge.

### 3. The Postwar Period: Calling the Working Class into Question

Mass worker upsurge in the early twentieth century established unions as a legitimate, legally recognized presence in most Western industrialized countries.<sup>5</sup> At the same time, radical left movements were decisively defeated, taking the question of unions' revolutionary potential off the table. By World War II's end, these countries had created bureaucratic industrial relations regimes integrating unions into systems of formalized collective bargaining, buttressed politically by social democratic parties and welfare state regimes (Esping-Andersen 1990; Przeworski and Sprague 1986; Western 1997). In the Eastern Bloc, Stalinist regimes either crushed or absorbed unions into the party-state apparatus (Windmuller 1971).<sup>6</sup>

Around the world, the political and military constraints of the Cold War profoundly shaped relations between parties, unions, and states, and limited the range of acceptable political discourse. Decolonization movements exploded across the Third World. Many of these explicitly organized along class lines, based on Marxist understandings of exploitation. These movements were caught up in the geopolitical struggle between the United States and the USSR over "spheres of influence" (Westad 2005). In "the West," class-based mobilization was inextricably linked to the specter of Communism, leading to intra-class conflict between socialists and Communists and their affiliated parties and labor unions over questions of loyalty and militancy. In "the East," class mobilization became integrated into state ideology, stifling rank-and-file activity. These conflicts constrained union militancy and pressured unions to become "responsible" social bargaining partners—although some resisted (Cherny, Issel, and Taylor 2004; Kaldor 1990; Sturmhthal 1983).

Mainstream industrial relations scholars viewed unions' and socialist parties' postwar domestication as part of a natural "maturing" process (Lester 1958), whereby class divisions would be managed in the workplace through a system of "industrial pluralism," while political demands would be channeled into a "democratic class struggle" between competing parties (Kerr et al. 1960; Lipset 1963). But even as they appreciated the real gains that industrial legality and welfare-state reforms meant for workers, Marxists



viewed these changes with unease. Postwar gains were built on the defeat of prewar worker upsurges and a broader socialist vision. The key question regarding workers' organization was no longer "reform or revolution?" but rather how to understand this defeat, and how unions might still challenge capital in this constrained environment.

The predominant response was to adapt. Across Western Europe and North America, Communist and socialist parties and their affiliated unions retained the rhetoric of class struggle, worker control, and the overthrow of capitalism. But in practice they fought for reforms within the existing capitalist system.<sup>7</sup> By the 1970s the reformist orientation called "Eurocommunism" emerged (Godson and Haseler 1978; I. Wallerstein 1980).

For others, the answer was to abandon the idea that unions or the working class could serve as revolutionary agents. At an organizational level, they echoed Michels in arguing that trade unions and social-democratic parties had become too bureaucratic, too concerned with institutional self-preservation, to be vehicles for social change. C. Wright Mills's detailed study of the "New Men of Power" (1948) showed how labor leaders of his time came to resemble and integrate with the political, business, and military elite. Likewise, Frankfurt School theorist Herbert Marcuse argued that postwar bureaucratization and the growth of the welfare state created a "new society" characterized by a "unification of opposites"—including labor and capital (Marcuse 2002: 22). Still others, reviving the theory of the labor aristocracy, declared that unions and the industrial working class they represented had been "bought off" by their respective national bourgeoisies, uniting with their employers to benefit from imperialist plunder of peripheral countries (Emmanuel 1969). Some went even further, arguing that even the organized working class in the periphery constituted a "privileged" layer more interested in preserving the status quo than overthrowing it (Debray 1967; Frank 1969).

But the problem for these theorists was not only organizational. Workers themselves had become conservative, losing their revolutionary potential. Mills (1960) maintained that the Marxist idea of the working class as "*the* historic agency" was no longer valid, "an historically specific idea that has been turned into an a-historical and unspecific hope" he derided as a "labor metaphysic" (p. 22). Developing this idea, Marcuse claimed that "changes in the character of work and the instruments of production" had socially and culturally integrated the working class into capitalist society (Marcuse 2002:32). Postwar bureaucratization, technological innovation and automation, and the increasing alienation of "mass society" had rendered the working class not only less revolutionary, but less relevant.

The question then arose: what social force could replace the working class as the key revolutionary agent? The two main candidates advanced were (1) students and intellectuals; and (2) the global peasantry, preferably armed. This debate over the agents of social change shaped the postwar New Left, which differed from previous left-wing movements in its distance from unions and the working class. Much of it was student-based and enamored of romanticized notions of peasant-led guerilla insurrections in Asia, Africa, and Latin America (Katsiaficas 1987).<sup>8</sup> Untethered from a working-class base,

much of the movement imploded into isolated grouplets, with some devolving into adventurist terror cells (Aust 2008; Elbaum 2002; Jacobs 1997).

However, not all segments of the postwar left were willing to accommodate the existing capitalist order, nor abandon the working class as the key revolutionary agent. While critical of what existing unions had become, a small minority continued to insist on their importance as vehicles of working-class organization. Most within this heterogeneous camp were influenced by Trotsky's focus on workplace control and analysis of the trade union bureaucracy. The core problem they faced was how to rebuild a dynamic working-class movement amidst dramatic workplace changes and a stultifying postwar "consensus" between the official representatives of labor and capital. Their analysis focused on understanding (1) changes in the structure and conditions of work; (2) the organizational structure and functioning of labor unions; and (3) the conditions shaping worker consciousness and action.

In the years immediately following World War II, a group called the Johnson-Forest Tendency published a series of pamphlets examining contemporary shop-floor life and the day-to-day dynamics of class conflict (Glaberman 1952; 1966; Romano and Stone 1947).<sup>9</sup> The authors, who had direct shop-floor experience, showed how factory production was organized not to maximize efficiency but to retain management's control over and knowledge of the production process. Management prioritized shop-floor discipline over encouraging workers' ingenuity to improve production. In unionized shops, they argued that union bureaucrats served as a junior partner to management, trading worker gains in wages, benefits, and representation for reaffirming the company's right to manage. This was not a result of personal corruption or moral failings but a structural feature of the bureaucracy. Postwar labor relations, with full-time union representatives tasked with negotiating and administering complex, technical contracts with management representatives, meant that unions' bureaucratic layer had a day-to-day experience closer to their management counterparts than the workers they represented. Likewise, they saw apathy and conservatism among the ranks not as a result of ignorance, but a rational response to the boss's power and the union's inability to counter it.

The Johnson-Forest perspective found an audience in France, where the *Socialisme ou Barbarie*? group translated many of their pamphlets, as well as in Italy, where partisans elaborated the ideas into a perspective known as *operaismo*, or workerism (Tronti 2012; S. Wright 2002). By then it had veered far from its Trotskyist roots, its strident skepticism of bureaucracy making it resemble more the syndicalism that Trotsky criticized.

Other tendencies developed the "workerist" analysis of the workplace, unions, and worker consciousness, but without rejecting the role of leaders or parties as leading inevitably to bureaucratic domination. In the United States, the "Cochranite" tendency was an early proponent of this perspective (Cochran 1959).<sup>10</sup> One of its leaders, metal worker Harry Braverman, wrote one of the most penetrating analyses of how and why work had changed under capitalism in the twentieth century, *Labor and Monopoly Capital* (Braverman 1998). Observing that a key source of workers' power was their practical

knowledge of the production process, Braverman showed how management appropriated that knowledge through a process of “deskilling,” separating production conception and execution in blue-collar factory, white-collar office, and service work. But unlike Marcuse and Mills, who saw the growth of service work as a source of class atomization and alienation, Braverman argued that it reduced intra-class differences, creating new possibilities for class unity.

Since union leaders had ceded shop floor control to management, they were ill-equipped to confront this chipping away at workers’ power, let alone the distant goal of building a movement to challenge capital. But Cochranites and others like them still understood the importance of defending and improving the existing union organization structure, conservative though it was. For the union bureaucracy to be dislodged, for workers’ “rational apathy” to be overcome, the necessary first step was for workers to be in motion as a collective force (Cochran 1958; Draper 1970). Unions provided a structure that could make that possible.

Once in motion, there remained the problem of translating that movement into demands and long-term gains. Key to that was the fight for greater union democracy. This provided a mechanism for workers to develop new ideas and new leaders, as well as gain experience with exercising control over organizations that shape their lives (Cochran 1958). Belgian Trotskyist leader Ernest Mandel (1968) noted that union democracy was essential for developing “unity in action” among workers. Only through democratic debate and decision-making could workers forge a common purpose across the many differences that divided them.<sup>11</sup> He stressed the central role of democratic organization in transforming workers’ consciousness, “liberating [them] from a long-standing habit of passivity, submission, and obedience in economic life” (Mandel 1973:10).<sup>12</sup>

The key task then for Marxists operating in this period where the left had been divorced from labor was not simply to denounce the bureaucratic and conservative character of existing unions. Rather it was, as Independent Socialist Clubs founder Hal Draper (1970) put it, “how to establish its relations with that real movement of the proletariat which is not yet socialist itself.” That was already a challenge in the context of a bureaucratic but still-strong labor movement. It would become even harder as the postwar order came under attack in the 1970s.

## 4. Neoliberal Crisis and the “Death of Class”

In the immediate postwar decades, there was a tradeoff: the possibility of working-class revolution in the West was gone, but prewar working-class mobilization combined with postwar economic growth achieved real material gains for workers.<sup>13</sup> As the postwar economic boom ground to a halt in the 1970s, those gains came under attack.

Key to that attack was an employer- and state-led assault on unions across the industrialized world (Baccaro and Howell 2017; Wallerstein and Western 2000). Not only did this erode wages and protective social policies, but it disoriented labor and left-wing

politics. Besieged, unions prioritized institutional survival, agreeing to concessions and bargaining decentralization to stay afloat (Gumbrell-McCormick and Hyman 2013; Moody 2007). Meanwhile, traditional left-wing parties buckled. Communist parties faded or collapsed, especially after the Soviet Union's fall in 1991 (Bull and Heywood 1994). Social-democratic parties abandoned even rhetorical commitments to fighting for the working class; they attacked unions and slashed budgets in the name of fiscal discipline when in power, while drifting toward the "Third Way" liberalism best exemplified by British Labour leader Tony Blair (Callaghan 2000).

Facing this new terrain, the challenge for Marxists was once again to understand how capitalism had changed, how unions were (or were not) changing, and what role—if any—they could play in creating a collective actor capable of challenging capital.

As in the postwar period, the notion that unions could still play their historic role of organizing the working class was in doubt. But whereas the postwar critique focused on the bureaucratic character of unions and working-class conservatism, now the very idea of the working class was called into question. Echoing mainstream conventional wisdom about the growth of "postindustrial" or "postmaterialist" society (Bell 1973; Inglehart 1981), some contended that declines in manufacturing and the proliferation of technical and professional jobs had fundamentally altered the class structure. The erosion of blue-collar work meant that the working class was no longer a numerical majority, while the growth of "knowledge work" had created a "new petty bourgeoisie" with interests distinct from the working class (Poulantzas 1975). Class thus could no longer unify as it once had. Broader, more encompassing political coalitions were necessary (Przeworski and Sprague 1986). And unions, to the extent they still mattered, could only be part of those coalitions.

Moreover, as the 1970s crisis gave way to Reagan and Thatcher's 1980s, then Clinton and Blair's 1990s, union decline made claims that class and unions were less politically relevant seem more plausible. Stuck on the defensive, unions were less able to serve as an organizational anchor for the left. To the extent there was social mobilization in this period, it emerged outside of unions (Williams 1983).

Others argued for a socialist strategy to confront capital that moved away from alliances based on "economistic" notions of a shared class position in favor of one based on subjective, politically determined identities. Crucially, this again involved displacing "the working class" as the central political agent, now in favor of a broader idea of "the people." The socialist project was replaced with a vague goal of "radical democracy" (Cutler et al. 1977; Gorz 1982; Laclau and Mouffe 2001).

Others were not so quick to abandon unions or the working class. While acknowledging declines in manufacturing employment and unionization, they cautioned not to confuse class recomposition and defeat with class demise (Miliband 1985). The fact that the industrial working class of the mid-twentieth century was being replaced by a new working class based in service industries such as retail, education, and care work did not mean that the working class was disappearing, and the fact that unions were weakened did not mean that they were irrelevant. Indeed, much of the "new" social mobilization

outside of unions addressed class issues and was tied to new forms of labor struggle (Fominaya and Cox 2013). Likewise, they argued that the “new class” of professional and technical workers did not necessarily have interests distinct from the working class. To the extent they were not being proletarianized themselves, they occupied “contradictory class locations” where their allegiances would depend on the outcomes of political and ideological struggles (Wright 1985). Workers and unions were on the losing end of those struggles at the moment, but this did not call for a wholesale “retreat from class” (Wood 1998).

Nonetheless, for Marxists still committed to the working class as the key agent of social change, the question remained of how the working class could rebuild power as its traditional organizational vehicles—socialist parties and unions—faltered. The crux of the problem still lay in the paradox of organization: even in their weakened state, existing party and union organizations provided indispensable infrastructure, bringing workers together on a scale that was otherwise impossible. But it was a limited infrastructure for any political project to challenge capital (Anderson 1967; Brenner 1985).

Part of the solution lay in strengthening rank-and-file organization to promote working-class self-activity and challenge conservative union leadership. But neat counterpositions of a militant rank and file chafing under a rigid bureaucracy ignored the realities of worker consciousness and shop-floor life. Leadership of some kind was necessary for generalizing workers’ particular grievances and articulating a broader class consciousness. But leadership could also play a disempowering role, monopolizing information and controlling worker initiative (Beynon 1973; Darlington 2013; Hyman 1979). Thus, the question of leadership character and its relation to the membership loomed large.

Some focused on the task of cultivating or rebuilding a “militant minority,” a layer of workers in formal and informal leadership roles, usually leftists, that “endeavored to weld their workmates and neighbors into a self-aware and purposeful working class” (Montgomery 1987:2). This layer was key to past union victories but had either eroded or been expelled in the postwar decades (Cliff and Gluckstein 1986; Isitt 2011; Keeran 1980; Stepan-Norris and Zeitlin 2003). They saw potential in the emergence of shop steward networks, particularly in Great Britain, but also in other European countries and Australia (Darlington 2002; Lever-Tracy 1987; Marsden 1980). Stewards’ unique position as the physical presence of the union on the shop floor gave them enough freedom from management’s direct authority to serve as effective workplace organizers, while keeping them close enough to daily workplace life to retain a degree of independence from union leadership. This often placed them at the head of shop-floor conflicts, but for Marxists, the hope was that shop-steward networks could generalize these local conflicts, with an eye toward forging the elusive working-class collective actor.

In the United States, another promising development was the emergence of rank-and-file union reform caucuses in several key unions, including mining, steel, auto, and transportation. These alliances of New Left campus radicals who had taken industrial

jobs and organic working-class militants were an attempt to enact Draper's call to build relations with the proletarian movement, which was not yet socialist. They focused not on creating revolutionary consciousness but concrete struggles in the workplace and unions, particularly around democratic demands. The goal was to rebuild unions' fighting capacity in the face of capital's offensive by opening space for independent rank-and-file activity (A. Brenner, R. Brenner, and Winslow 2010).

Despite their ambitious goals, these efforts had limited success (McIlroy 2016). The steward networks and insurgent movements either withered or were absorbed into union leadership, while most rank-and-file caucuses had disappeared by the 1980s. In some cases, they were casualties of collapsing industries, as plant closures and layoffs eviscerated the unions they were trying to reform. The revitalization efforts of the 1970s were simply not at the necessary scale. Rank-and-file movements of the early twentieth century were often led by Communist parties with tens or hundreds of thousands of members. By the 1970s, these parties had either collapsed or capitulated to parliamentary reformism and therefore were unavailable to lead these new efforts. The parties involved in the 1970s efforts, like the US International Socialists (IS) and the British Socialist Workers Party (SWP), numbered a few thousand at most. Dedicated as they were, they could not fill the gap between labor and the left. But they did succeed in defending the core Marxist insight of the working class being the key agent of social change, identifying a plausible strategy for rebuilding that agent's collective power, and building a layer of leadership and infrastructure that could lay the groundwork for future organizing.

## 5. Conclusion: Marxism and Unions Today

After four decades of defeat and decline, unions face a dire situation. Their political and economic vision has narrowed, pushing the goals that Marx and Engels proposed of superseding the wage labor system and capital's rule far off beyond the horizon. Nonetheless, events in recent years have given reason for hope, suggesting that pronouncements of the death of class were premature.

First, the Occupy movement and anti-austerity protests not only put economic inequality back on the agenda but fingered the capitalist class as the culprit (Fominaya and Cox 2013; Gould-Wartofsky 2015; Milkman, Luce, and Lewis 2013). While the protests proved fleeting, and links with unions were fragile and uneven, they opened up space for articulating a new class politics.

Second, Occupy and the anti-austerity protests exposed the limits of so-called horizontalist or leaderless organizing, which had been hegemonic on the left since at least the anti-WTO "Battle of Seattle" in 1999. This created greater openness among younger generations of activists for reengaging with formal politics—including the world of parties and unions. It led to the resurgence of unapologetic left-wing candidates gaining widespread support across Europe and North America, including Bernie Sanders in the United States, Jeremy Corbyn in the United Kingdom, and Jean-Luc Mélenchon in

France, along with parties or caucuses such as Podemos in Spain, (pre-capitulation) SYRIZA in Greece, Momentum within the British Labour Party, and, on a smaller scale, the explosive growth of the Democratic Socialists of America (DSA) in the United States (Krieg 2018; Lafrance and Principe 2018; Panitch 2018; Seymour 2016).

Third, there are signs that the working class is stirring once again. Just in 2018, the wave of teachers' strikes across conservative US "red states" garnered international headlines (Blanc 2018). Meanwhile, strikes by tens of thousands of German public sector workers crippled cities and airports, while French workers and students sought to rekindle the *convergence des luttes* of May 1968 (Deutsche Welle 2018; Willsher 2018). And in the United Kingdom, unconventional groups of workers including IT specialists, university lecturers, and non-union Ryan Air workers all walked out (Hughes and Dundon 2018). Preliminary analyses suggest that these events are part of a broader uptick in labor protest since 2011 (Karatasli, Kumral, and Silver 2018). While traditional unions have been involved in these strikes, what distinguishes the recent wave is its organic, bottom-up character. It remains to be seen how unions adapt to the emerging movements as they seek to reassert workers' power against capital and the state.

Regardless, despite the radically changed political and economic landscape, labor unions and movements will continue to face challenges similar to those unions have faced since Marx and Engels's time. These stem from unions' fundamental contradiction: they are necessary but insufficient vehicles for workers to achieve their goals. This is further complicated by the tightrope that unions must walk between militancy and bureaucracy. If self-preservation led unions to prioritize maintaining their bureaucratic organizations in recent decades, the escalating state and employer offensive has made that response increasingly untenable. Renewed militancy is key to labor's future. The apparent recent rise in worker protest holds promise, but history suggests that it is nowhere near the scale necessary for reversing labor's declining fortunes. Although it is impossible to know if and when a large enough upsurge will arrive, history also suggests that the direction the upsurge takes, and what gains or losses result from it, will depend on the patient, day-to-day work that unions do in forging the key agent of social change—the working class.

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## Notes:

(<sup>1</sup>) Discussion of trade union conservatism comes out especially in Engels's counterposition in his later correspondence of the craft-exclusive "old" trade unions and the more inclusive "new" unions of late nineteenth-century Britain, which organized skilled and unskilled workers along industrial lines. See (Marx and Engels 1990:149-151).

(<sup>2</sup>) This section draws on (Eidlin 2014).

(<sup>3</sup>) For a contemporary defense of the theory of the labor aristocracy, see (Cope 2012; Elbaum and Seltzer 2004).

(<sup>4</sup>) This does not mean that Lenin believed that workers were incapable of becoming such party intellectuals. To the contrary, after the wave of 1905 strikes in Russia, Lenin urged his fellow Bolsheviks to welcome new layers of young, radicalizing workers into the party

and set them to work (Lenin 1962). This goes against the common notion of Lenin as an elitist who did not believe that workers were capable of their own self-emancipation (Lih 2008).

<sup>(5)</sup> This section draws on Eidlin and Kerrissey (2018).

<sup>(6)</sup> This section will focus on “the West,” as space does not allow a proper exploration of labor relations under Stalinist regimes.

<sup>(7)</sup> In North America, postwar Red scares decimated Communist parties and Communist-led unions, but with different results for the United States and Canada. McCarthyite purges essentially wiped out nearly all left-wing influences in the US labor movement, setting the stage for its exceptional weakness. Meanwhile, in Canada, the existence of an established labor-based party, the Cooperative Commonwealth Federation (CCF), meant that the link between labor and the left was strained, but not severed. For more see (Eidlin 2018).

<sup>(8)</sup> The exceptions were the New Left in France, which allied with workers in the course of the May 1968 uprising, and in Italy, where workerism (*operaismo*) gained a foothold (Singer 2002; Wright 2002).

<sup>(9)</sup> Johnson and Forest were the pseudonyms of the tendency’s leaders, C. L. R. James and Raya Dunayevskaya, which left the Trotskyist Socialist Workers Party in 1950 (Alexander 1991).

<sup>(10)</sup> The “Cochranite” tendency, named after its leader, Bert Cochran, was a group within the US SWP made up largely of organic working-class militants that was expelled in 1953, forming the American Socialist Union, which disbanded in 1959 (Alexander 1991).

<sup>(11)</sup> This idea of workers’ diverse interests being resolved through “dialogical” decision-making processes would be later be theorized more systematically by Offe and Wiesensthal (1980).

<sup>(12)</sup> Author’s translation of *Elle commence à libérer l’ouvrier individuel d’une longue habitude de passivité, de soumission et d’obéissance dans la vie économique*.

<sup>(13)</sup> This section draws on Eidlin (2014).

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# Oxford Handbooks Online

## Migration and the Mobility of Labor

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The Oxford Handbook of Karl Marx

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### Abstract and Keywords

The reduction of human beings into human commodities, or “human capital”—indeed, into labor and nothing but labor—which was the essence of modern slavery, served as a necessary predicate for the consolidation and perfecting of what Marx called “labor in the abstract.” This requires us to re-situate enslaved labor as the defining and constitutive limit for how we comprehend labor as such under capitalism. The production of labor in the abstract, or labor “in general,” depended furthermore upon concrete productions of sociopolitical difference, particularly the branding of race. Analogously, migration provides a key site for contemplating the mobility of labor “as such”—labor “in general,” or labor in the abstract—while simultaneously illustrating precisely how such mobility is inexorably subordinated through the production of spatialized/ racialized difference that arises through the enforcement of (“national”) state borders and immigration law, branding migrant labor as “foreign” if not “illegal.”

Keywords: slavery, race, branding, abstract labor, difference, migrant “illegality”, immigration law, borders

The thought of Karl Marx, as the contributions to this *Handbook* amply demonstrate, has been and continues to be an indispensable intellectual and critical resource across the full spectrum of knowledge in the human sciences. As Jean-Paul Sartre ([1960] 1963) memorably acknowledged, Marxism “remains ... the philosophy of our time. We cannot go beyond it because we have not gone beyond the circumstances which engendered it” (1960] 1963: 30). This proposition remains as true in the twenty-first century as ever. Indeed, the perversity and plainly cataclysmic character of capitalism has only intensified in the era of aggressive neoliberal revanchism and is brutally and viciously manifest across the planet. In this respect, also recall that the inextricable political ethos and project of Marxism is Communism. And as Marx and Engels ([1848] 2008) famously proclaimed in the concluding lines of *The Communist Manifesto*, the working people of all countries have “a world to win” (1960] 1963:84).

Any intellectual exposition of Marxism that is not grounded in the Communist project of transforming the world, therefore, is merely a scholastic exercise. We should recognize that any Marxism worthy of the name is inseparable from these worldly stakes. In this spirit, we must approach and apprehend the challenge of elaborating a Marxian perspective on migration—the thematic focus here. This entry to the *Oxford Handbook of Karl Marx* extrapolates key insights from Marx's corpus, in most instances referring only tangentially to migration as such, toward the ends of further elaborating what has remained an as-yet underdeveloped Marxian theory of migration (see De Genova 2012; 2016a; 2016b). A comprehensive Marxian theory of migration likewise commands a critical attention to theorizing questions of the state, law, nationalism, borders, citizenship, and race (among other social formations of "difference"). The focus here will highlight questions of race and labor.

If the stakes of any Communist politics are indeed the world, it is because an elementary predicate of Marx's analysis of the regime of capital accumulation is its *global* scope and scale. Indeed, Marx establishes repeatedly that one must understand capital to have been global *from its inception*. In one of the most forceful articulations of this perspective, in his discussion of "the so-called primitive accumulation" in Volume I of *Capital*, Marx ([1867]1976) declares with a flourish:

The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the indigenous population of that continent, the beginnings of the conquest and plunder of India, and the conversion of Africa into a preserve for the commercial hunting of blackskins, are all things which characterize *the dawn of the era of capitalist production*. These idyllic proceedings are the chief moments of primitive accumulation. Hard on their heels follows the commercial war of the European nations, which has *the globe as its battlefield* ([1867]1976:915; emphases added).

Importantly, Marx's critique identifies slavery, colonialism, genocide, and warfare as veritable preconditions for the very possibility of capital accumulation. A reconsideration of the crucial historical role of slavery in particular provides a vital source of Marxian critique for our global postcolonial present, especially with respect to advancing a rigorous analysis of migration as a global system of labor mobility and thus of the illegalization of migrant mobility as a central and constitutive form of labor subordination within this system.

## 1. Slavery, Labor, and Blackness

With specific reference to the disfigurement of the nascent struggles by the white working class in the United States because of the coeval existence of slavery, Marx famously proclaimed, "Labour in a white skin can never emancipate itself where it is branded in a black skin" ([1867] 1976:414). This classic *racial* watchword of anti-capitalist struggle is no less pertinent today than in Marx's era. "Labour in a white skin can *never* emancipate itself," Marx notably insisted—wherever such whiteness is

predicated upon the systemic denigration of Blackness. And where, or when, we may rightly demand, has whiteness ever *not* been so predicated?

For this, indeed, is the precise historical meaning of whiteness, its significance and salience (Du Bois [1920] 1971; cf. Allen 1994; 1997; Harris 1993; Roediger 1991; Roediger 1998; Saxton 1990). Rather than an immutable, transhistorical, pre-political “biological” essence, racial whiteness is truly “a very modern thing,” as W. E. B. Du Bois ([1920]1971:30) memorably put it. Indeed, whiteness is an invention of colonial/racial capitalism, originating in the brutal sociopolitical processes that have come to be known as primitive accumulation (Marx ([1867] 1976, pp. 873–941; see Cox 1959, Du Bois 1915; [1920]1971).<sup>1</sup> Referring to this global history of conquest as a material necessity for jump-starting and sustaining the processes of capital accumulation, Marx contends, “The treasures captured outside Europe by undisguised looting, enslavement and murder flowed back to the mother-country and were turned into capital there” ([1867] 1976, p. 918). “In fact,” Marx concludes poignantly, “the veiled slavery of the wage labourers in Europe needed the unqualified slavery of the New World as its pedestal” (p. 925). Indeed, this “trade in men” (and women, and children), in Du Bois’s account (1915: Chapter IX; see [1939] 2014:97), “came in time to be founded on racial caste, and this caste was made the foundation of a new industrial system.” As a result, the “doctrine of race” arising from this primitive accumulation to justify and legitimate the subjugation of indigenous, colonized, and enslaved peoples thereafter had to be “frantically rationalized in every possible direction” (Du Bois [1939]2014:91). That racial whiteness has, since its inception, been an equivocal and treacherous fabrication, therefore, ought to be fairly evident. Nevertheless, the semblance of objectivity and purity customarily attributed to whiteness—its precisely un-natural yet terrifyingly naturalized social reality—has been forged and exulted only through a bloody history and a system of rule predicated on racial hierarchy in which whiteness has systematically been exclusively guarded as the most privileged condition—which is to say, in short, white supremacy.

White supremacy is a social and political order of domination and subordination that systemically generates and upholds inequalities of wealth, power, and prestige by privileging racialized whiteness over and above all other categories of “racial” identity (Du Bois [1920] 1971). Foundational racialized distinctions and meanings, such as “white” or “Black,” were literally invented, imposed, and enforced through various iterations of the global regime of European/colonial supremacy, retroactively. They appear as the transparent and self-evident (“natural”) names for differences that only came to have significance and gravity because the particular forms of exploitation and domination that created them required and relied upon their naturalization. Whiteness, like Blackness, is however no mere fact of nature. It is a fact of white supremacy.

To adequately adapt Marx’s critique of the racial coordinates of capitalism and the perplexities of labor in one or another racial “skin,” we must conceive of Blackness as more capacious than a mere synonym for African origin or ancestry alone. We need recourse to a conception of Blackness that corresponds to the full range of racialized categories that white supremacy has orchestrated under the sign of negation. In other

words, we refer here not to any supposedly “objective” or “natural” sort of (phenotypic, quasi-“biological”) racial Blackness that might be more predictably attributed to people of African origin or descent in particular, but rather to the pronouncedly heterogeneous spectrum of all those categories of humanity that European imperialism unrelentingly produced as its colonized and enslaved “natives,” and thus as specifically non-“white.”

Moreover, we may instructively apprehend Blackness not primarily (or not exclusively) as a literal attribute of the “skin” per se but rather as the preeminent figure of racialized subordination within a global regime of white supremacy. The people of Africa—who were hunted, captured, kidnapped, commodified, trafficked, shackled, deported, tortured, raped, mutilated, and killed, all in order to subject them to a permanent regime of brutally coerced labor—were the only category of humanity in the modern world order “whose skin has been transformed into the form and spirit of merchandise—the living crypt of capital,” as Achille Mbembe (2017:6) argues. Indeed, if the Atlantic slave trade literally transformed African men and women into “human-objects, human-commodities, human-money” (p. 2), the term “Black,” that was devised to brand their particular flesh nonetheless “was invented to signify exclusion, brutalization, and degradation, to point to a limit constantly conjured and abhorred” (p. 6). Consequently, Blackness names that limit.

While never denying or disregarding the historical specificity of African experiences of white supremacy and the particularity for Africans and all people of African ancestry of being racialized as Black (see Chandler 2013; 2014; Gilroy 1993; Mbembe 2017), however, we require a more expansive and capacious understanding of Blackness as a sociopolitical category that *tendentally* encompasses the whole spectrum of racialized social identities produced as non-white within our global postcolonial regime of white supremacy. Here, we may recall that in his landmark text, *The Souls of Black Folk*, Du Bois proposes a *global* conceptual framework for apprehending his subject: “The problem of the twentieth century is the problem of the color line,—the relation of the darker to the lighter races of men in Asia and Africa, in America and the islands of the sea” ([1903] 1982:15; see Chandler 2006; 2010). In this respect, contemporary postcolonial migration and refugee movements may be recognized as providing crucial sites for what Mbembe (2017) has tellingly depicted as “the Becoming Black of the world” (2017:6), whereby “the systematic risks experienced specifically by Black slaves during early capitalism have now become the norm for, or at least the lot of, all of subaltern humanity” (2017:4), in which “the term ‘Black’ has been generalized,” (2017:6) and there is a “tendency to universalize the Black condition” (2017: 4).

Furthermore, inasmuch as such objectification of human productive power and creative capacity is precisely what is at stake in Marx’s critique of the capital-labor relation, predicated as it is upon the commodification of the capacity for work (labor-power), the reduction of human beings into “human-objects, human-commodities, human-money,”—indeed, “human capital”—which was the essence of modern slavery, requires us to re-situate enslaved labor as the defining and constitutive limit for how we comprehend labor itself under capitalism. This, after all, is precisely what Marx describes in his analysis of

the struggle over the working day. From the standpoint of capital, Marx ([1867]1976) clarifies, even for ostensibly “free” (waged) labor:

the working-day contains the full 24 hours ... Hence it is self-evident that the labourer 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, to be devoted to the self-expansion of capital .... But in its blind measureless drive, its insatiable appetite for surplus labour, capital oversteps not only the moral, but even the merely physical limits of the working-day .... It is not the normal maintenance of the labour-power which determines the limits of the working-day; it is the greatest possible daily expenditure of labour-power here, but rather the greatest possible daily expenditure of labour-power, no matter how diseased, compulsory and painful it may be, which determines the limits of the workers' period of rest. 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. It attains this objective by shortening the life of labour-power. ([1867]1976:375-376)

Marx's scathing critique of wage labor is always haunted by the long shadow of slavery as its limit figure. Insofar as Blackness is inextricable from the historical experience of modern slavery as a kind of name, indeed a racialized branding for that historically specific limit of human objectification and commodification, we may begin to recognize that all labor under capitalism may itself be understood to be at least *tendentially* encompassed under this racialized sign as the antithesis of capital. If we comprehend labor to be the antithesis of capital, then to the extent that Blackness names the ultimate condition of labor's subordination and subjection to capital, we need to recognize the tendency for *all* labor under capital to be pressed toward a sociopolitical condition of Blackness (or approximating Blackness), where Blackness does not name any kind of essential identity but the racialized sociopolitical condition of that subordination/subjection. This may be taken to be a corollary to the proposition that enslavement is the limit figure for all labor under capitalism and that there is a tendency to press all labor toward that limit. Inasmuch as this dynamic is relational and tendential, and thus signals the larger workings of a system, we have an analytic that can encompass the full range of sociopolitical differences and contradictions (racialized or otherwise) along a continuum of relative freedom/unfreedom.

## 2. Race, Difference, and the Abstraction of Labor

If Blackness is being emphasized here as a decisive analytic tool for ultimately unpacking the question of migration in general and migrant labor in particular, it is because Blackness is in fact necessary for apprehending *labor as such* under capitalism. Marx chose his words well. By evoking the *branding* of the flesh of enslaved African American labor, Marx tersely but precisely named the visceral corporeality and sheer cruelty of

slavery's dehumanizing violence, while yet naming a more diffuse process of racialization whereby Blackness itself could be inferred to be both the result of a kind of sociopolitical branding as well as that very process of branding itself. Simply put, the production of racial distinctions in the modern capitalist world has itself been a continuous and ever-unfinished process of branding. Blackness (and race, more generally) has been quite simply an elemental and foundational figure for theoretically interrogating the sociopolitical production of *difference* within our capitalist modernity.

The theoretical stakes of this intervention revolve around what is necessarily a mutually constitutive engagement with race and migration, but they are not reducible to any ostensibly delimited question of "identity." In other words, the stakes here are emphatically not to apprehend "difference" as if it were merely an unfortunate or cumbersome, pre-political (quasi-natural) pretext for various properly political tactics of labor subordination and strategies of divide and rule, serving to undermine the unity of a presumptively unitary "working class." Rather, what is being proposed here is that we cannot adequately comprehend Marx's theory of labor under capitalism, as such, without further pursuing this inquiry into the puzzle of "labor in a white skin" and, concomitantly, labor branded as Black.

Capital can never extract from labor the abstract (eminently social) substance that is "value" except with recourse to the abstraction of labor power, which however can only be derived from the palpable vital energies of living labor. As an operative, indeed decisive, category of capital accumulation, labor power (abstract labor) never ceases to pertain to real flesh-and-blood (embodied, and hence, racialized) working people (concrete labor). As Marx ([1867]1976) explains:

With the disappearance of the useful character of the products of labour, the useful character of the kinds of labour embodied in them also disappears; this in turn entails the disappearance of the different concrete forms of labour. They can no longer be distinguished, but are all together reduced to the same kind of labour, human labour in the abstract.... There is nothing left of them in each case but the same phantom-like objectivity; they are merely congealed quantities of homogenous human labour, i.e. of human labour-power.... As crystals of this social substance, which is common to them all, they are values—commodity values. ([1867]1976:128)

Marx affiliated concrete (variegated) labor with the use-value of the distinct products of that labor, and therefore with the whole heterogeneous panoply of positive, determinate, qualitative specificities—in short, with *difference* as such, and therefore with the historically specific and socially distinctive aspects of human life. In contrast, it was the systemic requirement for abstract labor as a generic form that served to elucidate the historically specific but global character of alienation, exploitation, and fetishism under capitalism. Notably, Marx discerned these global capitalist socioeconomic processes to be uneven in their development, and therefore, to be most abundantly evidenced in the United States.

Indifference toward specific labours conforms to a form of society in which individuals can with ease transfer from one labour to another, and where the specific kind is a matter of chance for them, hence of indifference.... Such a state of affairs is at its most developed in the most modern form of existence of bourgeois society—in the United States. Here, then, for the first time, the point of departure of modern economics, namely the abstraction of the category ‘labour,’ ‘labour as such,’ labour pure and simple, becomes true in practice. The simplest abstraction, then, which modern economics places at the head of its discussions, and which expresses an immeasurably ancient relation valid in all forms of society, nevertheless achieves practical truth as an abstraction only as a category of the most modern society. (Marx [1858] 1973:104–05)

Remarkably, what for Marx was the epitome of “the most modern society,” or more precisely, “the most modern form of existence of bourgeois society” (as a virtually “pure” form of capitalist society)—the United States—was precisely a social formation that had been materially and practically built upon large-scale plantation slavery and a sociopolitical order of white supremacy. And it was here, where the branding of labor in the racialized “skin” of Blackness was likewise exceedingly advanced, that there emerged the purest form of the abstraction of “labor” as such, of labor “in general.”

In his account of the formation of capital, Marx establishes an analytical opposition 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 labour-power of others; on the other hand, free workers, the sellers of their own labour-power, and therefore the sellers of labour. Free workers, in the double sense that they neither form part of the means of production themselves, as would be the case with slaves, serfs, etc., nor do they own the means of production. ([1867] 1976: 874)

In this regard, there is an emphatic heuristic contrast drawn between the figures of “free workers” (or “free labor”) and “slaves.” It is precisely this figure of “free” labor that serves to underscore the historically specific character of the emergence of labor power as the commodified objectification of the human capacity to work (labor in the abstract), which distinguishes the ostensibly contractual and purely voluntary transaction that is understood to transpire between owners of the means of production and wage laborers in the capitalist labor market. Nonetheless, these putatively “free” workers are scathingly depicted by Marx as those “who have nothing to sell except their own skins” ([1867] 1976:873). Moreover, Marx explains, referring specifically to the historical dissolution of feudalism, “These newly freed men became sellers of themselves only after they had been robbed of all their own means of production, and all the guarantees of existence afforded by the old feudal arrangements. And this history, the history of their expropriation, is written in the annals of mankind in letters of blood and fire.” ([1867] 1976:875). This indeed is one of the premier formulations by which we understand the concept of (“the



so-called") primitive accumulation: "So-called primitive 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" ([1867] 1976: 874-875). Nevertheless, these processes of expropriation and dispossession, we know, just as Marx knew, were—and *continue to be*—coterminous with the generalization of the wage-labor relation. Their character as "prior" to capitalism proper is strictly apparent and is presented in this manner by Marx for analytical purposes. In fact, they were not only constitutive, historically, of capital and indeed necessary preconditions for the formation of a regime of capital accumulation, but they have co-existed with the more pure ideal type of capitalist labor relations throughout the ongoing history of "actually existing" capitalism, which has never ceased to be written in blood and fire.<sup>2</sup> In this respect, centuries of New World slavery cannot be reduced to a mere residual of some putative pre-history of "true" capitalist relations.

The racial branding of labor that Marx identifies in the context of New World slavery was a necessary and truly definitive feature of the brutality required for the subjugation of enslaved African /American labor but also for the elaborate sociopolitical and sociolegal machinations devised to produce the global fact of Blackness. Importantly, it can be argued that it was likewise this same branding, this same production of racialized difference, that served as a necessary predicate for the consolidation and perfecting of what Marx called "labor in the abstract." Labor in the abstract—a figure of labor literally shorn of its humanity and stripped of all qualitative specificities—was literally possible historically only through the real stripping and degradation of the actual human life of the enslaved and colonized into a form of life that could be classed as virtually subhuman. To be rendered as labor in the abstract is to be reduced to labor and nothing but labor. This was the precise project of modern slavery. This of course is not to suggest that such a project was ever successfully fulfilled or completed. Enslaved people were never reduced to a condition so abject as to be shorn of its distinctly human subtlety and suppleness. To the contrary, the irrepressibly human creative powers and potentialities of enslaved African /Americans were not only a veritable font of continuous insubordination and rebellion but also a foundational source for the notion of freedom and the unfinished work of emancipation in our modern world.<sup>3</sup> Nor is it to suggest, on the other hand, that enslaved people were the ostensible owners and sellers of that distinctly capitalist commodity that Marx designated as labor power. However, there never could have emerged this social fiction of labor power—whereby the capacity to work could be rendered as if it were simply one more commodity for sale in the market—without a pre-history in which the myriad forms of concrete labor became reduced and generalized (indeed, abstracted) into a figure of labor in the abstract. For the historically specific emergence and consolidation of this peculiarly modern form of generic "labor," slavery was constitutive. There was simply no more perfect approximation of the elusive figure of labor in the abstract than the social condition inflicted on enslaved people by modern slavery—that distinctly capitalist sociopolitical regime that worked assiduously and unrelentingly to reduce a whole category of human life into labor and nothing but labor.

The production of labor in the abstract, or labor “in general,” furthermore, depended upon concrete productions of sociopolitical difference, for which acts of physical, corporeal branding were merely a cruel punctuation to the more general branding of race. Once again, it needs clarifying that this is in no sense an essentialist proposition about “race” as any kind of “real” (pseudo-natural, phenotypic, quasi-biological) category of difference among distinct varieties of human being, but rather an insistence on the eminently social and political reality of race as a defining principle for the historical production of difference, inequality, and hierarchy within the global labor regime of capitalism. To make the point somewhat differently, then, the labor theory of value—which has always been in fact, more accurately, a value theory of labor (Elson 1979; see Turner 2008)—must be complemented with what we might posit to be a *racial theory of labor*.

The homogenized abstraction of labor-power could be generated only under the aegis of the social production of real heterogeneity and inequality, such as that which

W. E. B. Du Bois famously called “the problem of the color line” ([1903] 1982), or analogously, what Partha Chatterjee has designated as “the rule of colonial difference” (1993). In other words, the politics of the capital-labor relation—which appears to be merely a matter of narrowly “economic” relations—must always be understood in terms of the historically specific social and political production of difference (Roediger and Esch 2012). Capital’s apparent (economic) indifference to, or disregard for, the specificities of the terms of conditions for extracting the maximum surplus value is thus sustained only through the actual (political) struggles that *differentiate* living labor toward the end of maximizing its subordination and exploitation. Such a politics of difference at work within the genesis of abstract labor has always been inextricable from the real history of racial subjugation, for which slavery remains a primal scene.

### 3. Labor Mobility, Migrant “Illegality,” and Branding

Migration provides a key site for contemplating the mobility of labor “as such”—labor “in general,” or labor in the abstract—while simultaneously illustrating precisely how such mobility is in fact inexorably embroiled in the production of difference, particularly the spatialized difference that is produced by (“national”) state borders (De Genova 2016a; see also Ngai 2015; Sharma 2018). Put another way, there could be “no capitalism without migration” (Mezzadra 2011a). As the veritable source of all value, it is not unreasonable to say that labor power is the premier commodity in the global circuitry of capitalist exchange. Capital has made and relentlessly re-made the world in its own image, and according to its chaotic requirements—bursting asunder every apparent barrier in the creation of an ever more unobstructed global arena for profit-making and the continuous re-consolidation of a global division of labor. Moreover, necessarily, inevitably, and arguably, above and beyond any other commodity, there has also been a

concomitant escalation in the mobility of labor-power (De Genova 2010, 2012, 2016a, 2016b). But in a world social order that delegates the expressly political tasks of subordination and coercion to more localized formations of more or less organized violence, the parameters of which are customarily demarcated by the borders of “national” state formations (Holloway 1994), the global movement of homogenized, abstract labor is finally embodied in the restless life and death of labor in a rather more “concrete” form—which is to say, actual migrant working men and women. While Marx restricted his use of the concept of “concrete labor” to refer to the heterogenous variety of specific forms of work that produced distinct products or contributions to the larger labor process, I adapt this distinction between abstract and concrete labor here to insist on the ways in which labor in the abstract is never be separable from its embodiment in living labor. The accelerated mobility of labor power is similarly inseparable, then, from the migration of actual (corporeal) human beings.

In the mass exodus of the Irish fleeing the potato famine of 1846, for instance, Marx notably recognized what he characterized as “a systematic process.” The Irish exodus entailed “a new way of spiriting a poor people thousands of miles away from the scene of its misery.” It also served, in effect, as “one of the most lucrative branches of [Ireland’s] export trade.” By exporting the labor power of its surplus population while also mobilizing the migrants themselves as a source of remittances, the exodus not only subsidized those left behind but further fueled migration by financing the travel costs of subsequent generations of migrants ([1867] 1976:862). From the opposite vantage point of the United States, Marx discerned with respect to Irish labor migration a concomitant importation—“the importation of paupers” ([1867] 1976:939). As Michael Burawoy (1976) classically demonstrated, migrant labor likewise entails a systematic separation of the exploitation of labor-power from the sites (and costs) of its reproduction. As with the mobility of capital itself, which exudes a pronounced indifference toward the particular forms of the labor process where it invests in favor of a maximization of surplus value, and is in this sense exceedingly versatile, so also with the human mobility of labor. Migrant labor mobility is a supreme instance of flexibility, compelled to regard the particular content of one or another type of work with relative indifference, and to render up its labor power wherever it may be required.

The inclination that Marx ([1867] 1976) discerned with regard to the mobility of capital to surmount any “legal [or other] extra-economic impediments to its freedom of movement” is yet another aspect of this versatility of migrant labor ([1867] 1976:1013). Nevertheless, depicting Ireland’s precisely colonial condition in terms of “a government... maintained only by bayonets and by a state of siege sometimes open and sometimes disguised” ([1867] 1976:863), Marx ([1870] 1971) also discerned how the “*forced immigration* of poor Irishmen” into the industrial cities of England had enabled the capitalist class to cultivate “two hostile camps” defined by the “profound antagonism between the Irish proletariat and the English proletariat,” whereby “the average English worker hates the Irish worker ... [and] regards him somewhat like the *poor whites* of the

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Southern States of North America regard their black slaves" ([1870] 1971:254, emphases in original).

For present purposes, it is likewise crucial to recall that even for those who come to be racialized as Black, we must guard against naturalizing what has always and everywhere been an historically specific sociopolitical process of *producing* them as "Black." In this regard, Stuart Hall's reflections on his experience as a Black *migrant* are quite poignant: "I'd never called myself black ever in my life.... So it was a discovery for me, a rediscovery [in Britain] of the Caribbean in new terms ... and a rediscovery of the black subject....I didn't choose that. I had no alternative" (Hall and Back 2009:662). In other words, although the centuries-old racialization of enslaved Africans and their descendants in the New World was indisputably a defining crucible for the global/colonial racial formation of Blackness, it was nonetheless the postcolonial migrant encounter with Europe that was, in Hall's account, tantamount to a migration into Blackness, a *re-racialization*, a subordination and subjection that was inextricable from the ongoing and unfinished business of (re-)producing racial distinctions and meanings.

The "Blackness" of racially subjugated migrants is therefore always something fundamentally new, to be continuously "discovered" by migrants as they endure and confront the larger social forces working to produce them as racial objects and thereby also as (re-)racialized subjects: thus compelling them to "re-discover" themselves racially. It is necessary, then, that we recognize the fundamentally *racial* character of migration within and throughout the world capitalist system, while also underscoring the contemporary salience of the figures of migration and refugee movements for destabilizing, de-naturalizing, and de-essentializing yet again the pernicious persistence of encrusted and ossified racial nomenclatures. The persistently racial salience of migration is as indisputable as is the pivotal importance of migration in demonstrating the profoundly unstable and historically mutable character of race as an eminently social construction, implicated always in unresolved sociopolitical struggles over its meanings and lived consequentiality. Thus, it is productive once more to insist on a conception of Blackness that exceeds the constrictions of the more rigid and conventional racial codifications that have been generated and sedimented historically.

The historical production of Blackness (and thereby, also whiteness) required the literal branding of the flesh of enslaved Africans. Furthermore, racialization itself has operated as a kind of branding. Such sociopolitical processes of branding have always required multifarious and reiterative operations, including of course those of the law, to truly accomplish the task of allocating and more or less resolutely attaching sociopolitical categories of difference to diverse varieties of human persons, and thus searing their racialized designations onto their bodies and identities. Analogously, we may begin to comprehend how other (ostensibly non-racial or race-neutral) forms of sociopolitical categorization and regimentation, such as ostensibly "national" differences come to operate as effectively racial categories of difference, or generic figures of "foreignness," or indeed the durable designation of particular categories of migrants as "illegal," also bear a compelling resemblance to branding. Without effacing the irreducible historical

specificity of Marx's discussion of modern slavery, it has indeed become increasingly common today, given our global postcolonial condition, that labor "in a black skin" presents itself also in "foreign" costume.

The putative "illegality" of migrants (or "asylum-seekers") has become the single most prominent "problem" for immigration and asylum law and policy on a global scale during recent decades. Seldom does public policy debate consider precisely where and how this "illegality" came into being, however. Nonetheless, migrant and refugee "illegality" always has a history within each particular juridical and border enforcement context. One of the signature contributions of my previous scholarship has been the elaboration of a critical socio-legal framework for the historical and ethnographic examination of what I call *the legal production of migrant "illegality"* (De Genova 2002, 2004, 2005). One of the central hypotheses of this analysis has been to recognize that a spectacle of border policing in fact systematically distracts us from discerning how migrant and refugee "illegality" is truly generated elsewhere, through law and policy formulated and promulgated at a great remove from the actual physical/territorial borders of states (De Genova 2002, 2005, 2013). Indeed, it is the law that brands particular migrations and categories of migrants as "illegal." Simply put, migrant *illegalization* is a process of sociopolitical branding.

Furthermore, the ethnographic study of present-day border policing and immigration enforcement practices confirms that such histories (much like the histories of racialization) are never finished. Rather than *faits accomplis*, established once and for all time, these diverse and historically specific productions of migrant and refugee "illegality" must continue to be re-produced through border struggles and ongoing practices of (re-)bordering. Another distinct but related feature of my scholarship is the elaboration of the concept of *deportability* and a sustained critical attention to what may be designated to be a global deportation regime (De Genova 2002, 2005, 2010, 2013, 2018; De Genova and Peutz 2010). These concepts help to elucidate how illegalized migrants' and refugees' susceptibility to deportation—the prospect of deportation, beyond the actual fact of deportation—contributes decisively in the production of migrant precarity in everyday life. In short, it is precisely deportability that plays a distinctly disciplinary role in the production of the conditions of possibility for migrant labor power to serve as a highly desirable commodity for employers, often converting what Marx called the "reserve army" of labor into an enthusiastically recruited labor force of choice.

Capital requires a surplus population to both absorb displaced workers but also serve as a pool of potential workers when production increases (Marx [1867] 1976:784). The operation of the reserve army of labor serves to discipline labor at the same time that it meets the requirements of capital accumulation on an expanding scale. "The over-work of the employed part of the working class swells the ranks of its reserve, while, conversely, the greater pressure that the reserve by its competition exerts on the employed workers forces them to submit to over-work and subjects them to the dictates of capital" (Marx [1867] 1976:789). The sociopolitical and legal branding of migrant labor as "foreign" and especially as "illegal" supplies a crucial disciplinary mechanism for managing all labor

through a multiplication of the categories of difference that serve to decompose and fragment labor into competing rival factions riven by racialized antagonisms. Alternating mass deportations with a more or less permanent mass importation of illegalized and deportable labor has long ensured that the state's mediation of migration through diverse tactics of border policing and immigration law enforcement provides capital with an exquisitely flexible "reserve army" of labor (De Genova 2016a).

Furthermore, the border-making and border-enforcing activities of immigration enforcement have been increasingly and pervasively relocated to sites within the "interior" of migrant-receiving states, such that illegalized migrants and refugees are made, in effect, to carry borders on their very bodies (Khosravi 2010: 97–120) as border enforcement and the prospect of deportation come to permeate the full spectrum of racialized everyday life activities and spaces. The global class politics of human mobility, which routinely transposes a transnational relation of capital and labor into the ostensibly insular "national" politics of "immigration" and border policing, continuously reinvigorates and reinvents racialized distinctions. Thus, the global class politics of human mobility ever increasingly instigates the consolidation of what Étienne Balibar ([1993] 2002) (among others) has depicted as "a world apartheid," which institutes a "color bar" that now no longer merely separates the so-called center from periphery, or North from South, but effectively runs through all "national" state formations (1993] 2002:82). Thus, the branding processes of migrant illegalization generate open-ended sites not only for border struggles and immigration and refugee politics but also for unforeseen disputes over race, citizenship, and labor. As with the racial branding of Blackness that was a constitutive feature of the historical production of enslaved labor, so also does migrant "illegality" today entail a sociolegal branding that is crucial for the creation and maintenance of migration as a reliable, eminently mobile, flexible, and ultimately disposable source of labor power.

Finally, let us recall Marx's poignant insight: "Labour in a white skin can never emancipate itself where it is branded in a black skin" ([1867] 1976:414). Hence, we may begin to recognize how the sociopolitical production of difference, and the branding of diverse categories of laboring humanity into racialized "skins," has operated as an absolutely central and constitutive feature of labor's subordination to the requirements and mandates of capital accumulation, and thus the continuous (re-)production of labor-for-capital. Analogously, the sociopolitical and legal mediations of human mobility on a global scale—and thereby, the bordering of labor mobility as "migration"—thus becomes apprehensible as a comparable production of difference that brands various categories of labor as "foreign" if not "illegal." Hence, a contemporary corollary to Marx's axiom would seem to be: Labor in the prison inmate's uniform of citizenship can never emancipate itself where labor in the migrant's garb of "foreignness" is branded as "illegal" (De Genova 2013, 2017; see Sharma 2018). If, as Marx and Engels ([1848] 2008) famously proclaim in the final lines of *The Communist Manifesto*, the working people "of all countries" have "a world to win" ([1848] 2008:84), it may be all the more vital and more relevant than ever to recall another decisive and conceptually more ambitious proposition

that precedes that resounding battle cry, and that migration serves continuously to verify: the working people of the world “have no country” ([1848] 2008:61).

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### Notes:

<sup>(4)</sup> Notably, the term "primitive accumulation"—a phrase that originated in the works of bourgeois political economists, which Marx referenced with derision for its euphemistic and misleading character and depicted more precisely as "the so-called primitive accumulation"—has over time reverted to widespread (unproblematized) usage, and has come to serve as a shorthand in Marxist scholarship for the violent processes that Marx exposes in his critique; see Marx ([1867]1976:873–874).

<sup>(2)</sup> There has been a robust Marxian debate around the contemporaneity of such violent processes of dispossession; see Bonefeld 2001; De Angelis 2001; Federici 2003; Harvey 2003; Mezzadra 2011b; Midnight Notes Collective 1990.

<sup>(3)</sup> Du Bois ([1903]1982) famously depicted the general aims of the strivings of "the American Negro" in a manner that anticipated that another world was possible: "to be a co-worker in the kingdom of culture, to escape both death and isolation, to ... use his best powers and his latent genius." (p. 9; see Chandler 2006, 2010, 2013).

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## Migration and the Mobility of Labor

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## Oxford Handbooks Online

### **The League of Revolutionary Black Workers and Race, Class, and Revolution in the Twenty-First Century**

Walda Katz-Fishman and Jerome Scott

The Oxford Handbook of Karl Marx

*Edited by Matt Vidal, Tony Smith, Tomás Rotta, and Paul Prew*

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### **Abstract and Keywords**

We analyze class, race, and revolution in the United States through Marxist theory and philosophy, and the experience and lessons from the League of Revolutionary Black Workers (League) in the auto and related plants and community in Detroit in the late 1960s and early 1970s. The League brought the black liberation movement to the point of production. They grasped the dialectics and interpenetration of class exploitation and racial oppression within capitalism, and the strategic centrality of white supremacy for ruling-class profit and control. Their struggle embodied the unity and interrelation of theory and practice and the necessity of becoming proletarian intellectuals. The League came to Marxism-Leninism as the theory most closely related to their practice as workers at the point of production. Armed with the weapon of Marxism, former League members stayed the course through the stages of capitalist development—from Detroit as the epicenter of global capitalism in the 1950s and 1960s, through the technological shift from labor-enhancing to labor-replacing automation and robotization in the plants, to the deepening capitalist crisis, economic, ecological, and social destruction, and intensifying militarism and fascism in the twenty-first century. For over fifty years, they were part of the leadership of the multiracial, multinational, and multigendered working class in the 1960s, and they remain active within the twenty-first century's rising movement. Former League members consistently lift up the strategic direction and class unity necessary for revolutionary transformation in the interests of the working class, and for the survival of humanity and the planet.

Keywords: black workers, capitalism, exploitation, Marxism, oppression, proletarian intellectuals, revolutionary process, white supremacy

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Without revolutionary theory there can be no revolutionary movement.

—V. I. Lenin, [1902] 1961

## **The League of Revolutionary Black Workers and Race, Class, and Revolution in the Twenty-First Century**

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Marxism—Marxism-Leninism – [w]as the theory that related most closely to our lives. Mind you, we were production workers. Marxism was written for workers.

—Jerome Scott, LRBW 2017

In the US context, Marxists and revolutionaries have grappled with the deep dialectical interrelations of class exploitation and racial oppression within capitalist social relations of production and social reproduction for centuries. We enter this intellectual and political dialogue through the experience and narratives of the League of Revolutionary Black Workers in Detroit in the late 1960s.

We analyze race and class, and black labor in particular in the United States within the context of shifts in capitalist development, social struggle, and the current twenty-first century. Black labor in the United States represents a concentrated expression of capitalist alienation, exploitation, and oppression. The consolidation of white supremacy within capitalism created the conditions for the super-exploitation and racial oppression of black labor. From the era of forced chattel slavery, through sharecropping and Jim Crow conditions, to factory production, service sector employment, prison labor, and increasing redundancy in the labor force, black labor has been central to capitalist profit and control. Black labor has also been central to forms of class struggle from movements for abolition, to labor, black liberation and civil rights, and welfare—to resisting environmental racism and state violence. Black workers are a conscious and powerful force within the twenty-first-century multiracial, multinational, and multigendered class struggle for humanity and the planet (see, e.g., Marx [1846] 1975; DuBois 1969; Bush 1999; Roediger 2017; Alexander 2010).

At the same time, white supremacy, rooted in material benefit and sociopolitical privilege for whites, also created deep divisions among workers based on color and nationality that persist (despite changing forms). This ruling-class strategy profoundly complicates the movement toward class unity and class struggle in the twenty-first century. But the current objective conditions and intensifying capitalist crisis—erosion of the bribe and privilege for ever greater sections of white workers, along with deepening crisis for workers of color and of all genders—are creating new possibilities for motion toward class unity across the many differences and diversities among US workers and toward revolutionary change (Katz-Fishman and Scott 2012b; Bush 1999; Peery 2002).

The League of Revolutionary Black Workers (League) led the fight for racial and economic equality at the point of production in Detroit auto and related industry plants in the late 1960s and early 1970s—within both the corporations and the union. The League was an important expression of the Black Liberation Movement and ending Jim Crow apartheid in US society as part of global anticolonial and anti-imperialist struggles in the turbulent 1960s. In the twenty-first century many former League members are actors in the rising US and global multiracial, multinational, and multigendered revolutionary struggle against global capitalism, in motion toward socialism and Communism.

# **1. Marxism: Revolutionary Theory and Practice**

Our analysis is grounded in the foundational writings of Marx and Engels and decades of theoretical study and struggle of former members of the League of Revolutionary Black Workers engaged in the revolutionary movement today.

The most concise articulation of Marxism is found in the *Preface to A Contribution to the Critique of Political Economy* (Marx [1859] 1977). This section details the dialectic of the objective and subjective conditions of social life—of base and superstructure and of being and consciousness—in the revolutionary process.

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or— this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure.

(Marx [1859] 1977:para. 6)

The theory and practice of the League expresses a dynamic synthesis of history and praxis. Jerome Scott, who worked at the Chrysler Detroit Forge plant, explains the process of theoretical study and political practice that he and many League members undertook on their path to class consciousness.

We began to think about, “What kind of programs should we have? What kind of theory do we think ... more relates to what we are doing?” We ended up with Marxism—Marxism-Leninism—as the theory that related most closely to our lives. Mind you, we were production workers. Marxism was written for workers, so from that perspective it was easy to understand. What’s not easy to understand ... is that this education process for many of us was brand new. Speaking for myself, I had spent most of my life just working off of gut instinct—“I don’t like what happened to me. I don’t like the foreman talking to me like that.” It had nothing to do with any understanding of what was going on economically or politically or

globally. In this study we began to see connections between the way the plant was run and why it was run that way—because they had to make a certain profit.

(LRBW 2017)

William “Mitch” Mitchell, who worked at several plants over the years, also reflects on coming to class consciousness.

We knew after reading and studying some Marxism—we knew that we were members of a certain class now. And that all workers, regardless of color or race or whatever, have the same economic connection. We got to try to unite the class. We’ve been on that mission to one degree or another ever since.

(LRBW 2017)

This powerful dialectic of Marxist theory and practice took root in the League of Revolutionary Black Workers as part of a global process of working class struggle.

## **2. 1968: The Working Class Strikes Back Across the Globe**

1968 was a tumultuous year for movement development, and for progressive and revolutionary forces getting organized. Social motion, protests, and rebellions broke out throughout the world: from the Tet offensive against US imperialism to the protest of black athletes at the Mexico City Summer Olympics. Student movement forces took to the streets in Paris, Mexico City, and around the globe, including the South African Students’ Association spearheaded by Steve Biko. In the United States the assassination of Dr. Martin Luther King Jr. sparked urban uprisings.

Edna Watson, a member of the League and former wife of John Watson, a League Executive Committee member, captures the mood in Detroit.

The people who came here from Europe, the people who came here from the South created Detroit into kind of a mecca for the left. We had a black intelligentsia. We had a white intelligentsia. We had media intelligentsia. But we didn’t have any power or control over jobs or money.

(LRBW 2017)

The environment was ripe for the outbreak of working-class organizing, including wildcat strikes led by black workers to protest their exploitation as workers and oppression as black workers in the auto plants of Detroit. 1968 saw the founding of the Dodge Revolutionary Union Movement (DRUM) as a continuation of the Black Liberation Movement and working-class struggle. DRUM laid the basis for Revolutionary Union Movement organizations (RUMs) in auto and related industry plants as well as community and student organizing across the Detroit region during 1968 and 1969. The

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League was formed in 1969 with the coming together of working-class organizations based in the plants, the community, and among students (Georgakas and Surkin 2012; Geschwender 1977; Mast 1994; Thompson 2001).

In the United States, most of the social motion to end Jim Crow and racial discrimination pervasive throughout the country was led by the petty bourgeois. The clear exception was the League, which was led by the working class at the point of production.

Mike Hamlin, a member of the League Executive Committee, reflects on the unity of theory and practice embodied in the League.

Everybody who was a leftist came to Detroit because we were drawing workers to Marxism. We started out being very explicit and very clear that we were Marxists. This is in the aftermath of McCarthyism. We did not give a damn about McCarthyism. In fact, I believe we made a major contribution to destroying it.

(LRBW 2017)

### 3. The League of Revolutionary Black Workers: The Dialectics of Class and Race

Labor in the white skin can never free itself as long as labor in the black skin is branded.

—Karl Marx, *Capital*

The League of Revolutionary Black Workers was built on the backs of the workers at Dodge Main and Eldon Avenue assembly. Many of these people carried the banner of the League, of the liberation struggle to the point of production. And many of them lost their jobs. These are the heroes to me, these are the great people in my eyes.

—William “Mitch” Mitchell

Through the lens of historical materialism, this article explores race and class within the crises, contradictions, and antagonisms of global capitalism in the United States from the mid-twentieth through the early twenty-first century. We share lessons for a new generation of movement actors rooted in decades of political practice and theoretical study of former members of the League of Revolutionary Black Workers in the RUMs in the Detroit auto and related industry plants. Many remain engaged in social struggle, and their lives and political practice provide a focus on black workers in relation to shifts in capitalist production, the state, and the revolutionary process (LRBW 2016).

The League was a powerful expression of the Black Liberation Movement in Detroit, the epicenter of global capitalism in the post-World War II period and a site of intense black



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rebellion and movement practice. The content of the struggle was a class content to end capitalism as the system that produced and continues to reproduce white supremacy and racism throughout society. But in the 1960s and 1970s, the movement took the form of fighting to end white supremacy and racial discrimination and oppression at the point of production, in the trade unions, and in the larger society. The movement won legal reforms, but the content of capitalist exploitation and oppression remained intact—including the content of white supremacy and state policy and practice (Georgakas and Surkin 2012; Geschwender 1977; Mast 1994; Thompson 2001).

In the late twentieth and early twenty-first centuries, much capitalist production in the United States moved from the Midwest to the South, and then across the globe, and production was increasingly automated in auto and related industries. Thousands of workers lost their jobs, retiree pensions were slashed, and union membership plummeted. The federal government's 2008 bailout of the auto industry bailed out capital and abandoned labor. Detroit became the epicenter of the capitalist crisis, disinvestment, privatization, emergency managers replacing elected officials, and social and ecological destruction. The crisis disproportionately impacted black workers, and former members of the League were and are at the frontlines of the rising movement (Katz-Fishman and Scott 2012a; Robinson 2014; Davis, Hirschl, and Stack 1997; Harvey 2014).

Their longevity in the revolutionary process is grounded in political struggle and theoretical study. Black workers, most of whom were point of production workers, became proletarian intellectuals—movement organizers, educators, theoreticians, and strategists. We share the story and lessons of the League of Revolutionary Black Workers, based on interviews from the League oral history, media, and education project (LRBW 2016). The League story in the words of former League members is a powerful expression of the unity of struggle and study.

Jerome put it this way:

How do you become a revolutionary in the '60s and go through numerous transitions but remain a revolutionary today? That story being told by the people who lived those decades can be very significant for some of the critical questions that I hear a lot.

(LRBW 2017)

Marian Kramer, League member and community and labor organizer, explains:

We have all read and heard the different quotes by different people in their books [Georgakas and Surkin (2012) and Geschwender (1977)] are the most well-known] where they summarized the history of the League of Revolutionary Black Workers. This time we wanna set a lot of this stuff straight. .... This project we're engaging in is key to the history of the struggle out here. For people to understand this, they got to know the conditions that gave rise to certain events, such as the League of

Revolutionary Black Workers. And what is the connection of that to today's struggle.

(LRBW 2017)

### **3.1 The Power of the Point of Production and Wildcat Strikes**

The League embodied the power of the point of production as the strategic site of working-class struggle during the period of large-scale industrial labor to disrupt capitalist production, circulation, and accumulation. During that period the wildcat strike was the primary tactic used by the RUMs and the League in carrying out their strike strategy—at least until the unions began collaborating with the corporations.

Maureen Taylor, a welfare rights organizer, reflects on the power of labor:

General Baker brought an awareness of the role of labor that no one had – no one had that perspective how important labor was. I can still hear Gen's voice during the rebellions of '67 in Detroit and '64 in Watts and '65 in Cleveland, and other places. Only union workers out of the UAW [United Auto Workers] and out of different factories were the ones that were able to get through police lines. I had never thought of that before. I knew that when the rebellion showed up you had to stay in your house. But Gen was the one that said, "If you worked at the point of production you had the run of the streets." And there was a reason for that.

(LRBW 2017)

Jerome brings the perspective of workers on the shop floor:

So when the rebellion jumped off ... if you were working at a plant, you were automatically able to break curfew.... It made us think about this whole question of the role of black workers in the bigger process. ...We realized that they [corporations] felt it was a highest priority to make sure that these workers were able to get back and forth to work.... The city was burning down. And they told us, "You take your ass to work. And we will make sure you can get there."

That made us realize this whole question of the role of the point of production. Workers who were at the point of production in 1968 were critical not only to Chrysler—which as far as we're concerned would be insignificant in terms of the city burning down. It represented the whole system of capitalism—that industry was the most important thing....That, to us, was an indication of the need to organize. If we could be that powerful, just think how powerful we could be if we set the terms—if we decided when we should walk and not walk. That gave us a real solid base for the need to continue organizing workers, and particularly black workers.

(LRBW 2017)

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William “Mitch” shares his experience inside a wildcat strike and the feeling of working-class unity and power:

One night I was involved in a wildcat strike. The shop steward was off. Our relief man, who was an alternate steward, had to take over. They were trying to speed up operations on the job while the real steward wasn't there. Jim, the alternate, wasn't going for it, so they carried him off to the office. Me and a few other guys huddled together. We said, “Well, if they suspend Jim, we're walking out.” I said, “Sounds good to me, 'cause I'd been waiting for this.” An hour and a half or so later, Jim comes walking down the aisle with the security guard. He had been suspended. I had the job of setting the frame on the pedal. I cut the line off, took my apron off, and bam, let's go. Me and about seven or eight other guys started heading toward the door. When we get to the door and looked back, ain't nobody behind us. This is the death knell—if you wildcat and don't stop at nothing. You're through, there's no doubt about that. You just walked off your job. We got outside and it was just us. We stayed out there about 20 or 30 minutes, and the whole plant came out. It was one of the greatest feelings I ever had. The people who were afraid to walk out, just backed away from their jobs and wouldn't work.

(LRBW 2017)

This intense motion in the plants generated deep relations with the community and students across fronts of struggle and generations.

Marsha “Lynn” Music, a high school student, explains how she became involved with the League:

I had this background of studiousness as a child and love of learning as a child that was easily transferred when I came around these guys at the League. When I say “guys,” here I was and we—these younger people who were attracted to this League life—were 14 years old ... 15....We had such a seriousness about us.... I wanna figure out what we're gonna do about this society, what we're gonna do to make things fair—that's what I want. We go into the Courtland [League] office and they're printing up leaflets right in the living room. I learned how to operate the Gestetner machine and the offset presses. Our energies were being channeled into fighting injustice.... [T]hey had a voluminous library [with] significant works. I don't mean just related to the movement—there would be Shakespeare and the classics....It was quite an intellectual center.

(LRBW 2017)

Cassandra “Cass” Ford, also a high school student, speaks to the impact of the League on student organizing:

As students in high school we start meeting and talking about what we could do. Because we knew we didn't have any kinda black education about history—black history that was going on. What was this? How come this was going on? We start

questioning a lot of things. Our solution was to try to get something done about it. We had heard that the League had helped with students. They used to get us to go out and pass out leaflets at the plants. We saw them organizing all these RUMs—DRUM and ELRUM – all these different groups and organizations. We decided we could do the same thing in the schools. And that's what we began to do.

(LRBW 2017)

### 3.2 The Dialectics of Class and Race

The dialectics of class and race based in the point of production of the industrial system and the reform movement in the 1960s and 1970s contextualized the daily struggle and developing study of the League. League members and their communities were living the legacy of chattel slavery in the twentieth century that Marx had written about a century earlier.

In his letter to *Annenkov*, Marx ([1846] 1975) analyzed the pivotal importance of chattel slave labor in production for the development of colonial economies within world trade and, eventually, the development of the world system of machine industry.

Direct slavery is as much the pivot upon which our present-day industrialism turns as are machinery, credit, etc. Without slavery there would be no cotton, without cotton there would be no modern industry. It is slavery which has given value to the colonies, it is the colonies which have created world trade, and world trade is the necessary condition for large-scale machine industry. Consequently, prior to the slave trade, the colonies sent very few products to the Old World, and did not noticeably change the face of the world. Slavery is therefore an economic category of paramount importance. Without slavery, North America, the most progressive nation, would be transformed into a patriarchal country. Only wipe North America off the map and you will get anarchy, the complete decay of trade and modern civilization. But to do away with slavery would be to wipe America off the map. Being an economic category, slavery has existed in all nations since the beginning of the world. All that modern nations have achieved is to disguise slavery at home and import it openly into the New World.

(Marx [1846] 1975:para. 30)

League members, informed by Marxian analysis of the color question and labor in the United States, were powerful voices within the working-class struggle. They spoke to the class content of capitalist exploitation and oppression and infused class consciousness within the reform movement to end racial discrimination.

Jerome lifts up the class nature of all labor, including black labor:

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When we talked to these workers who worked in the plant—black workers—their thing was not a split between the non-violent and the violent, or the nationalists or the integrationists. It was centered purely on how the lives of workers in these plants were being treated. There was a high level of racial discrimination in the plant and they recognized that. But that wasn't the motivating force. The motivating force was more of a mixture of, 'Alright, they treat us like dogs. But not just because we're black.' They're treating these white folks like dogs, too. They put us in the worst jobs, so we understand that they have this racial overtone. But the real content is that they're making a ton of money off of us. And that exploitation is true for us and it's true for everybody else that works in this plant.

(LRBW 2017)

Darryl "Waistline" Mitchell, a League member, part of student movement and later a production worker, reflects on conditions of the reform period that made the League possible at the time it was founded.

The League of Revolutionary Black Workers was not designed to get blacks in the labor force 'cause they had already gotten in. It had a different task—and that task was to shatter and destroy these segregated structures. Simply because you changed a lot, it don't mean the structures that's been built up over a period of decades are just gonna cave in and disappear. They literally have to be shattered. In that sense, the League played a unique role in history. It was able to play that role because it was a point in American history where you have what I would call more or less "benevolent neutrality." A huge section of the white workforce did not fight the League and did not resist. But this was for specific reasons. As the industrial system went through its last period of expansion and blacks came into the system, everybody was able to rise. You can accept integration when the system is expanding and everyone is rising—because competition for jobs doesn't exist. And it was because of that dynamic that a moment of "benevolent neutrality" opened up. Yes, there were ideological die-hards, but you weren't arguing over the same physical space. That created a unique situation and the League was able to play this role.

(LRBW 2017)

Alonzo Chandler, a League member and worker at the Jefferson Assembly plant, explains the dynamics of education, economics, and politics in the League.

The educational part played a role in us understanding the deep-rootedness of economics. But it also got us to understand why the movement itself had peaked and was now falling off. Because the movement was based on black nationalism. It was based on economics in a sense that the white man controls everything. He's manipulating us. He's keeping us out of jobs, he's keeping us out of neighborhoods.... But it's a larger picture than that. What we actually wound up

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doing was fighting the last battles of the Civil Rights Movement era. So when that was over with, most of the people just went back to their regular lives.

(LRBW 2017)

The dialectics of race and class and tactics for working-class struggle shift in relation to the objective historical conditions. The League pointed the way forward toward a long-haul strategy.

Jerome Scott speaks to this process of analysis and planning:

The moment you say to someone in order for you to really understand the way this world functions—why exploitation and oppression are part of the same coin, part of that monster that is standing on our chest. You can't eliminate one without the other. You can't eliminate exploitation and not eliminate oppression. And you certainly can't eliminate white supremacy without eliminating exploitation, because that's the basis of white supremacy. Once people begin to look at concepts like that, I think they begin to understand—it takes more than just working and practice to get a grasp on "how do you develop a plan for what we gotta do?"

(LRBW 2017)

### **3.3 Proletarian Intellectuals: The Unity of Theoretical Education and Working-Class Struggle**

It was the intense commitment to political and theoretical education—Marxism-Leninism—in the League and later formations that explains the longevity of League members in revolutionary struggle over five decades. Their recognition of the necessity of the unity of theory and practice steeled them for riding the waves of the ebbs and flows of the movement. The story of the League is the story of how everyday working people come to understand and embrace Marxism. They were—and are—a powerful intellectual and political force in the multiracial and multigendered working class struggle then and now.

Wiley Rogers, a League member, put it succinctly: "One of the significant contributions the League made was to implant the idea of analysis and study within the working class, in certain sections of it" (LRBW 2017).

Allen Ray Bernard, a League member and worker at Uniroyal Tire Factory, explains the power of Marxist education for him:

It's like anything else. Me being a mechanic, if I wanna work on a car, I had to find out what it's about. In the plant if we are trying to find out how we exploited, why we exploited, who's controlling us, we can find out – put the names to the who and the what. This is where we begin to analyze and break down everything—you know, dialectical historical materialism. Everything, every problem has four sides.

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We have to examine all of them to determine where we're going – a roadmap. You can get on a road and if it just keep running straight you ain't going nowhere, you don't know what's at the end of it. So, that's why it became very important, especially for a worker. For me to just sit down and read a book, trying to analyze something was a giant leap—other than just tolling the bell. I think we had a piece in there and I still remember some of that rote memory we used to do. The foolish old monk that tolled the bell. He went to that tower every morning and tolled the bell. He just kept doing it—years and years and years. An earthquake came along, the tower collapsed. He still went to where the tower was to toll the bell.

The education to us—we did away with all that. And that's what helped us so much. We began to study not only where we was at; but we begin, for me, the contractual language in the contracts for the unions that supposed to be our protective bible....The constitution for the unions supposed to be our bylaws and laws of the union, 'cause blacks had no recognition in the union. We began to do all that. The moment you get knowledge, believe me, your voice raises. You begin to ask questions. You begin to demand. It just changed everything about us, everything.

(LRBW 2017)

Alonzo shares the centrality of economics in Marxist education and workers' lives.

The basic thing that we grasped out of that educational period—

whether we was studying Lenin or Mao Tse-tung or Marx or whatever, whether you think these people are correct or incorrect—the basic thing we were beginning to understand is the deep-rootedness of economics in all of this. I don't wanna use the word “capitalist” economics. I wanna say, “It's commodity production economics. And economics based on a money system that doesn't use money as just a means of exchange, but uses money to manipulate people, to manipulate commodities, to manipulate revolutions in their favor, to manipulate counter-revolution in their favor.” All of this are basically part of the economic structure.

(LRBW 2017)

The League was able bring the Black Liberation Movement to the plants and communities of Detroit in the last phase of the reform period, but the time for the end of capitalism had not yet come. Workers at the point of production were still connected through the nexus of capital and labor within the social relations of late industrial capitalism. The conditions that gave rise to the League in the late 1960s—large-scale industry, capitalist expansion, and the reform era—have changed fundamentally. Through study and practice League members understood and embraced the qualitative shift in productive forces from machine-based production to robotic and automated production, and its strategic implications for labor and class struggle within shifts in capitalism and state power.

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Jerome reflects on the conditions that propelled a section of League members to go on an eighteen-month concentrated theoretical study resulting in the founding of the Communist League in 1970 and the Communist Labor Party in 1974.

You've got to look at the fundamentals of how this country is functioning, how this world is functioning, and the role that workers play and black workers play in the revolutionary process that's developing. If you can get a handle on that throughout this process, you're better able to find out what role you can play in different moments of the struggle. When you need to really concentrate on political education and put other things on a low burner because that's where they are anyway, whether you like it or not. And when you have to really implement your understanding of the relationship between theory and practice.

Then we have to look at our work, evaluate our work, and have a plan to rectify what we thought was lacking. In our case back then, we had a program; we fought and won part of it. But it didn't change anything. What we did to correct that was we decided to try to get a handle on what the world is. So we would know what kind of program we should be developing, so it will make a difference in our lives.

(LRBW 2017)

## 4. Black Workers and the Revolutionary Process: From Contradiction to Antagonism

The decades of study and struggle of many League members is a powerful expression of the qualitative shift in production, in the social life of Detroit and the country, and in movement struggle from reform to revolution. Black workers were entering the plants and fighting for equality just as the technological revolution and its application to production was accelerating. The transition from machine-based, labor-enhancing technology to electronic and robotic, labor-replacing technology created an antagonism at the base of society. The technological revolution in the economy drives the motion from contradiction between the productive forces and social relations to antagonism. It is the foundation for the current irreversible crisis and massive disruption within global capitalism and the leap into an epoch of social revolution (Dyer-Withered 2015; Ford 2015; Brynjolfsson and McAfee 2014).

In his *Preface to A Contribution to the Critique of Political Economy*, Marx ([1859] 1977) provided the theoretical analysis for understanding the qualitative transformation of the objective economic conditions—the productive forces—and the revolutionary potential for consciousness and society.

At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of



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which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure. In studying such transformations it is always necessary to distinguish 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, artistic or philosophic – in short, ideological forms in which men become conscious of this conflict and fight it out. Just as one does not judge an individual by what he thinks about himself, so one cannot judge such a period of transformation by its consciousness, but, on the contrary, this consciousness must be explained from the contradictions of material life, from the conflict existing between the social forces of production and the relations of production.

No social order is ever destroyed before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society. Mankind thus inevitably sets itself only such tasks as it is able to solve, since closer examination will always show that the problem itself arises only when the material conditions for its solution are already present or at least in the course of formation

(Marx [1859] 1977:paragraphs 6-7).

Darryl “Waistline” speaks directly to this leap in technology and class struggle in the twenty-first century:

We deeply felt [in the 60s and 70s] that the working class would become polarized enough, angry enough, conscious enough where we entered on the path of social revolution. It turns out the classes that constitute the basis of a system of production, e.g., the worker and the capitalist, cannot overthrow the system they are a part of. Because, it is the contradictory struggle between them that drives the system through different stages of development. Something new must happen to overthrow that system. That something new is the development of new classes. New classes come ... from qualitatively new means of production.

(LRBW 2017)

In the *Theories of Surplus Value* ([1863] 1963), *Grundrisse* ([1861] 1973), and *Capital* ([1867] 1987), Marx described the basis of the laws of capitalist development over the centuries in his detailed and complex study of the labor theory of value and labor power as a commodity, the source of all new value, profit, and capital accumulation. He wrote:

Only that wage-labour is productive which produces capital. ....[and] which produces a value greater than its own. ....The mere existence of a class of capitalists, and therefore of capital, depends on the productivity of labour.

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(Marx [1863] 1963: paragraph 4)

In the *Grundrisse* Marx anticipated the revolutionary impact of technology driving down the socially necessary labor time in commodity production.

The circulation of capital realizes value, while living labour creates value.... Capital itself is the contradiction [, in] that, while it constantly tries to suspend necessary labour time (and this is at the same time the reduction of the worker to a minimum, i.e. his existence as mere living labour capacity), surplus labour time exists only in antithesis with necessary labour time, so that capital posits necessary labour time as a necessary condition of its reproduction and realization. At a certain point, a development of the forces of material production – which is at the same time a development of the forces of the working class—suspends capital itself.

(Marx [1861] 1973: paragraph 25)

This analysis of value explains the crisis of commodity circulation and capital accumulation as labor power is less and less needed in production and huge swaths of humanity become redundant as workers, impoverished, and dispossessed. At the same time robotic production, including the application of artificial intelligence, creates an abundance of commodities that workers of all races, nationalities, and genders can no longer purchase in the market, including the basic necessities of life itself. This examination reveals the basis for the rupture in capitalist relations of production and the necessity of a new society (Caffentzis 2013; Davis, Hirschl, and Stack 1997; Peery 2002).

Jerome discusses the antagonism created by fewer workers at the point of production and their lack of wages to buy back the abundance of goods bring produced.

It used to be the consumer end and the point of production end were both critical.... Technology has eliminated the absolute criticalness of workers at the point of production. But it has not touched the criticalness of the consumer side of this capitalist society....The fact that working people in this country are 80 percent of the consumer base means that workers are still in that critical role that they have been in historically.

(LRBW 2017)

Maureen points the way to the current moment and a new world.

Lessons [of the League] then were about discrimination based on race and gender, some of those narrow politics. The lesson today is this question of class. How do we represent ourselves against that 1%? What must we do when we live in a world today where there's enough food, there's enough housing, got cars all over the place and people can't afford them? Why are we living like this? Immigrants in Europe and the world running across streams and seas, this horrible kind of situation. There is the capacity to build houses and cars, and provide medicine and

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food for everybody. What is this about? I think we're at the verge of something new where the world that all of us dream about in our sleep—we can wake up and see that world.

(LRBW 2017)

Former League members, through consistent theoretical study and political practice, grasped the reality of the new moment. They understood the underlying cause of the current capitalist crisis and antagonism in society within the totality of the revolutionary process—from economic revolution, to social revolution, to political revolution. More specifically, the economic revolution rooted in the technological transformation increasingly ruptured the fundamental social relations of the capitalists and workers. It interrupted circuits of capital accumulation based in the exploitation of labor power and the wages system making possible circulation and consumption. The system of global capitalism in Detroit and the world was being irreversibly and qualitatively disrupted. Workers experienced extreme economic inequality and massive dispossession. The resulting social destruction—neoliberalism, privatization, financialization, joblessness, poverty, homelessness, police and military violence, and ecocide affected all of society (Amin 2013; Foster and McChesney 2012; *The Guardian* 2017; Robinson 2014; Oxfam International 2017).

Jerome emphasizes the necessity of intellectual work in this rapidly changing political moment:

People got to do theoretical study today as part of this developing process as revolutionaries. To figure out a way to make sure that people get a better grasp of what the world is and how it works, what our role in it is. What is the revolutionary process that's going on that we should be connected to and how do we connect to it? That has to be a major part of the work of anybody who professes to be a revolutionary today.

Concentrating on political education, concentrating on making sure that people understand that the revolutionary process in this country – and in any country – is at least half intellectual. It's not three quarters practical. It's half practical and half intellectual. You have to be willing not only to do the kind of work necessary, but also to think about it, and make correct decisions about the direction of that work and concentrations of that work. How much time do you spend continuing your political education versus how much time you dedicate to practicing?

(LRBW 2017)

Marx ([1852] 1937:paragraph 2), in chapter 1 of *The Eighteenth Brumaire of Louis Bonaparte*, wrote about the dialectic between the objective conditions and human agency in making historic change: Human beings “make their own history, but they do not make it just as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past.”

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Former League members understood and embraced the conditions of struggle in the current moment and the dialectic of conditions and agency. They were in struggle as the world, humanity, and the planet were living through a qualitative leap in the revolutionary. Through study they were able to engage for decades across qualitatively changing conditions.

Again, Jerome captures the need for political study in the midst of changing conditions:

That whole concentration on political education is what gave us the ability to survive the ups and downs of the movement from the '60s to the present—to actually understand what it means to be a long-distance runner in this movement and not a sprinter. Without theory, it's very easy and commonplace to get burned out. You figure you gotta do this now; you gotta get this done. You're just running like hell and keep running like hell, keep working like hell to get it done. Then it doesn't happen. You think, "I've given it my all." But, what we weren't giving it is our thought—our thinking about it, our understanding of it.

Once we began to stand back and try to figure out the world, try to get a better handle on what was going on in the world, we were able to see the ebbs and flows of the movement. We realized that if a movement is ebbing—meaning it's slowing down—that's the time to concentrate on theory, study, and understanding of the world, in whatever way you can. When the movement is flowing, it's time to use that theory to guide the motion as it develops. Without a grasp of this major dynamic, it prevents people from being here for the long haul. It prevents people from being able to maintain their sanity around the ebb and flow of this movement and the attacks of the ruling class on us. It was that process that set up so many of us who are still revolutionaries and fighting in the revolutionary process today.

(LRBW 2017)

Nelson Peery, proletarian intellectual and lifelong Communist revolutionary, educator, and mentor, urges us to treat Marxism as science and understand the necessity of a scientific worldview—specifically on the strategic analysis of class and race.

Stop treating Marxism as a gospel, and treat it as any other science has to be treated. Science is based on observation. If we don't observe the functioning of the real world ... we are not gonna be scientists and we're not gonna be able to resolve our problem....We gotta look at the entire process. What is happening and what are the motive forces making this happen? Certain sectors of the economy—the workers—are achieving economic parity, economic unity. You can't have political unity unless you have economic unity.

Scientifically speaking, we have to look at where this economic unity is developing, why it is developing, and what direction it is going. Is it going towards curing the problem or is it going towards making the problem worse? And what is it that makes the problem worse? It's the value system. If you're gonna sell your

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product, you have to sell it cheaper than your competitor. In order to do this, you gotta continue the electronic process of production, which means you're shoving more and more workers out of the productive process. Then, what do we do? Do we exacerbate the color question or do we exacerbate the economic question? Which one will lead to victory? Let's be scientists and think about it. After that, we ask "how is it happening?" The color question becomes of extreme importance. But what is happening is not based on color.

(LRBW 2017)

More than 150 years ago Marx and Engels wrote about the revolutionary potential of the rupture in the social relations between capital and labor for the revolutionary process, social movements, and the world historic motion toward Communism. In *The German Ideology* (Marx and Engels [1845] 1968:paragraph 48) they articulated the materialist conception of history and the material conditions of the social motion from ancestral Communism through epochal forms of private property—land, natural resources, tools, factories, banks, and capital—to Communism in the twenty-first century as the negation of capitalism and the abolition of private property itself in the pursuit of human emancipation.

This 'alienation' (to use a term which will be comprehensible to the philosophers) can, of course, only be abolished given two practical premises. For it to become an 'intolerable' power, i.e. a power against which men make a revolution, it must necessarily have rendered the great mass of humanity 'propertyless,' and produced, at the same time, the contradiction of an existing world of wealth and culture, both of which conditions presuppose a great increase in productive power, a high degree of its development.... Moreover, the mass of propertyless workers—the utterly precarious position of labour—power on a mass scale cut off from capital or from even a limited satisfaction and, therefore, no longer merely temporarily deprived of work itself as a secure source of life—presupposes the world market through competition. The proletariat can thus only exist world-historically, just as communism, its activity, can only have a 'world-historical' existence. World-historical existence of individuals means existence of individuals which is directly linked up with world history.

Communism is for us not a state of affairs which is to be established, an ideal to which reality [will] have to adjust itself. We call communism the real movement which abolishes the present state of things. The conditions of this movement result from the premises now in existence.

This understanding is infused within the consciousness, vision, and strategy of former League members today.

## **5. The Current Political Moment: The Theory and Practice of Revolutionary Struggle**

The dialectics of class and race within the revolutionary process has to be contextualized in the new conditions of twenty-first century capitalism and class struggle. Global society is in transition and embodies an irreversible capitalist crisis, and intensifying state violence, white supremacy, xenophobia, patriarchy, ecocide, political polarity, and struggle from below (Katz-Fishman, Scott, and Gomes 2014). In the United States the Trump presidency ushered in an intensification of the polarization of wealth and poverty, democracy for billionaire capitalists, and developing fascism for the masses. Forces of protest, resistance, and revolution are rising up (Cox and Nilsen 2014; Dean 2012). Former League members in Detroit and throughout the country remain active in struggle and study. Their vision and strategy are in motion toward Communism and the working-class power imperative to realize the world that is now possible.

Marx and Engels, in *The Communist Manifesto*, summed up the historic relations between Communists and class struggle.

[The Communists] ... have no interests separate and apart from those of the proletariat as a whole....[T]heoretically, they have over the great mass of the proletariat the advantage of clearly understanding the line of march, the conditions, and the ultimate general results of the proletarian movement.... They merely express, in general terms, actual relations springing from an existing class struggle, from a historical movement going on under our very eyes.

(Marx and Engels [1848] 1969:paragraphs 2,6,9).

Marian, a former League member and now a leader in welfare and housing struggles and water wars in Detroit, speaks to this dynamic relationship. She expresses the powerful unity of theory and practice, of political education and addressing the needs of the working class in the twenty-first century.

My longevity in the movement is because education was the key to understanding what was happening and where we had to throw the blow. I love my working class. I hate the capitalists for what they have done to society. In this country we have enough food for people around the world. We have so much food, people shouldn't even have to pay for it. We got the technology to produce this abundance everywhere. And we don't have to pollute the air—I can barely breathe sometime when I wake up. You get to the point that you hate to see what they're doing to society and the environment. It gets me angry, but I get up ready to move.

(LRBW 2017)

The lessons of the League of Revolutionary Black Workers in the Detroit plants and community, from the 1960s to the current moment, are grounded in the leap in the productive forces, deepening social and ecological destruction, and intensifying state

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repression. Their understanding of Marxism—of revolutionary theory and practice—and their vision and strategy of realizing a communist society has sustained them over the decades.

They lived through the qualitative change from machines to electronics and robotics in the plants and throughout society. They stayed the course during the ebbs and flows of the working-class struggle. Their ongoing study of Marxism—of theory and philosophy—and their consistent praxis gave them the weapons to make critical assessments of the objective conditions in this new period, and to make adjustments to their tactical struggles within the spontaneous movement and to the strategic direction of the revolutionary process.

The League was part of the power of the working-class struggle at the point of production in the 1960s and 1970s that was the center of gravity of the revolutionary process. But as robots replaced workers and production became globalized, the working class lost jobs and wages, and Detroit became an epicenter of the capitalist crisis and developing fascism. An essential question was how much power would labor have when workers were in competition with robots and artificial intelligence? The strategic center of gravity had to shift to that section of workers increasingly dispossessed, outside of capitalist social relations, and in the front lines of struggle for survival and the necessities of life. The strategic focus shifted from the point of production to direct confrontation with the state. It is a new quality of class struggle for Detroit, and across the country and the globe.

Former League members grappled theoretically and practically with the dialectic of class and race within the US multiracial, multinational, and multigendered working class. They consistently fought for class consciousness and class unity within the political struggle for social transformation, human emancipation, and ecological survival. They grasped this new quality within the revolutionary process. They were and are clear that today's technological revolution has made the Communist vision possible for the first time in social history and has brought society closer the realization of Communism. The strategic resolution moves through a political revolution that negates capitalism, abolishes private property, and qualitatively transforms the state and power relations.

Survival of humanity and the planet requires all of us to take up this revolutionary work. Make it happen!

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## Nationalism, Class, and Revolution

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## Abstract and Keywords

The myth that Marx wrote little of value on nationalism or national movements has been sustained by superficial scholarship and attempts to portray him as a class reductionist. In fact, Marx's extensive writings on Poland and Ireland show a subtle interweaving of nationalism and class in relation to revolution. Marx's lifelong concern with and support for Polish national emancipation is expressed as early as the Communist Manifesto of 1848 but more substantively in his speeches on Poland during that period. Here he makes clear the importance of an emancipatory nationalism that aims at social reform of land and property structures vs. a narrowly nationalist movement aimed solely at throwing off a foreign yoke. On Ireland, the class dimension of Marx's analysis of nationalism is more pronounced, as he singles out the peasant-based and anti-landlord Fenian movement of the 1860s as a harbinger, not only of a progressive national revolution in Ireland but also of a wider working-class revolution. At the same time, he holds that anti-Irish racism on the part of the English working class is blocking the development of a class-conscious English proletariat. Other writings on the national aspirations of the Slavic peoples of Europe, save the Poles, are less original. Marx, and even more so Engels, views these small nations as the tools of Pan-Slavist policies of the Russian Empire, the most conservative power of the time. These writings exhibit a pronounced ethnocentrism and lack entirely the originality and subtlety of those on Poland and Ireland.

Keywords: nationalism, ethnicity, class, revolution, landed property, democracy, racism, ethnic chauvinism

Marx's perspectives on nationalism are not outlined in any single text, nor are they explicitly articulated in *Capital* or *Grundrisse*, his major critiques of political economy. Instead, they can be found mainly in his journalistic articles, speeches to radical organizations, letters, and private research notebooks.

This has led to some surprising and unsupported generalizations about Marx's shortcomings in this area. Nearly four decades ago, the noted Polish historian Andrzej Walicki lamented the "stubborn vitality" of a "classic misreading" of Marx according to

which his writings exhibit “a standpoint of total indifference toward the national problems as having, allegedly, no relevance to the real situation or class interests of the industrial working class of Europe” (1982:358). Examples of this misreading abound. A prominent one can be found in Anthony Giddens’s study of the nation-state, in which he quickly dispatches Marx: “It is manifestly the case that Marx paid little attention to the nature and impact of nationalism, and the comments he does make are mostly neither instructive nor profound” (1987:212). In a gesture that suggests a surprisingly cavalier use of scholarly sources, Giddens cites Solomon Bloom’s *World of Nations* (1941) as the sole source for his peremptory declaration about Marx. But Bloom’s view of Marx on nationalism ran exactly in the opposite direction of Giddens’s declaration, as will be discussed. In his bibliography, Giddens cites none of Marx’s actual writings on nationalism or ethnicity.

The best known of Marx’s treatments of nationalism is among the most misleading. It occurs in the *Communist Manifesto* of 1848, where he and Engels write famously, “The working men have no country” (Marx and Engels [1848] 1976:502), adding a few lines later: “National differences and antagonisms between peoples are daily more and more vanishing, owing to the development of the bourgeoisie, to freedom of commerce, to the world market, to uniformity in the mode of production and in the conditions of life corresponding thereto” (Marx and Engels [1848] 1976:503)

But as Bloom showed nearly eighty years ago in the first scholarly study in English of Marx and nationalism: “The *Manifest* [sic] is a cryptic and epigrammatic document and therefore easily misread” (1941:26). For Marx was in no way taking a class reductionist position in terms of the coexistence of national consciousness alongside that of class. As Bloom adds with respect to the sentence, “The working men have no country”: “This blunt statement has been the object of much conservative and radical speculation. It has been frequently taken to affirm precisely what Marx was at pains to deny: that nationalities had no real existence, that they should not exist, that the emotion of patriotism was foreign to the proletariat, and that the doctrine of ‘scientific socialism’ implied some rather special attitude toward nationalism” (1941:24). National differences and antagonisms were in some respects lessening, in others increasing, and were part of the web of social relations that constituted the modern capitalist order.

Nor do these kinds of passages in the *Manifesto* represent a repudiation of national liberation or emancipation as a key aspect of socialist and revolutionary movements. For the same *Manifesto* also contains a statement of clear support for Polish national emancipation, although it specifies that communists [many people use Communists to refer to Communist Parties, and communist for the more generic term] are supporting the left-wing anti-landowner wing of that movement: “In Poland, they support the party that insists on an agrarian revolution as the prime condition for national emancipation, that party which fomented the insurrection of Cracow in 1846” (Marx and Engels [1848] 1976: 518). Without awareness of the kind of point Bloom was making, this statement on Poland could seem incomprehensible, or at best opportunistic. What is at issue here though is the difference between, on the one hand, global abstract trends such as homogenization

under the capitalist world market, and on the other, the concrete social existence of working people and societies in a world shaped not only by class but also by nationality, race, gender, and other social relations that are not based solely upon class. In philosophical terms, Marx's universals were not abstract but concrete, internally differentiated and contradictory.

Besides Poland, the other case of national emancipation that Marx and most other progressives of his time espoused was that of Ireland. Both of these nations had long-standing and clear cultural—and more so in the case of Poland, linguistic—identities as nations based upon previous history as independent political entities in a specific territory. Throughout the nineteenth century, both were under a form of foreign rule that denied not just their self-determination but also their very identity as peoples and as nations. As Michael Löwy and Enzo Traverso note, Marx rejected many forms of nationalism—British and French, for example—as stemming from dominant nations, whereas he supported the nationalism of oppressed nations and peoples. This stemmed from “a basic theoretical point: the dichotomy of dominant/oppressed nations” (Löwy and Traverso 1998:28). One could add to this the dichotomy reactionary/emancipatory, along the lines of which Marx vehemently opposed the US Confederacy's claims to self-determination and independence because it was based upon support of slavery as a basic principle (Anderson 2016).

# 1. A Lifetime of Support for Poland as Part of the European Revolution

Although Marx wrote less on Poland than on Ireland, Poland actually loomed larger as a case of national emancipation for him and for other socialists of the time. First, Poland was in the center of Europe, bordering several countries with important socialist and revolutionary movements. Two of these, Prussia and the Austro-Hungarian Empire, occupied Polish territory, along with Russia, as part of the infamous partition of 1795 that had wiped Poland off the map as an independent nation. Second, the Polish revolutionary movement was more cosmopolitan in its orientation than that of Ireland, with Polish exiles with military training playing roles in revolutions ranging from the U.S. in 1776, to the Napoleonic wars on the side of France, to the Paris Commune of 1871. Third, Poland's very attempt to assert its national emancipation formed a thorn in the side of what both liberals and socialists viewed at the time as the world's most reactionary power, Tsarist Russia. Thus, the radical labor movement of Marx's time supported Poland, with “Vive la Pologne” a common slogan of plebeian and revolutionary elements in nineteenth-century Paris, especially in around the time of the 1848 revolution (Davies 2005:26). Most other important revolutionary leaders like Auguste Blanqui and Mikhail Bakunin strongly supported Poland, too. As Marx wrote in 1856, support for Poland was the “‘external thermometer’ by which one could measure ‘the intensity and viability of all revolutions since 1789’ ([1856] 1983:85). Since one of his rivals, the utopian socialist Pierre-Joseph Proudhon, was the only major socialist to oppose Poland and support Russia, Marx used

this fact to good effect as part of his polemics against him. Marx's support for Poland was so well known that when he returned briefly to Prussia in 1867 to meet with the publisher of *Das Kapital*, the press reported the rumor that he had been sent from London for the purpose of making "propaganda" in favor of a new Polish "insurrection" (Marx [1867] 1985a:202).

Even before the *Communist Manifesto*, one can find speeches by Marx espousing strong support for Polish independence, in the wake of the 1846 Krakow uprising. These speeches link Polish independence to the struggle for democracy and to working-class revolution more generally. In an 1847 speech, he pours scorn on the idea of restoring "the old Poland," for the new global capitalist system has made that impossible, plus it would be a reactionary dream. At this stage, Marx argues rather schematically that only a working-class revolution in England will free Poland because the new global system needs to be attacked at its center: "Hence Poland must be liberated not in Poland but in England" (Marx and Engels [1847] 1976a:388-389). In a speech one year later, around the time of the publication of the *Communist Manifesto*, he stressed that the Polish revolution needed a social character, albeit not yet a communist one, for "a democratic Poland was impossible without the abolition of feudal rights, without the agrarian movement that would transform the dependent peasantry into free proprietors, modern proprietors." Fortunately, he added, the Polish movement was led by a "national party" that was "above all reforming and democratic," rather than a "narrowly nationalist party" (Marx and Engels [1848] 1976b:549, trans. slightly altered on basis of French original in Marx [1848] 1994:1001). This espousal of a socially progressive Polish nationalism fleshed out the brief sentence in support of Polish national emancipation in the *Manifesto* that was quoted previously.

In terms of the direction of revolutionary change moving from West to East, Marx adopted a different stance in the aftermath of the 1863-1864 Polish uprising (Barbier 1992). He now wrote that a Polish national and democratic revolution might help spark a wider Western European one, as seen in a letter to Engels of February 13, 1863: "The era of revolution has now fairly opened in Europe once more .... This time, let us hope, the lava will flow from East to West" ([1863] 1985b:453). In the aftermath of this Polish uprising, the third major one of the century, Marx and Engels corresponded about writing a pamphlet on Poland, but due to illness and overwork on Marx's part, this never came about.

Marx's support for Poland in 1863-1864 was part of a broad current of opinion among European socialists and liberals. This included many working-class groups and networks. These networks, which also supported Abraham Lincoln's government in its civil war against pro-slavery secessionists, comprised workers from Germany, France, Britain, and other countries. They played a major role in the founding of the International Working Men's Association or First International in September 1864 in London. Marx was the main author of the International's Inaugural Address, which on foreign policy firmly sided not only with the US government against the Confederacy, but also with "heroic Poland being assassinated by, Russia." The Address stated further: "The fight for such a foreign

policy forms part of the general struggle for the emancipation of labor,” firmly linking the principle of internationalism to labor’s struggle against capital (Marx [1864] 1985c:13).

Once the First International began to operate, further debates over Poland ensued, in which Marx argued that at several junctures—the Napoleonic wars, the 1830 French revolution, and the period of Polish revolution (1846) and then Western European revolution (1848)—the Western European democrats had betrayed Poland. Moreover, doing so had doomed them in the end as well, as their betrayal of Poland strengthened Russia, which then proceeded to intervene in the West, crushing revolutionary movements. These concerns were never written up in essay form but notes for Marx’s speeches to meetings of the First International, as well as his far lengthier research notebooks on Poland’s relations with France, have been preserved. In these notes and speeches, which go into great detail on diplomatic relations, French parliamentary debates, and military affairs, he refutes the notion, prevalent on the left at the time, that the various French revolutions had supported Poland (Anderson 2016, Marx 1971). Later, Marx and Engels both referred repeatedly to the leading role that Polish exiles played in the Paris Commune. As a whole, Marx saw Poland as a bulwark against Tsarism, and thus a shield for the Western European democratic and labor movements against reactionary intervention from the East. He also saw Poland as a revolutionary country, one that in insurrection after insurrection, fought for both national emancipation and democracy, and he saw the Polish exiles as a major ally of revolutionary and democratic movements globally.

Only occasionally, however, did Marx discuss the class and economic basis of the Polish revolutionary movement. When he did so, he emphasized those parts of the movement that were the furthest to the left in the sense of calling for radical changes in landed property relations as well as independence and democracy. This suggests, on the one hand, that Marx did not really develop fully his analysis of Poland, scattered as it was in relatively short texts throughout his intellectual career. On the other hand, the firmness, even intransigence, with which he continued to support Poland, and the ways in which he considered such support a litmus test for the revolutionary movement of his day, form a dramatic illustration of the fact that not all of his thinking on issues he considered crucial were based solely upon class and economic considerations. Finally, the Polish case shows Marx as an ardent supporter of democratic movements, even when those movements did not as a whole broach the class question, so long as they operated in a basically progressive direction. And here, Poland as a barrier to Russian reactionary intervention in Central and Western Europe seems to have been a key factor.

## 2. Ireland: Intersections of Class, Ethnicity, and Nation

On Ireland, Marx carried out more of a class and economic analysis while also supporting Irish national liberation in a clear and consistent manner. Engels also wrote a lot on Ireland, much of it in conjunction with Marx’s own projects concerning that country. And

while Ireland was a more peripheral topic than Poland for the European left of Marx's time, his writings on Ireland have gained wider currency since his death than those on Poland. A one-volume selection of Marx and Engels's writings on Ireland was widely available for decades (Marx and Engels 1972) but there was no counterpart for Poland. This relative neglect of Marx's writings on Poland was also due to the baleful influence of the Stalinist regime in Russia, which feared even progressive forms of Polish nationalism and actively suppressed some of Marx's most strident attacks on Tsarist Russia, leaving them out of their publications of his collected works for decades.

Marx discussed Ireland from the 1840s onward, generally supporting Irish national emancipation, while at the same time criticizing harshly those Irish politicians who, in his view, worked closely with the Irish landowning classes and failed to really oppose British rule. During this early period, Engels often wrote more on the topic than did Marx. For his part, Marx's connections to the radical working class British Chartist movement allowed him to interact with revolutionary Irish workers and intellectuals in Britain, as two of Chartism's major leaders were Irishmen living there. British repression inside Ireland received bitter reproaches from Marx, who argued that despite its veneer of civilization and rule of law, Britain conducted itself in Ireland in a manner similar to the brutal Tsarist rulers in Poland or the authoritarian Bonapartist regime in France (Mathur and Dix 2009). Since most British politicians publicly deplored and occasionally attacked Russian atrocities and Bonapartist repression, this was a stinging criticism indeed, especially when Marx was able to publish such criticisms in the leading US newspaper of the time, the *New York Tribune*. In this early period, the most extensive contribution by the two men was Engels's heart-rending description of the utter poverty and degradation of the Irish immigrant community in his classic 1845 study of Manchester, *The Condition of the Working Class in England* (Engels 1975). But at this stage, Marx saw Irish national emancipation as flowing from radical revolution in more industrially advanced Britain, in what Ian Cummins termed "an Anglocentric approach to the liberation of Ireland" (1980, p. 208).

In the years surrounding the publication of Volume I of *Capital* in German in 1867, Marx became more intensely involved with Irish issues (Slater forthcoming). *Capital* contains a substantial discussion of the degradation of the Irish peasantry under the colonial rule of Britain, the most developed capitalist society of the time. Here, Marx stressed that British capital was uprooting the entire mode of existence of the peasantry, driving them into emigration to Britain or North America. In the wake of the horrific famine that gripped the country in the 1840s, British capital evicted starving peasants and consolidated subsistence farms into large commercial ones devoted to sheep and cattle. While British capital gained in the short run a profitable capitalist agricultural sector in Ireland, the emigration of millions of Irish people to the United States was in the long run a danger to Britain. For as Marx saw it, US capitalism was already putting up a challenge to Britain in that period. This was because, the United States, strengthened by the social transformations and state-supported industrialization of the Civil War, and angered by Britain's tilting toward the Confederacy during the war, was absorbing Irish and other immigrants to form the most gigantic working class the world had seen up to that time.



The Irish American working class, exploited as it was, was building up what would become the greatest accumulation of capital up to then. While these processes were just beginning in the 1860s, Marx discerned their long-term power and significance.

In his evocation of future US economic supremacy over Britain, Marx refers to the members of the revolutionary Irish Fenian Brotherhood among the Irish immigrant laboring classes forced to leave their homeland for the United States.: “Like all good things in the world, this profitable mode of proceeding has its drawbacks. The accumulation of the Irish in America keeps pace with the accumulation of rents in Ireland. The Irishman, banished by the sheep and the ox, reappears on the other side of the ocean as a Fenian. There a young but gigantic republic rises, more and more threateningly, to face the old queen of the waves” (Marx 1976c, p. 870). This evocation of the Fenian, banished from Ireland but rising across the ocean in the increasingly powerful United States, provides the link between the more economic analysis in *Capital* and Marx’s more overtly political writings on Ireland, which reached their zenith in the years 1867 to 1870, right after the book first appeared in print in German. Many of these writings were part of debates within the First International, in which Marx had some success in getting leading members of the English labor movement to support Irish national liberation.

By the late 1860s, the peasant-based Fenians had gained a large following among plebeian elements in both Ireland and the Irish diaspora in Britain and the United States. The class basis of their movement set it apart from many earlier versions of Irish nationalism, which had been linked more closely to the church and to ethnically Irish landowners (Ellis 1996). Moreover, the Fenians espoused a democratic republic, freedom of conscience and no state religion, land to the peasant, and the produce of their labor to the workers. It was not an explicitly socialist movement, but it was a plebeian and progressive one. At the same time, the Fenians, after an abortive uprising inside Ireland 1867, began to resort to terrorist attacks inside Britain and to attacks across the US border into Canada. To a remarkable degree, Marx and his allies managed for a time to maintain the support of the English trade union leaders of the First International for the Irish, even in the face of these terrorist attacks in London and Manchester, which were met by hangings by the British government, sometimes of clearly innocent people. Marx and his allies got the First International to make a public appeal for clemency for Irish political prisoners convicted of armed attacks, and to hold a rally of thousands of workers to that end (Anderson 2016).

At a theoretical level, Marx wrote during this period that he had changed his position on Ireland. Earlier, he thought the ascendancy of the British working classes was a precondition for the liberation of Ireland, but he now supported Irish independence as a precondition for a serious movement of the British working class against the capitalists and landowners who made up the dominant classes. In a letter to Engels of December 11, 1869, he now wrote

For a long time I believed that it would be possible to overthrow the Irish regime by English working class ascendancy. I always expressed this point of view in the *New York Tribune*. Deeper study has now convinced me of the opposite. The English working class will *never accomplish anything* before it has got rid of Ireland. The lever must be applied in Ireland. That is why the Irish question is so important for the social movement in general.

(Marx [1869] 1988:398)

Here, far more explicitly than in his writings on Poland, Marx indicated a change of position, toward the notion of revolution emerging from an area peripheral to the centers of capitalist industrialization.

But this was a private communication to his closest comrade, in which he also indicated that he could not say this quite so openly to the English trade unionists who occupied important positions on the General Council of the International, for fear of a nationalist backlash: "In part I cannot tell the English workers themselves" (Marx [1869] 1988:398). In that same period, in 1869–1870, Marx made several key points in letters and especially in a "Confidential Communication" he wrote in French on behalf of the International (Marx [1870] 198; Marx [1870] 1966):

(1) The British working classes were the largest and most organized in the world, who had achieved the ten-hour day and other major gains over years, and who had earned the admiration of progressives of all classes by their firm support of the North during the U.S. Civil War. This support of the North and firm opposition to slavery stood in direct opposition to the British government, which leaned toward the South and even seemed to threaten intervention to support the Confederacy. Moreover, this occurred at a time when workers were suffering enormously as a result mass unemployment due to the cotton shortage that stemmed from Union naval blockades of Southern ports. (Nimtz 2003)

(2) At the same time, the English workers possessed a sense of superiority and condescension toward Irish workers inside Britain, whom they accused of lowering wages and weakening the labor movement. This created a strong barrier to real class consciousness among British workers, as anti-Irish prejudice on the part of the English not only divided the working classes, but also gave English workers a false sense of connection to the dominant classes, as he argued in the "Confidential Communication": "The English bourgeoisie has ... divided the proletariat into two hostile camps.... *In all the big industrial centers in England*, there is profound antagonism between the Irish proletariat and the English proletariat. The common English worker hates the Irish worker as a competitor who lowers wages and the *standard of life*. He feels national and religious antipathies for him. He views him similarly to how the poor whites of the Southern states of North America viewed black slaves. This antagonism among the proletarians of England is artificially nourished and kept up by the bourgeoisie. It knows that this split is the true secret of the preservation of its power" (Marx [1870] 1985d:120, trans. slightly altered on basis of French original in Marx [1870] 1966:359). All this

functioned similarly to the effects of racism in the U.S. in terms of dividing the working class, Marx maintained.

(3) The British ruling classes comprised not only capitalists, but also landowners, who had much power inside the military and governmental apparatuses. That landowning class had vast holdings in both Ireland and Britain. At one level, this strengthened them, but their Irish holdings also constituted a vulnerability. For there, the peasant unrest exemplified by the Fenians could target its local landowners all the more forcefully because their opposition was based upon both class and national considerations: “In the first place, Ireland is the *bulwark* of English landlordism. If it fell in Ireland, it would fall in England. In Ireland this is a hundred times easier because *the economic struggle there is concentrated exclusively on landed property*, because this struggle is at the same time national, and because the people there are more revolutionary and angry than in England. Landlordism in Ireland is maintained solely by *the English army*. The moment the *forced Union* between the two countries ends, a social revolution will immediately break out in Ireland (Marx [1870] 1985d:119–120, trans. slightly altered on basis of French original in Marx [1870] 1966:358–359). For this reason, a great revolutionary blow against the British landowning classes could be struck in Ireland.

(4) Thus, Ireland formed what Marx termed a “lever” that could set in motion a wider struggle against the ruling classes of Britain. In a sketch of likely possibilities for international labor struggle, he suggested that an Irish uprising, combined with insurrectionary initiatives from Western Europe’s most revolutionary country, France, could set in motion the most powerful working class the world had seen up to that time, the British working class: “Although revolutionary initiative will probably come from France, England alone can serve as the lever for a serious economic Revolution. It is the only country where there are no more peasants and where landed property is concentrated in a few hands. It is the only country where *the capitalist form*, that is to say, combined labor on a large scale under the authority of capitalists [*des maîtres capitalistes*], has seized hold of almost the whole of production. It is the only country where the *vast majority of the population consists of wage laborers*....The English have all the *material conditions* [*matière nécessaire*] for social revolution. What they lack is a *sense of generalization and revolutionary passion*. It is only the General Council that can provide them with this, that can thus accelerate the truly revolutionary movement in this country, and consequently *everywhere*....If England is the bulwark of landlordism and European capitalism, the only point where official England can be struck a great blow is *Ireland*” (Marx [1870] 1985d:118–119, trans. slightly altered on basis of French original in Marx [1870] 1966:356–357). Inside Britain, Irish revolutionaries would presumably gain the respect of English workers from their fight against the landowning classes that plebeian elements as a whole despised, helping English workers to overcome their ethnic prejudices and to unite with their Irish brothers and sisters inside the British working class. In weakening the landowners, the military would be weakened as well, making repression of British workers more difficult. Moreover, it is likely that Marx also believed that Irish workers inside Britain would transmit revolutionary consciousness from Ireland into Britain, thereby affecting the working classes as a whole. In this way, Irish national

liberation would interact with the British working class to form a solidly based revolutionary movement that could challenge the most powerful economic and political system of the day, the British Empire, perhaps resulting in a worker-peasant revolution across Ireland, Britain, and Europe.

In these 1869–1870 writings on Ireland, Marx does not address directly the possibility that the British rural poor might also join in, but this also would have had to occur for a successful revolutionary uprising. Overall, these writings on Ireland constitute Marx's most extensively theorized picture of how nationalism (and ethnicity) could interact with class in both revolutionary and non-revolutionary ways. As August Nimtz notes, for Marx after the 1850s, revolutionary initiative "did not reside exclusively in the advanced industrialized world" (2000:204). Marx had already put forth this point in 1863 with respect to Poland's uprising's potential effects on Western Europe, but here it was theorized more deeply, in relation to working class revolution rather than democratic revolution more generally. Still later, in the 1880s, Marx theorized that a Western European working-class revolution could be sparked by uprisings based upon agrarian Russia's communal peasant villages, as they defended themselves against capitalist encroachment (Dunayevskaya 1982, Shanin 1983). While that set of problems takes us outside the issue of nationalism as such, it is another illustration of Marx's shift from a Western European centered conceptualization of revolution after the 1850s.

Marx's other treatments of nationalism are less developed and less important theoretically. While he wrote supportively about anticolonial resistance by the Chinese and the Indians in their respective conflicts with Britain in the late 1850s, he did not view Chinese or Indian national consciousness as having developed beyond a sort of defense of precolonial structures (Benner 1995). He saw one major exception to this in China, where the anti-dynastic Taiping rebellion exhibited many egalitarian features, including on gender. But at the same time, the brutality and ideological confusion of the Taiping rebels lost them a lot of popular support, sealing their doom at the hands of the imperial regime and the European powers (Anderson 2016).

Another area needs at least to be mentioned, although it does not redound to Marx's credit. Except for his writings on the Poles, Marx condescended toward other Slavic peoples, like the Czechs, the Serbs, and the Bulgarians. He believed that these groups felt a general affinity toward Russia, and that they had therefore backed the side of reaction in 1848 and after. Overall, he viewed them as dominated by the Tsarist-backed Pan-Slavist movement, which was itself quite reactionary. For these reasons, he opposed their national aspirations, arguing that they were overwhelmingly rural peoples without any real history or economic development. They often formed the rank and file of the Austrian army, a major force in repressing revolution, and even more so, the Russian army. As Marx saw it, these small Slavic nations were destined to be absorbed by what he viewed as more progressive, educated, and economically developed nations like the Germans and the Hungarians. And while Engels went further, expressing some ethnocentric and even racist sentiments toward the Slavs, Marx seemed to share most of

these sentiments as well, even if perhaps in less virulent form (Nimni 1991, Rosdolsky 1986).

In sum, Marx's writings on Poland and Ireland create a subtle and original portrait of the ways in which failure to support oppressed nations can weaken the working classes. At the same time, they show the need for alliances and even unity between class-based and progressive nationalist movements, to the benefit of both in their struggle against entrenched ruling classes. However, in some of his other writings on nationalism, Marx's writings show more the prejudices of the time than an important theoretical analysis upon which we can draw for today. Nonetheless, the most developed of his writings on nationalism can still give us important insights.

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### Hegemony: A Theory of National-Popular Class Politics



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### Abstract and Keywords

This chapter explores Antonio Gramsci's theory of hegemony, arguing that it is a theory of national-popular class politics aimed at illuminating how the achievement of state power and socioeconomic transformation can only be secured by mobilizing and winning the consent of the masses through a strategy of "national-popular" political and ideological alliance in civil society. Examined here are three essential aspects of the theory: the conditions of hegemonic struggle conceived as a dynamic field of "relations of force"; the apparatus of hegemony constituted by parties, states, civil society, and intellectuals; and the politics of hegemony involving a political and ideological campaign for mass consent among the "national-popular" masses. The chapter demonstrates how Gramsci's concepts illuminate the success and failures of capitalist and socialist hegemonic strategies. The conclusion suggests that contemporary interpretations and applications of hegemony in social scientific research need to give greater weight to its holistic, class-based, and "national-popular" character.

Keywords: Gramsci, hegemony, class, national-popular, international politics

There are few Marxist theories that have enjoyed such a pervasive and enduring influence as Antonio Gramsci's hegemony. The idea of hegemony, developed in Gramsci's *Prison Notebooks* (1929–1935), has not only continued to inform much of contemporary Marxist scholarship in theory and practice but has been widely applied and elaborated by scholars across a whole range of disciplines (Vacca 2011). Despite this popularity, there is still considerable debate over what exactly Gramsci meant by hegemony. Much of this confusion is a consequence of a lack of attention to the letter of Gramsci's writings, and already in 1984 no less a figure than Michel Foucault was lamenting the fact that Gramsci was an author who "was more often referenced than genuinely known" (cited in Buttigieg 1992:xix). But the interpretive controversies cannot solely be attributed to unexacting readings of Gramsci's work, for the apparent "antinomies" of hegemony have their origins, too, in Gramsci's own fragmentary and sometimes contradictory statements



in the *Prison Notebooks* (Anderson 1976–1977). Before turning then to provide an account of Gramsci's theory of hegemony and attempting to address and navigate these difficulties, it is important to recognize the scale of this interpretive problem.

The problem inevitably begins with the thorny issue of the sources Gramsci drew on to shape his idea of hegemony, given its long and diverse pedigree before Gramsci (Anderson 2017). Gramsci himself in the *Prison Notebooks* suggests Lenin was a primary influence, declaring that the Bolshevik leader “reappraised the front of cultural struggle and constructed the doctrine of hegemony as a complement to the theory of the state-as-force” (Q10(I)§12—Gramsci 1995:357).<sup>1</sup> Drawing on such declarations in the *Quaderni* (see too, Q7§35—Gramsci 1971:357) and broader Leninist themes in Gramsci's thought many specialist studies have maintained that Lenin was indeed a major influence (Buci-Glucksmann 1980; Gruppi 1972; Davidson 1977; Thomas 2009). But the relatively limited usage of the concept in Lenin's writings has cast doubt on this line of enquiry (Femia 1981:24–25). Gramsci's framing of his discussion of hegemony in the *Quaderni* around the Machiavellian dyad of force and consent, identifying hegemony with Crocean “ethico-political” consent in civil society (Q6§10—Gramsci 2007:9–10), has rather suggested to some that the most salient source is the “Western” or “Italian” tradition (Anderson 1979; Bellamy 1990, 2013; Bellamy and Schecter 1993; Bobbio 1979; Boggs 1984; Femia 1981; Fontana 1993). Still others maintain an association between Gramsci's use of hegemony and his early interest in linguistics where conceptions of “hegemonic” languages with national “prestige” and “subaltern/subordinate” languages were common among some Italian and Soviet linguists (Brandish 1996; Carlucci 2013; Ives 2004; Lo Piparo 1979).

Finally, some recent scholarship has focused on the (post-Lenin) Comintern link where in the mid-1920s the concepts of “hegemony” and/or “leadership” were employed increasingly by Bukharin, Trotsky, and Zinoviev in debates on the lessons of NEP (New Economic Policy) in Russia and the form the “United Front Strategy” should take in the West to bring about successful revolutions (Del Roio 2015; McNally 2011, 2015). Here hegemony was most often identified with the necessity for the proletariat to build a mass alliance of urban and rural workers, or as Bukharin put it, a “worker-peasant bloc under the hegemony of the working class as the leading and directing force” (Bukharin 1982: 111–115). In Gramsci's pre-prison-writings hegemony is indeed employed in a similar manner (Gramsci 1978:441–462), and the Comintern link is all the more alluring when we consider that Gramsci as PCI leader (1924–1926) was centrally involved in pursuing these strategies and regarded them as textbook Leninism (McNally 2015). Nonetheless, as Boothman has argued, hegemony is a concept that is in “constant evolution” in Gramsci's writings taking on “different contours” in different contexts and situations depending on how Gramsci is attempting to shape and develop it to his own ends. Consequently, while some sources stand out as more important than others, it is difficult to dispute its “multiple origins,” and this is of course a key challenge for any interpretation (Boothman 2008:212–213).

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Given this diversity of sources, it is not surprising then that Gramsci provides a number of—at first sight—incompatible accounts of hegemony in his *Prison Notebooks*. Firstly, Gramsci sometimes discusses the “exercise of hegemony” as the deployment of “a combination of force and consent which balance each other so that force does not overwhelm consent but rather appears to be backed by the consent of the majority” (Q1§48—Gramsci 1992:156). Elsewhere, however, Gramsci apparently restricts his definition of hegemony to the exercise of consent in civil society. He thus separates “two major superstructural ‘levels,’” maintaining that “civil society” corresponds to “the function of ‘hegemony’” (i.e., the “‘spontaneous’ consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group”) and then contrasts this with “‘political society’ or ‘the State,’” which corresponds to the exercise of “‘direct domination’” (i.e., “coercive power that ‘legally’ enforces discipline on those groups who do not ‘consent’ either actively or passively”) (Q12§1—Gramsci 1971:12). While this interpretation has been influential (Bobbio 1979; Boggs 1984; Femia 1981, Laclau and Mouffe 1985), it has drawn criticism from some scholars of Gramsci for its “cultural reductionism” (Sassoon 1987:14, 19).

Indeed, in the third and final interpretation Gramsci proffers in the *Prison Notebooks*, he builds on the United Front conception of hegemony in a manner that suggests a more holistic Marxist ontology. Hegemony is now in fact defined by Gramsci as a new type of politics adopted by a class in its highest stage of development when it *must* abandon its defense of narrowly sectarian class interests for an expansive and sophisticated political strategy of mass national alliance if it is to accede to state power and create a new economic order. This new political strategy, Gramsci argues, brings about

not only a unison of economic and political aims, but also intellectual and moral unity, posing all the questions around which the struggle rages not on a corporate but on a ‘universal’ plane, and thus creating the hegemony of a fundamental social group over a series of subordinate groups. It is true that the State is seen as the organ of one particular group....But the development and expansion of the particular group are conceived of, and presented, as being the motor force of a universal expansion, of a development of all the ‘national’ energies.

(Q13§17—Gramsci 1971:181–182)

Here it is to be noted in particular that hegemony is now conceived as a form of pragmatic and democratic class politics situated in historically conditioned “national” territories, and as such a response by Gramsci to take up Marx’s challenge in his Eleventh Thesis on Feuerbach (Marx [1845] 1975) to transform Marxism into a “philosophy of praxis” (Frosini 2003; Thomas 2009).

This chapter will provide a defense of this third conception of hegemony as the kernel of Gramsci’s theory. An overall analysis of Gramsci’s writings—as opposed to focusing on fragments—suggests that hegemony is *a theory of national-popular class politics* aimed at demonstrating how capturing and maintaining state power and bringing about fundamental economic transformation can only be secured by mobilizing and winning the

consent of the masses through a strategy of expansive and dense political and ideological alliance in civil society.<sup>2</sup> Three distinct and fundamental dimensions of Gramsci's account of hegemony are analyzed—the conditions of hegemonic struggle, the apparatus of hegemony, and the politics of hegemony—in defense of this approach. The conclusion offers some reflections on the implications of my reading of hegemony on the debates on interpretation and the application of the theory in political and sociological research.

# 1. The Conditions of Hegemonic Struggle: Relations of Force

For Gramsci the conditions in which political struggle between class forces occurs is a dynamic field of “relations of force.” Gramsci arrived at this concept through a comprehensive study of the base/superstructure relations in Marxism (Morera 1990:150–160), which he argued “must be accurately posed and resolved if the forces that are active in the history of a particular period are to be correctly analysed, and the relation between them determined” (Q13§17-Gramsci 1971:177). The “relations of force” in fact provide an innovative mode of analyzing the sociopolitical world that gives new weight to political and ideological forces in the struggle between classes, while situating all within a totality that is historically conditioned. This section analyzes Gramsci's account of the “relations of force” demonstrating how it supports the interpretation of hegemony as a theory of national-popular class politics. It shows in particular how this concept was developed to combat mistaken approaches to political and ideological struggle Gramsci identifies with “economistic” and “voluntarist” strains in Marxism that fail to appreciate the conditions in which politics and the struggle for hegemony occur.

Gramsci's account begins by dividing the relations of force into three discrete “levels” or “moments” that comprise the “relation of social forces” in the economic structure, “the relation of political forces” and the “relation of military forces” (Q13§17-Gramsci 1971: 180–183). Given that for Gramsci “the ultimate actors in history... are *classes*” (Crehan 2002:62), he turns first to the “relation of social forces” where the “level of development of the material forces of production provides a basis for the emergence of the various social classes” (Q13§17-Gramsci 1971:180). Gramsci consistently discusses hegemony in terms of “fundamental social groups”—those of Capital and Labor—and maintains that though “hegemony is political” it is “also and above all economic, it has its material base in the decisive function exercised by the hegemonic group in the decisive core of economic activity” (Q4§38—Gramsci 1996:183). Indeed, against “voluntarist” tendencies in the Marxist tradition that overestimate the role of acts of political will without due regard to the structural constraints of economic development, Gramsci insists—paraphrasing Marx ([1859] 2000)—that it is only through a careful analysis of the relation of social forces that “it is possible to discover whether in a particular society there exist the necessary and sufficient conditions for its transformation” and thus “the degree of realism and practicality of the various ideologies” (Q13§17—Gramsci 1971:177, 181).

However, Gramsci's main criticism here is aimed at the mistakes of "economism," and especially its tendency to treat the superstructures—politics and ideology—as mere abstract reflections or determinants of the economic base (Mouffe 1979; Hall 1986). In these vital passages from the *Prison Notebooks* on the relations of force Gramsci is thus insistent that all other levels are not independent of or simply determined by the base, but rather, mutually condition each other—"superstructures react upon the structure, politics on economics"—and must be understood as a *totality* of relations that in real history "imply each other reciprocally—horizontally and vertically ... combining and diverging in various ways" (Q13§17—Gramsci 1971:176, 182).

Just as voluntarism is treated as "an excess of 'ideologism'" so, too, then is determinism rejected as an "excess of 'economism'" that overestimates "mechanical causes" (Q13§17—Gramsci 1971:178) and induces passivity and an aversion to politics. Thus, he argues "economism" is the

iron conviction that there exist objective laws of historical development similar in kind to natural laws, together with a belief in a predetermined teleology like that of a religion: since favourable conditions are inevitably going to appear, and since these, in a rather mysterious way, will bring about palingenetic events, it is evident that any deliberate initiative tending to predispose and plan these conditions is not only useless but even harmful.

(Q13§23—Gramsci 1971:168)

Gramsci argued that such economistic beliefs can also incite a more dangerous and costly form of voluntarism in the form of ill-conceived Bolshevik-style revolutionary offensives on the state based on the fiction that some short-term political or economic crisis is evidence that capitalism is in its death throes. Gramsci's holistic consideration of the relations of forces, by contrast, separates short-term "conjunctural" crises from "organic" crises that threaten the whole social and political order (Antonini 2016; Martin 1998). Accordingly, he asserts the principle that "it may be ruled out that immediate economic crises of themselves produce fundamental historical events" for "they can simply create a terrain more favourable to the dissemination of certain modes of thought, and certain ways of posing and resolving questions involving the entire subsequent development of national life" (Q13§17-Gramsci 1971:178, 184).

Whether a favorable relation of social forces in the economic structure brings about revolutionary socioeconomic transformation for Gramsci depends crucially on "the relation of political forces," which he defines as "the degree of homogeneity, self-awareness, and organisation attained by the various social classes." These are tellingly accorded a more thorough analysis as he divides them into three further levels "corresponding to the various moments of collective political consciousness." The first and most basic is the "economic-corporate level," which involves a sense of common interest among professional groups—"a tradesman feels *obliged* to stand by another tradesman, a manufacturer by another manufacturer, etc." A more advanced moment comes when "consciousness is reached of the solidarity of interests among all the

members of a social class.” Importantly, Gramsci’s analysis makes clear that part of this development of political consciousness involves the advance of aspirations to—and preparation for—state power (Liguori 2015:25), and even in this second moment “the problem of the State is posed” albeit “only in terms of winning politico-juridical equality with the ruling groups” (Q13§17-Gramsci 1971:181).

It is however only when—and if—a class reaches the third and highest political stage of development noted above that it becomes a political force to be reckoned with by advancing towards a politics of hegemony. Gramsci now significantly steers the discussion back toward the realm of praxis and the politics of building and leading mass national-popular alliances. This “most purely political phase” he thus continues marks the “decisive passage from the structure to the sphere of the complex superstructures” when a class abandons its sectarian phase of consciousness for a politics of hegemony as it becomes aware that its own interests “transcend the corporate limits of the purely economic class, and can and *must* [my italics] become the interests of other subordinate groups too” (Q13§17-Gramsci 1971:181–182).

The final realm of the relations of force that Gramsci considers is the “relation of military forces,” which he argues “from time to time is directly decisive” (Q13, §17-Gramsci 1971: 183). While the ability to exercise coercive force is always an element in the consideration of political struggles for Gramsci (Bellamy and Schecter 1993:130), he does not attribute an importance to this level on a par with the insurrectionist element of Bolshevism. Indeed, he is careful to insist that material and technical superiority in this field will never suffice since military success is always conditioned and shaped by the totality of the relation of forces and particularly by the existence or non-existence of “politico-military” campaigns among the masses that make military action itself more or less successful (Q13§17—Gramsci 1971:183; see also Q1§134—Gramsci 1996:218–220).

Ultimately, of course, for Gramsci the analysis of the relations of force is about informing a new kind of *praxis*, and he therefore concludes that “the most important observation to be made about any concrete analysis of the relations of force is ...that such analyses cannot and must not be ends in themselves.” For they “acquire significance only if they serve to justify a particular practical activity, or initiative of will.” A key part of this practical activity is of course to develop a “permanently organised and long-prepared force that can be put into the field when it is judged that a situation is favourable” (Q13§17—Gramsci 1971:185), and it is to this key element of Gramsci’s theory that we now turn.

## 2. The Apparatus of Hegemony: Party, State, Civil Society, Intellectuals

The novelty of Gramsci’s theory of hegemony must also be considered in light of his approach to the question of organization and his unique conceptions of the party, state, civil society, and intellectuals. In contrast to Lenin’s highly centralized and elitist

approach to political organization focused on vanguards (Lenin 1987), Gramsci's account of the organization of hegemony is much more of the order of an apparatus or network that spans across the state and civil society incorporating class-aligned and non-class-aligned groups and intellectuals. This section explores the different organizational forms and agents of hegemony demonstrating how Gramsci's extended politics and conception of alliance-building begins with the arduous task of building a class-centred and national-popular apparatus of hegemony with the capacity to mobilise and win over the masses.

### 2.1 Party and State

For Gramsci the central apparatus of hegemony is the party, and he models the form it should take on Machiavelli's *Prince* (Fontana 1993:148) and the French Jacobin Party. In Gramsci's reading Machiavelli is no "bookish" or "systematic compiler of treatises" for the illumination of elites but "a man of action ... urging action" on a mass scale in the style of a "precocious Jacobin" embedded in the national-popular class politics of his era (Q13§20—Gramsci 1971:134–135). He is moreover no utopian with voluntarist illusions either but a realist whose book *The Prince* showed his determination to contribute to political praxis by imploring the Medici to upturn Italy's old order by drawing the popular masses into the struggle (Q13§1—Gramsci 1971:125–126). According to Gramsci, however, the principal agent of hegemony in modern times can only be a political party that conceives of itself as the concentrated hub of a network of radiating and expanding political and ideological relations in civil society—the social basis of a new form of "extended state" (Liguori 2015:1–25). This is what the Jacobin Party had achieved for the bourgeoisie in France in founding the modern French state, and the proletarian party—which Gramsci calls the "Modern Prince"—would be required to take a similar path. To achieve this, he thus argues, the Modern Prince must become a growing "organism" that conceives of itself as "the first cell in which there come together germs of a collective will tending to become universal and total" (Q13§1—Gramsci 1971:129).

It is, moreover, clear that Gramsci conceives of this party organism not only in class and national-popular terms but also within a framework of a holistic account of hegemony. Three characteristics of the hegemonic party deserve particular attention here. In the first place, parties are for Gramsci born out of economic relations and are therefore "only the nomenclature for classes." But he is quick to add—with the mistakes of economism in mind—that "it is also true that parties are not simply a mechanical and passive expression of those classes, but react energetically upon them in order to develop, solidify and *universalise* [my italics] them" (Q3§119—Gramsci 1971:227). Secondly, parties that aspire to hegemony must also prepare ideologically and organisationally for the ascent to state or governmental power. Thus Gramsci conceives of the party as an "embryonic State structure" emerging out of civil society (Q3§42—Gramsci 1971:226), and accordingly he maintains that "the new Prince... in the various internal relations of the various nations" is "that determinate party which has the aim of founding a new type of State" (Q13§21—Gramsci 1971:147). Finally, Gramsci makes clear—in an echo of United Front strategy—that parties that aspire to hegemony must have a clear comprehension that capturing and sustaining state power is only possible if they win over the nation-popular masses uniting

them and mobilizing them into a “national-popular collective will.” He describes this characteristic of hegemonic parties in the *quaderni* as the spirit of “Jacobinism.” Indeed, Gramsci maintained the Italian bourgeoisie since the Medieval Communes had lacked “such a Jacobin force which in other nations awakened and organised the national-popular collective will, and founded the modern States” (Q13§1—Gramsci 1971:130-131) while in Italy the leaders of the Risorgimento had only “produced a bastard” (Q19§28—Gramsci 1971:90)—a reference to the chronic instability of the Italian Liberal State. Successful hegemonic parties in the mould of the French Jacobins Gramsci suggests actually construct a new higher form of “integral state” articulating the masses in civil society to the new apparatus of governmental power, or as he puts it succinctly in a formula in Notebook 6 “State = political society + civil society” (Q6§88—Gramsci 1971:263).

### 2.2 Organic Intellectuals

In this task of forging a “national-popular collective will” and creating a new type of integral state, party intellectuals are given a central role (Crehan 2002:145-155). In a famous passage from the *Notebooks* he identifies a first category of intellectuals embedded in the class relations of society who he defines as “organic intellectuals”:

Every social group, coming into existence on the original terrain of an essential function in the world of economic production, creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own function not only in the economic but also in the social and political fields.

(Q12§1—Gramsci 1971:5)

These intellectuals do not, however, appear ready-made for hegemonic struggle, and Gramsci is insistent that the party must identify, train, and nurture various cadres of intellectuals to lead the battle for hegemony on all its fronts—economic, political, and ideological. In fact, the very category of “organic” intellectual implies not only their relation with the primary classes in production but also this vital “organisational activity and technical specialisation” (Sassoon 1987:139; McNally 2008:675-677). Gramsci therefore inscribes the category of intellectual with a broader and richer meaning that transcends its traditional identification with small elite groups (Holub 1992:164), but he also recognizes that in political parties there are nonetheless always “rulers and ruled, leaders and led” (Q15§4—Gramsci 1971:144). He accordingly divides the party into three hierarchical levels. At the highest level the party leadership or executive is endowed with “great cohesive, centralizing, disciplinary powers” and “the power of innovation.” It “centralises nationally and renders effective and powerful a complex of forces which left to themselves would count for little or nothing.” There is also a vital “intermediate element” responsible for maintaining contact between the leaders and led “not only physically but also morally and intellectually.” Finally, at the bottom is a mass element whose role mainly “takes the form of discipline and loyalty” (Q14§70—Gramsci 1971:152-153).

153; see also, Femia 1981:152–153). While each tier of intellectuals should be highly specialized and coordinated for its tasks, crucially, Gramsci insists the party must never become crystallized or bureaucratized at its higher levels (“bureaucratic centralism”). Effective dynamic leadership thus involves mobility from the bottom up and listening to the concerns of the mass elements (“democratic centralism”) with “orders from above” counterpoised by “thrusts from below” and “a continuous insertion of elements thrown up from the depths of the rank and file into the solid framework of the leadership” (Q13§36—Gramsci 1971:188–189).

### 2.3 Civil Society

The apparatus of hegemony does not, however, end with the party and its intellectuals. For hegemony is above all a theory of political and social *relations* and requires the party of a “fundamental social group” to establish and maintain a network of organizational links that mediates its continuing ideological supremacy. This extended network is constituted mainly of what Gramsci calls “so-called private organizations,” “allied groups” or “subaltern groups,” and their “traditional intellectuals.” It is at this point that his innovative concept of civil society becomes vitally important (see Buttigieg 1995), since it is in this space between “political society” (“*stato-governo*”) and the economy where “the hegemony of a social group over the entire national society” is “exercised through the so-called private organizations, such as the Church, the unions, the Schools, etc.” (Gramsci 1994:67). In civil society, parties are moreover “not isolated” but have “friends” and “kindred groups” (Q13§33—Gramsci 1971:150–151). In a note tellingly entitled “Organisation of National Societies” Gramsci maintains that “In this multiplicity of private associations...one or more predominates relatively or absolutely—constituting the hegemonic apparatus of one social group over the rest of the population (or civil society): the basis for the State in the narrow sense of the governmental-coercive apparatus” (Q6§136—Gramsci 1971:264–265). A class’s “leadership” over “kindred and allied groups” is thus “one of the principal conditions for the winning of such power” for Gramsci and “even if it holds it [state power] firmly in its grasp,” it must still maintain its apparatus of hegemony in civil society and “continue to ‘lead’ as well” (Q19§24—Gramsci 1971:57–58).

### 2.4 Traditional Intellectuals

Just as Gramsci conceives of the party as a network of intellectuals so, too, are the allied political and cultural associations in civil society analysed in terms of the intellectuals that constitute them, designated by Gramsci as the “traditional intellectuals.” In contrast to “organic intellectuals” who are firmly embedded in the fundamental class relations of society, “traditional intellectuals” seek to “put themselves forward as autonomous and independent of the dominant social group.” This “self-assessment,” Gramsci adds is “not without consequences in the ideological and political field” (Q12§1—Gramsci 1971:7)—a reference to the possibility of detaching and enlisting their support in a new class formation. For even if their apparent “position in the interstices of society has a certain inter-class aura about it” Gramsci maintains that their status and influence too “derives



ultimately from past and present class relations and conceals an attachment to various historical class formations" (Hoare and Nowell Smith 1971:3).

Gramsci is careful, moreover, to insist that these intellectuals are specifically shaped by the relations of force in national territories (Q12§1—Gramsci 1971:11–12)—though the latter are not of course *sui generis*, but rather a consequence of how “international relations” (economic and cultural) “intertwine with these internal relations of nation-states, creating new, unique and historically concrete combinations” (Q13§17—Gramsci 1971:182; McNally 2009). Thus, in Italy with its long history of uneven economic development and historical associations with a Catholic Church that held tremendous influence over the Southern rural masses, the clergy—especially its lower ranks—was for Gramsci an important strata of traditional intellectuals. Here the task of the party is to detach these “traditional intellectuals” from their previous class allegiances integrating them into its wider hegemonic apparatus as a vital lever to mobilize the masses behind the party and state. Indeed, Gramsci maintained that “One of the most important characteristics of any group that is developing towards dominance is its struggle to assimilate and to conquer ‘ideologically’ the traditional Intellectuals”; an assimilation that he adds is “made quicker and more efficacious the more the group in question succeeds in simultaneously elaborating its own organic intellectuals” (Q12§1—Gramsci 1971:10).

### 3. The Politics of Hegemony: The Battle for Mass Consent

What remains to be seen, however, is the precise nature of this politics of hegemony the intellectuals were charged with pursuing. Gramsci, in fact, provides a series of related concepts in the *Prison Notebooks* aimed at elaborating the specificity of successful hegemonic strategies in capitalist and developing socialist societies in the West. While he does not engage in the naïve notion that power can be won and sustained by classes without force, he clearly conceives of the politics of hegemony as one primarily conducted through a political and ideological struggle in civil society to win the consent of the masses (Ives 2004:2–3). This section examines this politics of hegemony as a battle for mass consent through the key concepts Gramsci employs to elucidate it, demonstrating how they are shaped and inscribed with his overriding concern to bring to consciousness the national-popular character of successful forms of capitalist regimes and the necessity for labor to build its hegemony on similar national-popular foundations.

#### 3.1 War of Position

Politics for Gramsci in advanced capitalist societies is above all a strategic battle between “fundamental classes,” and there is no concept that more accurately captures this than the “war of position” (see Egan 2015; Sassoon 1987:193–204). The debates on the United Front at the Comintern are particularly evident here where it was well understood by the mid-1920s that a new mass-based political strategy would be required to bring about revolutionary change in the West that was distinct from the audacious assault on state

power (“war of manoeuvre”) led by Lenin in the Bolshevik Revolution (McNally 2015). In an important passage of the *Notebooks* Gramsci thus famously contrasts the tactics appropriate to the East to those required in the West:

It seems to me that Ilitch [Lenin] understood that a change was necessary from the war of manoeuvre applied victoriously in the East in 1917, to a war of position which was the only form possible in the West ... This is what the formula of the ‘United Front’ seems to me to mean ... In the East the State was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled a sturdy structure of civil society was at once revealed. The State was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks: more or less numerous from one State to the next, it goes without saying—but this precisely necessitated an accurate reconnaissance of each individual country.

(Q7§16—Gramsci 1971:237–238)

The political battle for hegemony in the West is thus framed as no short-term affair but a protracted strategic struggle between major classes over decisive mass positions in civil society that would determine the outcome of the struggle.

It is important to note too that for Gramsci the “war of position” had to be broached from the “national” perspective of “each individual country” (Buci-Glucksmann 1980:272), and it was this in fact that he regarded as his major contribution to United Front tactics. Indeed, Gramsci’s account of the “war of position” is framed within a critique of Trotsky who was “a cosmopolitan” and “superficially national” and consequently in his theory of Permanent Revolution endorsed the Russian “war of manoeuvre” as internationally generalizable. For Gramsci this reflected his inability to fully grasp that Russia—unlike Western European states—was “a country in which the structures of national life are embryonic and loose, and incapable of becoming ‘trench or fortress’” (Q7§16—Gramsci 1971:236–238). Even Lenin who was “profoundly national” and “profoundly European” in Gramsci’s estimation had failed to appreciate that in the West “the fundamental task was a national one” and “required a reconnaissance of the terrain and identification of the elements of trench and fortress represented by the elements of civil society, etc.” in specific national territories. Success in these conditions, moreover, demanded “an unprecedented concentration of hegemony” involving legions of well-prepared intellectuals and “enormous sacrifices by infinite masses of people.” But ultimately, the reward was a secure victory since “the war of position, once won, is decisive definitively.” (Q7§16 Gramsci 1971:237–239).

### 3.2 Alliance, Compromise, and Popular Demands

The key to winning this decisive victory and capturing the “fortresses and earthworks” of civil society was for Gramsci to adopt a new politics of expansive *alliance building* in which the hegemonic class not only embraces compromise with other political and cultural forces but also takes up forcefully their popular demands to ensure the new

emerging state will have “the active consent of those over whom it rules” (Q15§10—Gramsci 1971:244). This politics of compromise and alliance building, however, takes a specific form in Gramsci’s hegemony. On the one hand, it is meant to redress the mistakes of “economism” and “intransigence theories” with their “rigid aversion on principle to what are termed compromises” and their preference to “rely blindly and indiscriminately on the regulatory properties of armed conflict” (Q13§23—Gramsci 1971:167–168). But, on the other, it is elaborated also with the mistakes of reformist socialists in mind who fall victim to what Gramsci calls “transformism” or the tendency of its elite to get “absorbed” into the hegemonic politics of opposing class centers and to compromise fundamental economic reform irredeemably (Q3§119—Gramsci 1971:227–228; Q8§36—Gramsci 2007: 257–258). It is therefore important in any understanding of Gramsci’s hegemony not to trivialize the moment of class conflict and rupture in the “economic-corporate” phase (Q13§17—Gramsci 1971:181) and to attribute to him an idealized liberal and plural politics of wholesale national consensus (Carlucci 2015). There are clear limits on the degree of compromise appropriate for Gramsci, and the party leadership in particular must form a solid nucleus that resists these disintegrative tendencies.

These limits do not however negate the fact that Gramsci’s main intention in developing his theory of hegemony was to show how capitalism had skilfully enlisted the intermediate elements of the social order in civil society through a sophisticated politics of compromise, and any party of labor that had similar hegemonic aspirations would be required to follow suit. Accordingly, he argues, “An appropriate political initiative is always necessary ... to change the political direction of certain forces which have to be absorbed if a new, homogeneous politico-economic historical bloc, without internal contradictions, is to be successfully formed.” Indeed, the politics of alliance and compromise are integral to the class struggle itself for Gramsci since:

If the union of two forces is necessary in order to defeat a third ... the only concrete possibility is compromise. Force can be employed against enemies, but not against a part of one’s own side which one wishes rapidly to assimilate, and whose ‘good will’ and enthusiasm one needs.

(Q13§23—Gramsci 1971:168)

To acquire this degree of enthusiasm and integration, compromise must entail the leading party—whether it holds state power or not—taking up vigorously the demands of the intermediate sectors of civil society. Careful consideration must be given again to the specificities of particular national territories. Thus in Fordist capitalism in the United States—the absence of a complex and well-articulated civil society with hundreds of years of national culture—meant for Gramsci that “hegemony here is born in the factory” where “extremely subtle ideological and political propaganda” engaging American Puritanism is backed up with concrete popular incentives such as “high wages” and “various social benefits” (Q22§2—Gramsci 1971:285). Similarly, Gramsci castigates the Action Party in the Risorgimento precisely because it failed to tailor its strategy to Italy’s particular conditions. Thus, he maintained, it “ought to have allied itself with the rural masses,

especially those in the South” enlisting their support by “accepting their elementary demands and making these an integral part of the new programme of government” (Q19§24—Gramsci 1971:74)—indeed, this held the key to “stamping the movement of the Risorgimento with a markedly popular and democratic character” (Q19§24—Gramsci 1971:61).

### 3.3 Reconceptualizing Ideology

For Gramsci, however, hegemonic politics goes beyond the inclusion of allies’ mass demands in party and governmental programs. This concrete element must be embedded in a creative and constructive *ideological strategy* to transform the very identity of the class itself and its mass allies into one collective subject (Smith 2010). Reconceiving and revaluing ideology in this way led Gramsci, as noted earlier, to develop a sustained critique of economistic and reductionist accounts of ideology typical of some Second and Third International Marxists. The latter, Gramsci argues, imagine they can “have the whole of history and all political and philosophical wisdom in their pockets at little cost” reducing it to a supposedly “objective-scientific” account of capitalist exploitation with ideology—often conceived negatively as “bourgeois ideology” or “false consciousness”—concealing its oppressive character. For Gramsci, this is to contemptuously treat mass “politics, and hence history, as a continuous *marché de dupes*” and to reduce ideological struggle to “the exposure of swindles.” Gramsci was consequently adamant that it was vital “to combat economism not only in the theory of historiography, but also and especially in the theory and practice of politics;” a struggle that “can and must be carried on by developing the concept of hegemony” (Q13§18—Gramsci 1971:164-165).

A central part of Gramsci’s theory of hegemony is accordingly focused on ideology and ideological struggle, and both are given a new and elevated significance to foreground their constructive and “material” purchase against crude forms of economic materialism (Mouffe 1979). Here Gramsci enlists Marx in the struggle insisting that the founder of historical materialism had well understood this character of ideology when he maintained that “‘popular beliefs’ and similar ideas are themselves material forces” (Q13§18—Gramsci 1971:165). The materiality of ideology for Gramsci resides in the fact that how we conceive of and value the world around us (our “conception of the world”) is not only much broader than our immediate class interests, but also engenders a “norm of conduct” shaping all behavior including political behavior (Q11§12—Gramsci 1971:326). Crucially, ideology also has materiality in that it provides the articulatory glue of national-popular alliances “preserving the ideological unity of the entire social bloc which that ideology serves to cement and to unify” (Q11§12—Gramsci 1971:328) and therefore produces a mass of unified collective subjects capable of accomplishing an “historical act” (Q10(II)§44—Gramsci 1971:349; Hall 1987). Conceived in this way, a whole new sophisticated field of class politics and ideological conflict opened up in Gramsci’s theory of hegemony.

### 3.4 Reconstituting “Common Sense”

Crucially this conflict should avoid focusing its resources on the great works of intellectuals and instead bring its struggle to the “common sense” of the national-popular masses that the leading class necessarily shares to some extent. A form of ideological compromise is thus evident here, too, as the battle for consent and “intellectual leadership” accords a value to popular ideas and consciousness in their national setting (Hall 1986; Srivastava and Bhattacharya 2012), while at the same time critiquing them to transform them into subordinate elements in a new unifying and systematic conception of the world (Liguori 2009). Gramsci describes this ideological process as one that critically reconstitutes and rationalizes the “common sense” of the masses so that it becomes “good sense.” Thus, though it is accorded great importance by Gramsci due to its capacity to condition spontaneous mass behavior (see Crehan 2016), “The fundamental characteristic of common sense consists in its being a disjointed, incoherent, and inconsequential conception of the world that matches the character of the multitudes whose philosophy it is” (Q8§173—Gramsci 2007:333). As such, it actually confines the masses to conditions of “subalternity” since its contradictory and sporadic character render it incapable of providing an ideological platform coherent enough to form the basis of a unified alternative hegemonic order.

It is only through the intervention of a fundamental class with a disciplined and systematic “philosophy” at its center and a developing apparatus of intellectuals who engage energetically their role as “constructor, organiser and ‘permanent persuader’” in civil society (Q12§3—Gramsci 1971:10) can this “common sense” become a coherent and philosophically grounded ideology or “good sense” (Q11§12—Gramsci 1971:326). Gramsci thus argues, “Historically, the formation of a homogenous social group is accompanied by the development of a ‘homogenous’—that is, systematic—philosophy in opposition to common sense” (Q8§173—Gramsci 2007:333). The opposition should not, however, take the form of an attempt to create a new “common sense” *de novo*, but rather it must be positioned “within the field of ‘common sense’” (Q1§65—Gramsci 1992:173). Gramsci therefore praises bourgeois ideology in France which offers “a model of hegemonic ideological construction” due to the “popular-national” character of its culture that allowed it to “transcend a particular form of common sense and to create another that was closer to the conception of the world of the leading group” (Q11§13—Gramsci 1971:421). Accordingly, the philosophy of praxis must take a similar route presenting itself “in a polemical and critical guise” but also

basing itself initially ... on common sense in order to demonstrate that ‘everyone’ is a philosopher and that it is not a question of introducing from scratch a scientific form of thought into everyone’s individual life, but of renovating and making ‘critical’ an already existing activity.

(Q11§12—Gramsci 1971:330–331)

The goal of the philosophy of practice is, however, for Gramsci democratically superior to all previous worldviews since its aim is to raise the masses up to “a higher conception of life” and “to construct an intellectual bloc which can make politically possible the intellectual progress of the mass and not only of small intellectual groups.” (Q11§12—Gramsci 1971:332–333).

### 3.5 Leadership and Dynamic Equilibrium

The construction of “an intellectual bloc” of this nature required for Gramsci a particular kind of class political leadership guided by a dynamic conception of balance (McNally 2008). Machiavelli is a major influence here as he conceived of successful leadership in politics as the pursuit of a *dynamic equilibrium* tailored to careful consideration of historically conditioned political forces. Thus, for Gramsci leaders must be “active politicians” in the Machiavellian mold who develop their political strategy out of “effective reality” defined as a “relation of forces in continuous motion and shift of equilibrium.” Their primary and essential task is, however, “to dominate and transcend” this reality by applying their “will to the creation of a new equilibrium among the forces which really exist and are operative—basing oneself on the particular force which one believes to be progressive and strengthening it to help it to victory” (Q13§16—Gramsci 1971:172).

For Gramsci the “forces” that “really exist” are class and national-popular forces and leadership, as we have seen, must deploy compromise—political and ideological—skilfully to create “good will” and “enthusiasm” (Q13§23—Gramsci 1971:168) and thus active participation in the struggle to overturn the old order. But the pluralized nature of the bloc also placed new demands on leaders to secure dynamic equilibrium by embarking on a broader politics of “holding the balance between the various interests in ‘civil society’” and “the various interests struggling against the predominant ... [class] interest” (Q5§127—Gramsci 1971:253). Here too, the economic interests of the fundamental class had to take precedence as even if:

the fact of hegemony presupposes that account be taken of the interests and the tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed...there is also no doubt that such sacrifices and such a compromise cannot touch the essential; for though hegemony is ethical-political, it must also be economic.

(Q13§18—Gramsci 1971:161)

This role of maintaining momentum toward the goals of a class while balancing the political and ideological demands and interests of allies in civil society is what Gramsci in fact calls in the *quaderni* the leading group’s “hegemonic function” (Q5§127—Gramsci 1971:253).

Gramsci, however, never lost sight of the fact that momentum and dynamism in the struggle had its primary source in the collective weight of the masses, and leaders consequently were required above all to give great attention to building and maintaining organic ideological relations with the “people-nation.” As so often with Gramsci’s politics, the Jacobin Party provided the ultimate example for they were not only “extremely energetic and determined men driving the bourgeoisie forward with kicks in the backside” who were “convinced of the absolute truth of their slogans about equality, fraternity and liberty” but they also and crucially brought about a situation in which “the great popular masses whom the Jacobins stirred up and drew into the struggle were also convinced of their truth” (Q19§24—Gramsci 1971:77–78). This struggle of the proletariat—like that of the Jacobins—was for Gramsci fundamentally an international class struggle against capitalism. But Gramsci’s acute awareness of the impact of the uneven development of capitalism in shaping each nation-state (Jessop 2005; Morton 2007) and the diversity of historical experience, led him to conclude in the end that it was one that would have to be fought politically and ideologically within each nation-state if mass momentum and dynamism were to be secured (McNally 2009). Therein lies the key to his oft-quoted assertion that a class that “is international in character” and seeks to guide “social strata which are narrowly national (intellectuals), and indeed frequently even less than national” must if it is to be successful “‘nationalise’ itself in a certain sense.” Moreover, he maintained that “it is in the concept of hegemony that those exigencies which are national in character are knotted together” (Q14§68—Gramsci 1971:240–241). Thus, the struggle for hegemony internationally for Gramsci could only be fought out in a form that mirrors capitalism’s “nodal” structure (Jessop 2005:37–40; Morton 2007:75), and it required its leaders to embrace a process of collective transformation with the national-popular masses that would go beyond the level of material compromise and agreement over abstract principles. This relationship, rather, had to become organic and affective of the order of a “national-popular collective will” exemplified in Machiavelli’s closing section of *The Prince*—the model for the hegemonic party of labor. For here:

Machiavelli merges with the people, ...not however, some ‘generic’ people, but the people whom he, Machiavelli, has convinced by the preceding argument—the people whose consciousness and whose expression he becomes and feels himself to be, with whom he feels identified.

(Q13§1—Gramsci 1971:126)

## Conclusion

This chapter has argued that Gramsci’s hegemony is best understood as a theory of national-popular class politics. It demonstrated the theory’s capacity to illuminate how state power and new economic orders are secured and maintained by winning the consent of the masses in civil society through a *nationally* calibrated and sophisticated political and ideological strategy of expansive alliance building. By way of a conclusion, it seems appropriate to consider the implications of this reading in relation to other

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interpretations of hegemony, and indeed, with an eye to the prospects for its continuing application in the social sciences.

Firstly, the above analysis suggests much greater importance must be attributed to the theme of the national-popular in defining Gramsci's theory of hegemony. The "national-popular" is more often than not treated as a significant yet secondary concept in most accounts of hegemony. My argument here, by contrast, maintains it is a primary conceptual axis of the theory inscribed in all of its main concepts. This seems to me a particularly important finding in light of the recent and burgeoning literature that applies Gramsci's hegemony to the field of international politics and political economy.<sup>3</sup> To my mind, the latter is a welcome innovative development, and there is no disputing the validity of the approach as others have on the grounds that hegemony is exclusively a "nation-state" concept (Femia 2005; Germain and Kenny 1998). As I have argued above, Gramsci is not beguiled by the fiction of rigidly bounded nation-states that are *sui generis* as their particularity is rather a consequence of how national and international relations "intertwine" in all of their diverse forms in historic national territories. Moreover, for Gramsci, capitalism and any viable class resistance to it are necessarily international phenomena. However, it must still be recognized that his theory of hegemony took a distinct *nodal* form that was bound up with his conception of the national-popular and above all his conviction that international hegemony can only be secured by sophisticated national-popular campaigns within individual nations. Applications of Gramsci to "the international" have too often pursued an excessively global and cosmopolitan approach, and it seems to me at least that it is necessary to give greater weight to the national-popular character of hegemony (McNally 2017). Indeed, this necessity seems all the more pressing if the founding goal of this neo-Gramscian approach to IR—as proclaimed by its major proponent (Cox 1981:128-129)—is to make an effective contribution to critical praxis. For today the most salient ideological form in which neoliberal capitalism is finding new room for expansion is through the vehicle of right-wing populist nationalism. Understanding its nature and how an effective mass alternative to it might emerge suggests at least that there has never been a greater need to assert the centrality of the national-popular in Gramsci's hegemony.

Finally, the defense here of a holistic account of Gramsci's hegemony that recognizes the vital place of economics, class, and the state rejects the notion that hegemony can be reduced to a theory of ideology, culture, and civil society. The latter were of course vital concerns but—as has been shown above—they were consistently situated by Gramsci within a wider theory of class and state politics embedded in the Marxist tradition. It can legitimately be countered of course that the "cultural" and "discursive" approach to hegemony—in its post-Marxism guise at least—is based on a critical reading of the residual economism in Gramsci's assertion that the "*single* unifying principle in every hegemonic formation...can only be a fundamental class" (Laclau and Mouffe 1985:69) which seems out of place in a world of economic stratification, identity politics, and pluralism. Indeed, it can be maintained in the manner of Stuart Hall (1985) that these anti-reductionist approaches have produced rich critical insights and empirical work that Gramscians and neo-Gramscians can learn from and should engage with. However, the



events since 2008 have undermined irrefutably notions of a postmaterialist new order of identity politics and demonstrated that there is still a vital need for an historical materialist tradition in critical theory—attuned of course to our time and place—that takes seriously the most basic forms of inequality and exploitation that have their source in the economic foundations of capitalist societies. The allure of Antonio Gramsci's theory of hegemony will no doubt continue to flourish in this context. For it provides a conceptual framework to critically analyse the interrelated and diverse modes of neo-liberal capitalist supremacy today, as well as the tools to critically engage with the continuing crisis of the contemporary left.

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### Notes:

<sup>(1)</sup> The abbreviations 'Q' for Quaderno (Notebook) and '§' for the individual note will be employed throughout this chapter with reference to the Gerratana critical edition of the *Prison Notebooks (Quaderni del carcere)* in Italian (1975). The reference that follows the hyphen is to the English language translations.

<sup>(2)</sup> For Gramsci's "national-popular" see Forgacs (1993), McNally (2009) and San Juan Jr. (2009).

<sup>(3)</sup> For a critical overview of the approach see, Bieler, Bruff, and Morton (2015).

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### Capitalist Crises and the State

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### Abstract and Keywords

Capitalist development is a contradictory process prone to structural crises—the genesis, nature, and outcome of which are historically contingent and the resolution of which changes the terrain for the development of future crises. Crises are always historically specific; they occur within particular periods of capitalist development and must be theorized using the tools of historical materialism in relation to the class and state matrices of that period. This article analyzes the specific class, state, and imperial configurations of the particular historical conjunctures in which the four structural crises of capitalism's history have occurred from the late nineteenth century to the opening decades of the twenty-first century

Keywords: crisis, state, American informal empire, financialized capitalism, working class

The first great capitalist crisis of the twenty-first century shines a new light on the important Marxist theories of the state that emerged in the late 1960s, in the very wake of the 100th anniversary of the publication of Marx's *Capital*. This creative new Marxist work (Poulantzas 1968; Miliband 1969) finally began coming to terms with the lacuna left by Marx's promised but never completed book on the state. Breaking with the tendency to economic reductionism that traditionally marred so much Marxist work and focusing on the relatively autonomous role the state played in organizing and legitimating class hegemony as part of facilitating capital accumulation and the reproduction of capitalist social relations, this new work has been recognized as a major contribution to Marxism. (Aronowitz and Bratsis 2002; Wetherly, Barrow and Burnham 2008; Gallis et al. 2011). This advance in the Marxist theory of the state contrasted especially sharply with the old theories of imperialism—directly linking the state to monopoly capital's generation of inter-imperial rivalry under conditions of economic stagnation and capitalism's breakdown—on which Marxism had made such a running in the first half of the twentieth century (Panitch and Leys 2004; Kiely 2010).

Yet the new state theory, framed as it was against the backdrop of the successful reconstruction and consolidation of capitalism through the postwar decades, had little to offer in terms of understanding the factors that produced the economic crisis of the 1970s. And while the growing importance of multinational corporations was recognized, what was not adequately conceptualized was the nature of the American state as a new type of informal empire and its central role in the generation and resolution of the 1970s crisis as part of the making of global capitalism. Highlighted amidst the continuing reverberations of the crisis that began in 2007–2008 has been the need for a retheorization of both crisis and imperialism as part of (and in combination with) the theory of the state (Barrow 2016; Jessop 2016: chapter 9).

# 1. Theorizing Structural Crises

The term “crisis” is commonly used to refer to interruptions in the process of capital accumulation and economic growth. To the extent, however, that most such interruptions are either self-correcting (e.g., through the devaluation of “excess” capital), or their depth and duration are shortened by state intervention (e.g., fiscal stimulus), their social significance is limited. Of greater significance is that some such interruptions do not simply come and go but take on a much larger dimension. Three deep *structural crises* of this kind, separated from each other by roughly a generation, have been identified in the modern era of capitalism: the long depression of the last quarter of the nineteenth century, the Great Depression of the 1930s, and the decade-long “stagflation” of the 1970s. The current crisis has exhibited many of the characteristics that make it the fourth. What needs to be addressed is not just *why* such crises occur but also why these crises are *distinct*: why they last so long, why they are marked by persistent economic uncertainty, and why they produce significant political and social change (Shaikh 1999 and 2011).

We must be careful, however, not to slip into reading the history of capitalism in terms of a series of crises. While structural crises represent certain “turning points,” this should not be extended to imply that such crises alone are what spur on further capitalist development. The concentration and centralization of capital, while accelerated during the crisis of 1873 to 1896, had begun earlier and continued after the great US merger wave at the turn of the twentieth century. The growth of Fordist technology, well in train long before the crisis of the 1930s, continued apace right through the Depression. The roots of the neoliberal era go back to the postwar US project for the making of a global capitalism and the rise of MNCs and the recovery and spread of financial capital through the 1950s and 1960s. This also applies not only to the timing of technological change but also to capital’s organizational forms. In the depression of the late nineteenth century the legal corporation was born, but how this affected the course and resolution of that crisis was obviously very different from the way the multidivisional, global, networked corporation—barely a gleam in any capitalist’s eye in the 1930s, and still only taking

shape via MNCs in the 1970s—has impacted on the course and resolution of the current crisis.

Crises are always historically specific; they occur within particular periods of capitalist development and must be theorized in relation to the class and institutional matrices of that period. This was the remit of Giovanni Arrighi's (1978) pathbreaking analysis distinguishing between the crisis generated by the capitalist dynamics entailed in the "predominantly competitive capitalism" of the late nineteenth century and the transition to the "predominantly monopoly capitalism" of the twentieth century. Insofar as this latter term carries an implication of a general decrease in competition beyond limiting price competition, it is misleading, since the concentration of capital raised competition from the local and regional level to a continental and international plane and intensified competition based on product differentiation and systemized innovation. But Arrighi was in any case careful not to derive an explanation of crisis directly from this. He rather stressed that it was the specificities of capital-labor relations in each conjuncture—especially the degree and nature of proletarianization at a global level—that held the key to determining the nature of each crisis.

The weakness of a general theory that tries to encompass each of these crises lies in what is thereby obscured. As David Harvey (2008:24–25) has cautioned, "There is no singular theory of crisis formation within capitalism, just a series of barriers that throw up multiple possibilities for different kinds of crises," each determined by a combination of specific conditions at a "particular historical moment." This does not mean retreating to an eclectic description of conditions in those historical moments designated as crises. It rather means recognizing that capitalist development is a contradictory process prone to crises—the genesis, nature, and outcome of which are historically contingent and need to be investigated with the tools of historical materialism.

## 2. Marxist Crisis Theory

Exactly 150 years before capitalism's latest crisis began, Marx and Engels, in their correspondence on "the first world economic crisis, affecting all regions of the world" agreed that "the crisis was larger and much more severe than any crisis before." As Engels put it in October 1857, "in 1848 we were saying: now our moment is coming, and in a certain sense it was, but this time it is coming completely and it is a case of life or death" (Musto 2008:153; Kratke 2008). But as the crisis abated, Marx ([1857–1858] 1973: 410, 750) began more and more to think in terms of a dynamic capitalism moving through "contradictions which are constantly overcome but just as constantly posited." While insisting that capitalism would repeatedly throw up new crises, he formed the clear view that "permanent crises do not exist" (Marx [1861–1863] 1975:479). His preface to *Capital's* original German 1867 edition, rather than predicting that capitalism's end might be imminent, presented "the ultimate aim of this work" as "to lay bare the economic laws of notion of modern society," which revealed that capitalism is "capable of changing, and is constantly changing." Indeed, this reflected Marx's observation in



*Capital's* longest chapter, "Machinery and Modern Industry," that capitalism's "cyclopean machines" had been unleashed "on a stupendous scale" only during the decade after 1857 (Marx 1867:10, 380).

Yet during the much longer crisis that began in the mid-1870s, Engels in particular began to speak, as he did in 1884 shortly after Marx's death, in terms of the "inevitable collapse of the capitalist mode of production which is daily taking place before our eyes" (Hansen 1985: 36–37). This also informed the emphasis Engels ([1887] 1961:5) put in his preface to the first English edition of Volume 1 on Marx's theory perceiving "modern capitalist production as a mere passing stage in the economic history of mankind." But if capitalism had been but a *mere* passing stage, Marx's *Capital*—however much it would remain the greatest contribution for understanding the historical roots, evolution, quotidian operation, contradictions, and crises of any previous mode of production—would be of little contemporary relevance for understanding the world of the twenty-first century. It is because of capitalism's longevity that Marx's book remains so richly relevant in terms of grasping the dynamics and contradictions of capitalist social relations, accumulation, and commodification that now permeate all facets of life around the globe.

The empirical confirmation of a tendency toward a falling rate of profit, as posited in the later volumes of *Capital* edited and published by Engels *after* Marx's death, has often been a main concern of Marxist economists. However, there was always a basic problem with this concept; the many "counter-tendencies" that Marx himself adduced to explain why the tendency does not always manifest itself were, as often as not, the very substance of capitalism's dynamics: that is, the development of new technologies and commodities, the emergence of new markets, international expansion, innovations in credit provision, not to mention state interventions of various kinds. Above all, it depended on whether the extraction of greater surplus value from labor could be counted on to offset falling profits. Insofar as this could not be secured, then—as Poulantzas (1978 174) would put it in his final book on the capitalist state—"the falling tendency is nothing but the expression of popular struggles against exploitation."

What the falling rate of profit thesis offered in terms of theoretical certainty it lost as an expression of historical materialism. Too often its presentation as an economic law tended to be ahistorical and its materialism tended to be mechanical. The recognition of this was why, at least between the first great depression that ended in the mid-1890s and the even greater one triggered at the end of the 1920s, the tendency was "long neglected or rejected by Marxist theorists" (Hansen 1985:64; Colletti 1972:59–60). Nevertheless, even though the mid-1890s economic recovery helped foster social democratic evolutionary revisionism, the language of crisis and collapse was very much present in the classic Marxist debates at the time.

It is well known that the theories of imperialism advanced in the classic writings of Luxemburg, Hilferding, Bukharin, and Lenin were influenced by the proto-Keynesian argument in Hobson's *Imperialism* (1902) that chronic underconsumption inside the leading capitalist states spawned their colonial expansion which produced cataclysmic

inter-imperial rivalry (Cain 2002:111–115). In doing so, these theories underestimated the long-term potential for domestic consumption and accumulation within those states. This was partly because of the failure to appreciate the extent to which working-class industrial and political organizations then emerging would undermine the thesis of the “immiseration of the proletariat.” But it was also due to Marxism’s undeveloped theory of the state, which reduced it to an instrument of capital and underestimated its relative autonomy with regard to openness to democratic pressures and shifts in the balance of class forces as well as in relation to imperial interventions.

However prescient for its time, economic and political developments after World War II would render this theory of capitalist inter-imperial rivalry increasingly anachronistic (Arrighi 1978). But even as applied to pre-World War I capitalism, the understanding of the capitalist state was reductionist, as was the explanation of imperial expansion. It was ironic that Hilferding’s highly influential *Finance Capital* ([1910] 1981:288), despite mistakenly generalizing from German developments at the time, actually recognized that it was “impossible to derive general laws about the changing character of crises from ... specific phenomena peculiar to a particular phase of capitalism which may perhaps be purely accidental.” Many of these limitations in classical Marxist crisis theories have lingered to this day.

### 3. Understanding Capitalist Crises in Historical Perspective

The first requirement of any proper understanding of structural crises that avoids the pitfalls of mechanically unfolding economic laws should be to locate facts about the conditions of accumulation and the general economic situation—profits and wages, credit and interest rates, trade and capital flows, etc.—in relation to the specific class and state configurations in the particular historical conjunctures in which these crises occur. This is not meant to underestimate the complex factors that lead to structural crises but to view these other factors through the prism of class and state relations. A second requisite for properly understanding structural crises is an appreciation of contingency in relation to their duration and resolution. This is especially important in terms of going beyond the question of why particular interruptions in accumulation occur—these are, after all, not unusual events under capitalism—to ask what contradictions and barriers stand in the way of their relatively quick resolution. Such contingency is based on the indeterminacy of whether and how social relations can be modified to accommodate the resumption of accumulation; whether capital can deploy (and if so how quickly) new technological and organizational forms; and whether the state has the capacity to intervene in ways that contain the crisis and can develop the new institutional infrastructure needed to support a regeneration of accumulation. Finally, a third requirement for adequately understanding structural crises relates to how their resolution leads to a different pattern of determination of subsequent crises. Because the resolution of a structural crisis is not

simply quantitative but qualitatively affects socioeconomic, political, and even cultural relations, this changes the terrain for the development of future crises.

The deployment of all three is necessary in analyzing the great structural crises in capitalism history. During the crisis of the late nineteenth century, skilled workers were as (or more) mobile than industrial capital, and the availability of land for unskilled workers in the Americas was important as an outlet for the “reserve army of labour,” especially in Europe. As Gabriel Kolko (1976:68) pointed out, “This escape valve for the human consequences of economic crises in one state by relying on the growth of others is among the central events in modern history.” The option of migration or returning to the land gave individual workers strength in the labor market that limited the downward flexibility of wages: combined with inter-capitalist price competition that limited price increases, this contributed to a profit squeeze. It was in part a response to this that key developments in state capacities—from Bismarck’s initiation of the welfare state in Germany to the establishment of the Interstate Commerce Commission and the first Progressive merit civil service reforms in the United States—emerged during the 1880s. Yet the very resolution of the crisis of the late nineteenth century in a manner that facilitated the concentration of capital meant that during the Great Depression corporations, in direct contrast to the late nineteenth century, cut production rather than prices and so aggravated the crisis.

The magnitude of the Great Depression places it in a league of its own in capitalist history: “In its shadow, all other depressions are insignificant” (DeLong 1997). The attempts to find its causes in domestic overproduction, underconsumption, profit rates, weaknesses of the banking system, and the uneven development of new industries and technologies are all relevant; however, they cannot convincingly explain why the economic collapse was so deep and why it lasted so long and spread so far. But whatever the continuing disagreements about its causes, what is clear is that as economies moved in a recessionary direction, this was severely aggravated by the initial deflationary policy response of the capitalist states. Yet the democratic resources that workers had obtained by this time (not only as individually enfranchised voters but also through unionization and party formation) contradicted the ability of states with trade deficits to adhere to the discipline of the gold standard. This significantly contributed to the collapse of international trade and capital flows in the 1930s (Eichengreen 1995).

Given the sensitivity of the whole inter-war order to developments in the United States, the American crisis of 1929 affected the rest of the capitalist world in way that a crisis in no other country could have done. In spite of US financial strength, as measured by its gold reserves, its options were now also constrained by the crisis of the gold standard. Yet the closure of the immigration safety valve that the United States had provided for the reserve armies of Europe in the first great depression contributed to the repression of working-class party and union organizations in many European states in the second great depression. On the other hand, the ability of the US working class to organize at an industrial level even in the face of the Great Depression of the 1930s served as a major catalyst for the historic development of US state capacity through the New Deal. It was

the extensive development of institutional capacity through the New Deal and World War II that proved crucial to the sustained revival of capital accumulation.

## 4. Postwar Capitalism and the New American Empire

The penetration and incorporation of the other developed capitalist states by the informally imperial American state within the Bretton Woods framework established at the end of the war not only rendered the old theory of inter-imperial rivalry outdated, it also laid the foundation for the uniquely dynamic era of capitalist expansion right through the third quarter of the twentieth century that so confounded the postwar expectations of Marxist crisis theorists. The US informal empire constituted a distinctly new form of political rule. The densest imperial networks and institutional linkages, which had earlier run north-south between imperial states and their formal or informal colonies, now ran between the United States and the other major capitalist states.

The new relationship between capitalism and empire established at this time cannot be understood in terms of the old “territorial logic of power” long associated with imperial rule merely becoming fused with the “capitalist logic of power” associated with “capital accumulation in space and time” (Harvey 2003:26-33). Instead of aiming for territorial expansion along the lines of the old empires, US military interventions abroad were primarily aimed at preventing the closure of particular places or whole regions of the globe to capital accumulation. This was part of a larger remit of creating openings for or removing barriers for capital in general—not just for US capital. The maintenance and indeed steady growth of US military installations around the globe after World War II, mostly on the territory of independent states, should be seen in this light, rather than in terms of securing territorial space for the exclusive US use of natural resources and accumulation by US corporations (Chomsky 2004; Johnson 2004).

The creation of stable conditions for globalized capital accumulation, which Britain had been unable to achieve (indeed hardly even to contemplate) in the nineteenth century, was accomplished in the mid-twentieth century by the American informal empire, which succeeded in integrating all the other capitalist powers into an effective system of coordination under its aegis. The creation of the new Bretton Woods international institutions in the postwar era did not amount to the beginnings of a proto-global state; these institutions were constituted by national states and were themselves embedded in the new American empire. Yet serious contradictions in that framework had clearly begun to reveal themselves by the 1960s. The first of these was that growing trade competitiveness of the European and Japanese economies the American state had been so central to saving as capitalist states. A second and related contradiction emerged as US financial capital, having been nursed back to health under the New Deal regulatory framework, increasingly strained against the limits of that framework at home and also found new outlets through the overseas expansion of MNCs and the opportunity this gave to internationalize US banking. A third contradiction was the rise in the prices of

commodity exports from developing countries, combined with their growing support for economic planning, nationalizations, and capital controls.

All this was bound to produce severe pressure on the dollar and eventually undermine the Bretton Woods system of fixed exchange rates. But a further and much more profound contradiction had already arisen, one that overlapped with (and to a considerable extent really underlay) the others. The realization of Keynesian “full employment” objectives by the 1960s clearly brought to the fore the old question of how capital and the state were to cope with the demands made by working classes no longer restrained by the fear of involuntary conscription into the reserve army of labor. The achievement of near-full employment within all the advanced capitalist states spurred the growing militancy of a new generation of workers who drove up wages, challenged managerial prerogatives, and forced a steady increase in social expenditures, all of which not only made it difficult to resolve international economic imbalances through domestic austerity policies but threatened price stability, productivity, and profits.

This industrial militancy lay at the foundation of the debate around the “profit squeeze” as the explanation of the great “stagflation” crisis of the 1970s (Glyn and Sutcliffe 1972; Boddy and Crotty 1976; Panitch 1977a; Bowles, Gordon, and Weisskopf 1984; Brenner 1998). Because this was not a zero-sum game, and capital was also strong by virtue of its having been restored to health so effectively, the contradiction became intense amidst rising inflation and falling profits. This did not immediately lead to lower levels of investment, but these investments proved incapable of eliciting productivity increases adequate to sustain profits, mainly because of the workplace resistance to the reorganization of labor processes that was such a defining element of the time. The reluctance of states through most of the decade to impose deflationary discipline on both capital and labor aggravated inflation and made the eventual “correction” all the greater.

## 5. The Internationalization of State and Capitalist Crisis

It was in this context that the new Marxist theory of the state literature began in the 1970s to address the political crisis at the level of the state. This was variously conceptualized as one of crisis management, a fiscal crisis, a crisis of organizing a coherent power bloc, a crisis of corporatist integration, and/or a legitimation crisis (Offe 1972a, 1972b; O'Connor 1973; Miliband 1977, 1978; Panitch 1977b, 1985; Poulantzas 1978). Yet what was for the most part absent in this context, in sharp contrast to the classical Marxist literature on imperialism at the turn of the century, was any systematic conceptualization of the political crisis in terms of the relationship *among* capitalist states.

To do this required above all a theorization of the *internationalization of the capitalist state*. National states in the postwar era had remained primarily responsible for reorganizing and reproducing their respective countries' social relations and institutions

of class, property, currency, contract, and markets. But they were now “internationalised” in a different way than before. Now they, too, had to accept some responsibility for promoting the accumulation of capital in a manner that contributed to the America-led management of the international capitalist order.

The causes, nature, and resolution of crisis of the 1970s cannot be understood apart from this. Many observers thought that the policy tensions among states around the time of the breakdown of Bretton Woods were a sign of challenges to American hegemony and the clear beginnings of its decline. In many respects, the expectations on the part of US international relations “realists” were similar to those Marxists who continued to expect a resurgence of inter-imperial rivalry (Mandel 1970, 1975). Poulantzas was one of the few to understand clearly at the time why the revival of notions of inter-imperial rivalry was inapt given the continuing “extended reproduction of the dominant imperialism within the other imperialist metropolises themselves.” As he distinctively explained, there was “no solution to this crisis, as the European bourgeoisies themselves are perfectly aware, by these bourgeoisies attacking American capital ... The question for them is ... rather to reorganize a hegemony that they still accept” (Poulantzas 1975:78–80, 87).

Yet even Poulantzas, while emphasizing the extent to which American MNCs had become a major class force inside the other states, did not specifically theorize the role and nature of the American state as an informal empire in leading, facilitating, coordinating, and underwriting the internationalization of other capitalist states—and the significance of this in light of the crisis of the 1970s. Nor in fact did the subsequent elaboration of the theory of the state in the 1980s in terms of shifting “accumulation strategies” and “hegemonic projects” adequately address this either. (Jessop 1983, 1990; Clark 1983; Barrow 1993).

For their part, the neo-Gramscian theorists of global capitalism, while insisting on the central role of class relations in challenging any false counterposition between globalizing capitalism and the power of states, primarily stressed the processes of ideological consensus formation among state and capitalist elites as the determining element in the “internationalization of the state,” whereby nation states adjusted to this externally imposed capitalist consensus amidst the decline of the formerly hegemonic “Pax Americana.” (Cox 1987, 1992). This “outside-in” approach to state theory (Panitch 1994), while insightful in terms of the shifting hierarchy of domestic state apparatuses amidst globalization, tended to play down the internal relations of class forces while essentially treating the state as a “transmission belt” from the global to the national economy.

The subsequent theorization of global capitalism in terms of the contradiction between transnational capitalist class formation and the political authority of the nation state (Robinson 2004) went further still. In insisting that the expansion of networks of international production inevitably produces a transnational capitalist class in a way that parallels and succeeds capitalist class formation at the national level, it reflected an abstract and mechanistic approach to historical materialism. Nation-states have always

been, and remain, not only central to reproducing the conditions for capital accumulation but also central to the formation of capitalist classes. As critical as the impact of globalizing production has been, it does not do away with the need to analyze the continuing relevance of the distinctive national identity of capitalist classes as actual social groups. Corporations may be transnational, but the people who own and control them—and those who invest in them let alone work for them—do not thereby discard their national identities. Far more nuanced theorization is required about the link between economic internationalization and national class formation and identity (Panitch and Gindin 2014).

## 6. The Crisis of the 1970s

The shift in the balance of class forces within states in the wake of the crisis of the 1970s proved especially important to their taking responsibility within their territorial jurisdiction for the renewal of international capital accumulation under the aegis of the American state itself (Panitch and Gindin 2012). American “structural power” (Strange 1989) was actually enhanced in the wake of the jettisoning of Bretton Woods, even if accounts of the Nixon administration’s 1971 decision to detach the dollar from gold as a “Faustian bid for world dominance” designed to give the US “monocratic power over international monetary affairs” (Gowan 1999:19) rather overplayed the coherence and clarity with which US policymakers responded to the crisis.

What was most significant was that this crisis did not produce anything approaching the kind of inter-imperial rivalry to which earlier capitalist crises had given rise. The institutional infrastructure for the internationalization of the state built by the United States, Europe, and Japan in trying to save Bretton Woods would lead by the mid-1970s to the creation of the G7; it would also lay the path to the IMF’s disciplining of developing states, both of which would be crucially important in guiding the passage of international capitalism through the crisis (Panitch and Gindin 2012:154–157). The key issue was not just one of fluctuating exchange rates, or the US balance of payments, or even the price of treasury bonds; the dollar’s growing centrality as the measure of value in the global circuits of capital after the collapse of Bretton Woods made the American state’s responsibility for sustaining capitalist confidence in the dollar more critical than ever.

What had really sapped this confidence was the inflationary threat that full employment had given rise to, especially as this was associated with increasing labor militancy and popular pressures for greater social expenditure, economic planning, and controls over investment. It was only when class discipline was eventually imposed inside the advanced capitalist economies that an exit from the crisis of the 1970s was found. Yet what ultimately mattered most would be what happened within the United States itself: until the senior partner applied the same kind of monetarist discipline and secured the same kind of class alignment at home, it would not work in a lasting way anywhere else.

Amidst a run on the dollar at the end of the decade the stage was finally set for the policy, introduced by the US Federal Reserve under Paul Volcker in 1979, which imposed that discipline (Panitch and Gindin 2012:164–172; Krippner 2011:116–120). The “Volcker shock,” as the Fed’s draconian increase in interest rates became known, was designed to establish a permanent anti-inflation parameter that would guarantee that the dollar, backed by treasury bonds, would provide a reliable anchor for international finance. This was accompanied by a broader neoliberal turn in the United States and its subsequent near-universalization as virtually all the world’s states, soon to include Communist ones, opened themselves up to the international spread and deepening of capitalist social relations (Dumenil and Levy 2004).

Neoliberalism in the United States not only involved the restructuring of social relations and institutions to ensure that the anti-inflation parameter was enforced but also the removal of barriers to competition in all markets, especially in the labor market: breaking the inflationary spiral involved, above all, disciplining labor. By accomplishing this it secured the confidence of industrial as well as financial capital. Despite the Reaganite rhetoric in which neoliberal practices were ideologically enveloped (“government is not the solution, government is the problem”), it was the state that was the key actor. The mechanisms of neoliberalism—understood in terms of the expansion and deepening of markets and competitive pressures—may have been economic, but neoliberalism was essentially a *political* response to the democratic gains that had been previously achieved by working classes and that had become barriers to capitalist accumulation.

## 7. The Roots of the Present Crisis

To the three great capitalist crises we have discussed can now be added the great crisis of the twenty-first century that began in 2007–2008. The way the 1970s crisis was resolved set up the conditions for the crisis three decades later. The failure to recognize this obscures the fundamental differences between the 1970s crisis and the present one in terms of the degree of working-class strength; the transformations in technology and the international division of labor; and above all, the greater mobility of financial capital across sectors, space, and time. Financial capital’s quality as general or “abstract” capital greatly *intensified* domestic and international competition at the same time as it brought a much greater degree of financial volatility.

The common connotation that financialized capitalism is merely speculative or parasitic or rentier is misleading: the spheres of finance and production are linked in significant ways, more so today than ever before. Thus while the phenomenal growth of financial markets led to over-leveraging and excessive risk taking, this was tolerated and even encouraged by states because it had become not only functional to but also *essential* for the global expansion of nonfinancial capital. The growing significance of finance in the major capitalist economies could be seen in the role finance came to play in resolving the economic crisis of the 1970s operating in close conjunction with the US Treasury and Federal Reserve and the G7 finance ministries and central banks.



But contradictions in this finance-led capitalism also grew apace. A major motivating factor in the US Federal Reserve's turn in 1979 to using high interest rates to defeat inflation at home was that it was already starting to behave like a global central bank, with paramount responsibility for containing global financial crises, above all by guaranteeing and protecting the dollar's indispensable role in global capitalism. And indeed, the competitive volatility of global finance produced a series of financial crises whose containment required repeated state intervention, not least in the form of pouring liquidity into the system at the first sign of a financial crisis. The active role of states in containing successive financial crises, with the American state acting as the chief fire-fighter, was crucial for the confidence of the financial markets; yet this invited "moral hazard" and encouraged future bubbles to form. The idea that states had withdrawn from the economy amidst the globalization of capitalism was a neoliberal ideological myth, as states in the developed capitalist countries at the center of global finance pumped more money into the banks, while they ensured that in the developing countries crises were generally used to impose financial and market discipline on their populations.

Unlike the other three structural crises of capitalism, in which elements of working-class strength were prominent, a key factor in generating the conditions that led by 2007–2008 to the greatest financial crisis since 1929 was the weakness of the working class. This is important for understanding why, in contrast to the other three crises, this crisis was not caused by a profit squeeze or collapse of investment due to overaccumulation as many Marxist economists have insisted (Brenner 2002, 2009; Kliman 2011; McNally 2012; Roberts 2016; Shaikh 2011, 2016). The "Great Financial Crisis" was triggered in the United States, where profits and investments had recovered by the late 1990s, and it was only after the financial meltdown of 2007–2008 that profits and investment declined.

Moreover, before the crisis pundits of every economic persuasion had been predicting that the "imbalances" represented by the US trade deficit, combined with the global holdings of "excess" dollars, would lead to a collapse of the dollar and bring about a severe crash. But it was not, in fact, these imbalances that caused the crisis; on the contrary, global capital rushed into the United States as uncertainty increased.

The roots of the crisis lay in the growing importance of US mortgage finance, a development that cannot be understood apart from the effects of the erosion of working-class strength since the crisis of the 1970s as stagnating wages and the erosion of social programs reinforced workers' dependence on the rising value of their homes (Albo, Gindin, and Panitch 2010; Schwartz 2009; Krippner 2011). The decisive role of American state agencies in encouraging the securitization of mortgages was central to the more general explosion of securitization and to the ultimate collapse of domestic and global financial markets. In the context of a highly volatile global financial system, investors gravitated to the safety of US Treasury bonds, despite low US interest rates which reflected a monetary policy designed to prevent a recession in the early 2000s. But the lower yields intensified the competitive search within global finance for higher yields. The historical safety of mortgages, many of them backed by the US government, reinforced the public's confidence in perpetually rising home prices. This made housing debt

especially attractive to investors who could now borrow funds at low interest and put the money into bundles of mortgages offering much higher returns.

The eventual bursting of the housing bubble, initially in the subprime mortgage market, undermined workers' wealth and effective savings, leading to an overall decline in US consumer spending, producing effects that the bursting of the stock market bubbles had not. Mortgage-backed securities became difficult to value and to sell in any of the financial markets to which they had spread around the world. Taken together with the impact of the housing crisis on mass consumption, and thus on the US economy's ability to function as the consumer of the rest of the world's goods, illusions that other regions might be able avoid the crisis were quickly dispelled.

As the crisis unfolded, the rise of the US dollar in currency markets and the enormous demand for US Treasury bonds reflected the extent to which the world remained on the dollar standard, and the American state continued to be regarded as the ultimate guarantor of value. Treasury bonds were in demand because they remained the most stable store of value in a highly volatile capitalist world. The American state's central role in terms of global crisis management—from currency swaps that provided other states with much needed dollars, to overseeing policy cooperation among central banks and finance ministries—has also been confirmed in this crisis. Even while international tensions surfaced, what was striking was the extent of general cooperation among the capitalist states (Panitch and Gindin 2012:301–330).

## 8. The Current Crisis of Political Rule

It is not only the depth of the economic crisis that began in 2007–2008, but the different ways it has played out over the course of the past decade that justifies its characterization as the fourth long crisis in capitalism since the last quarter of the nineteenth century. For a good many states, not least the American state, this has now produced what appears to be a political crisis as much or more than an economic one. This has not taken the form of a return to anything like the old inter-imperial contradictions. Rather, even though the governing structures of global capitalism have been maintained through the crisis, their legitimacy has increasingly been challenged by significant political forces inside many states.

The reverberations of the economic crisis were felt through the decade, with first the Euro crisis following on the heels of the return to moderate global economic growth by 2010 and then the collapse of commodity prices with its particular impact on South America. This had profound implications not only for the most advanced transnational projects such as the European Union but also the traditional mainstream political parties that sponsored neoliberal globalization within each state. This political dimension of the first great capitalist crisis of the twenty-first century was especially heightened with Donald Trump's election to the presidency of the American Empire.

The widespread political expression of hyper-nationalist sentiment against globalization has its roots in one of the most paradoxical aspects over the whole period of the making of global capitalism. Since this did not bypass states but rather depended on states facilitating and codifying a globalizing capitalism, as well as cooperating in its management internationally, state legitimation still depended on justifying all this as an expression of the “national interest.” This not only sustained national identity but also provided ground for those expressing nationalist ideology in anti-globalization terms. This was no less true in the American case despite its central role in the making of global capitalism. Even as many of the empire’s functionaries billed America as the “indispensable nation” in this respect, this coincided with a strong strain of nationalism that extolled American global power while at the same time fueling resentment against bearing the burdens and responsibilities of superintending global capitalism.

This repeatedly emerged as a contradiction inside the state itself, whether as expressed in the form of congressional hostility to international financial institutions, “raising the debt ceiling” as required for the Treasury Bill to sustain the dollar as the global reserve currency, or the concealment of US lending to foreign banks to contain international financial crises. The roots of this contradiction were always material as well as ideological insofar as neoliberal globalization entailed significant effects in terms of domestic economic restructuring, downward pressure on wages and benefits, and job insecurity alongside international labor flows and refugee migration.

## 9. American Capitalism and Empire in Crisis?

As the crisis triggered in US mortgage securities in 2007 led to the overall economic collapse of 2008, a new US president was elected who was especially committed to the American state maintaining an active role in sustaining globalization as it strove to contain the crisis. This involved not only bailing out Wall Street banks but doing so with an eye to preventing the collapse of banks abroad. It also involved not only undertaking the largest fiscal stimulus in US peacetime but coordinating the timing of this with the G20 states. Additionally it meant not only massively ramping up global monetary expansion as fiscal austerity quickly followed in many states but also steadfastly securing the continuing commitment of those states to free trade and untrammelled capital movements. This proved vital given that the overall return to global economic growth by 2010 was extremely moderate and marked by great unevenness, including depression-like conditions in some states and regions.

Inside the United States, the remarkably long period of uninterrupted economic growth after 2009 was equally remarkable for the persistence of a historically low rate of growth. Unemployment that had more than doubled to 10 percent from 2007 to 2009, trended consistently downward to near 4 percent by the fall of 2017, although the proportion of people in the workforce has remained below its pre-recession level. With trade unionism under continued assault, wage growth has remained at extremely low levels. Even though

the housing market has fully recovered, as has the overall level of consumption, this is once again sustained by massive indebtedness.

If all this confirmed the continuing weakness of American labor, it also appears to confirm the strength of American capital. This has emphatically *not* been a profitability crisis. The 2008 economic collapse was not preceded by low profits; and by 2012 corporate profits already exceeded their prerecession peak, while as a share of GDP profits have since been at or near their highest since the mid-1960s. Moreover, encouraged by persistently low interest rates as well as the high profits, stock market valuations have exploded to record levels. That said, what is really notable about this sustained period of high profits is that it has not been matched by parallel increases in investment, while both labor and capital productivity have remained historically low.

Longer-term structural developments seem to be at work in determining how the fourth great capitalist crisis has evolved. In looking for indicators that would suggest such structural developments, what is especially notable is the emergence of a marked gap between profits and investment well before the onset of the crisis. The restructuring of American capitalism and the defeat of trade unionism after the previous long crisis of 1968 to 1982 led to the recovery of profits, investment, and productivity right through to the end of the 1990s. Coinciding with the bursting of the high tech bubble at the turn of the millennium, the pattern of high profits accompanied by relatively low investment and lower capital and labor productivity dramatically emerged.

With the admission of China to the WTO and its rapid integration into global capitalism as the leading manufacturing center, there was a massive decline of US manufacturing jobs, which redounded to Democrats' electoral benefit in 2008. Yet this decline was even further accelerated through the past decade, especially after the federal bailout of GM and Chrysler at the height of the new crisis: it triggered a profound shift in automobile production to Mexico (the US \$65 billion trade deficit with Mexico is the product of its \$70 billion deficit in the auto sector). This shift had been underway since the mid-1990s under NAFTA, but this has been especially intensified after 2008, notably even involving the closure of plants that had been opened in rural areas of the Midwest states since the restructuring of the 1980s. This proved a key determinant in the role played by those states in electing Trump. Given already high profits as well as low interest rates, the overriding Republican concern with cutting taxes, once implemented, will hardly be a spur for new manufacturing investment. But the resulting fiscal effects of this must also militate against massive infrastructure development to create jobs, not least since this would, under this Republican administration, inevitably have to involve heavy subsidies to private capital.

The question of whether the United States will remain at the center of global capitalism through this political crisis may turn less on the material base of US empire at home than on the state's capacity to sustain its imperial role. Trump's orientation toward protectionism will be constrained by the networked international production chains of US multinationals as well as Wall Street's place in global finance. The continued strength of

the dollar as the global currency, as well as the power and reach of US corporations (not least in the new technology sectors as well as in business services), is unlikely to be undermined by tariff adjustments, let alone tax incentives to bring MNCs' overseas profits home. Trump's hyper-nationalist rhetoric is not new. As with previous administrations who have complained of the US bearing too great a burden in a globalizing capitalism, there is no coherent strategy for changing this. The collapse of Bretton Woods under Nixon actually had the effect of extending and deepening the international role of the dollar amidst the removal of capital controls and the further financialization that this fostered. And, as with Reagan, Trump's protectionist discourse could well provide a lever for further opening markets, if not through multilateral trade agreements then through the renegotiation and extension of bilateral ones.

But whereas the crucial condition for these developments was the enhanced capacity of American state institutions like the Treasury and Federal Reserve to superintend an increasingly globalizing capitalism and to coordinate with other states the codification of rules for market making and guaranteeing property rights, what is by no means clear is whether these institutions will continue to have sufficient motivation or capacity to play these roles. Indeed, the persistent inability of the Obama administration to influence German policy during the Euro crisis already spoke to diminishing imperial capacities in the US Treasury, as did the frustration of its efforts to prevent other states from joining the Chinese-led initiative to create the Asian Infrastructure Investment Bank. This of course amounts to little in terms of the diminution of American hegemony as compared with the mess made by US foreign and military policies in the Middle East and North Africa, let alone the lingering legacy of the much earlier mess on the Korean peninsula and the more recent one in the Ukraine.

As for Russia and China, they could never have been expected to be integrated within the informal American Empire along the lines of Germany and Japan, if only because of the America's direct role in the postwar reconstruction of the latter with all the implications that has had in terms of sustaining Russia and China's traditional world power self-images, even as these have been reconstituted as capitalist states integrated in many ways with global capitalism. In any case the nationalism in Russia and China is distinct from most other kinds by still being fueled by a traditional world power self-image. The conjuncture of 2016-2017, when Trump and Brexit were conjoined with the growth of hyper-nationalist reactionary forces in Europe as enamoured of Putin as of Trump, has attested to the political crisis. This will further test the capacities of its governing structures, not least those rooted in the American state, even while it remains utterly clear that no other state (let alone the European Union) is capable of taking over its leading role.

## 10. Socialism vs. Barbarism Redux?

The persistence of neoliberalism alongside hyper-nationalism through the crisis increasingly poses the question of "socialism vs. barbarism redux." But this may

exaggerate the strength and staying power of today's capitalist forces as well as underestimate the possibility for socialist governments to emerge. This can only be conceived as taking place at the level of nation-states even in a global capitalist world. Indeed, national identity has always been an aspect of class formation, not just through the processes of securing property rights for capital but also for winning citizens' and workers' rights through nation-states. This cannot be simply written off by the left. The hyper-nationalism that exploits working-class identity in the current conjuncture needs to be confronted by a socialist internationalism that builds on (rather than denigrates or wishes away) overlapping national and class identities.

Effective capital controls and restrictions on corporate power—as well as the public ownership that can only be secured through nationalization—should be seen as a necessary complementary to progressive immigration policies. Disentangling administrative as well economic international integration through municipalization or other local economic strategies can only go so far without also securing the adequate space and support for democratic planning within nation-states, even while attention is turned to what would replace the EU, NAFTA, and other capitalist umbrellas of regional economic integration. That said, socialist governments oriented to these ends would inevitably run into the difficulties of disentangling from these regional institutions. The ability to sustain themselves without either retreating to embracing capitalist globalization or fomenting a return to hyper-nationalist reaction will depend not only on the capacities of those socialist governments but also on developments in other states that would allow for international socialist cooperation in democratic economic planning.

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## Oxford Handbooks Online

### European “Integration”

Magnus Ryner

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### Abstract and Keywords

European integration has until recently suffered from relative neglect in Marxist research and analysis. Nevertheless, Mandel and Poulantzas made foundational contributions to Marxist theorization of European integration in the late 1960s and early 1970s: these have had a lasting influence of the rapidly emerging scholarship of the present. This entry provides a broad overview of Marxist analyses and debates about European integration while arguing that Poulantzas’s “interiorization thesis” has proven to be prescient and central for a critical understanding of the European Union.

Keywords: European integration, European Union, finance-led accumulation, Fordism, inter-imperialist rivalry, interiorization, neoliberalism, post-Fordism, uneven development, US hegemony

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The merging of Marxism and European integration has been a case of mutual neglect. Scholarship on European integration is symptomatic of what Max Horkheimer (1937) called “traditional theory,” where the structure of thinking has been conditioned by instrumental purposes. In pursuit of scientific aura, such theory generalizes arbitrarily through a priori idealization. As Alan Milward and Viebeke Sørensen (1993) have suggested, the trade-theoretical and neo-functionalist foundational works on European integration were successful exactly because they were seen as providing answers to the question of how the Cold War Western alliance could be rendered organic through the transposition of American modernisation to Europe after World War II. Irrespective of whether the focus is on supposedly Pareto-optimal trade or the increased density of social interactions in international organization, European integration scholarship assumes that European integration is the expression of the rational potentials in human nature (Cox, 1976). Debate is essentially concerned with the question of whether it is warranted to be optimistic or pessimistic over the prospects of realizing these potentials. Questions about whether power, special interests, arbitrariness, or contradictions with inherent crisis tendencies may be constitutive of European integration are elided (Ryner 2012).

It is not surprising then that European integration has not been particularly receptive to Marxist interpretations. At the same time, there has until recently also been a striking lack of interest by Marxists to develop a rigorous analysis of the specificity of the European Union. Especially in the English-language literature, the corpus is rather sparse. The two exceptions are the Open Marxist tradition and the so-called Amsterdam school. In addition, two leading Marxist theorists in the Francophone world—Ernest Mandel (1967, 1969) and Nicos Poulantzas (1974)—made significant contributions toward the analysis of the then-emergent Common Market. Together, these strands of Marxist scholarship usefully set the terms of debate for subsequent theorising and concrete research.

# 1. Open Marxism and Forms of Capitalist Governance

Open Marxism is a school of thought that gained its namesake because it subscribes to a non-deterministic (“open”) view of history and the course of class struggle. Nevertheless, this “openness” is seen as conditioned by structural forms and functions inherent in capitalism. Open Marxists interpret the EU as being essentially about maintaining in Europe *inter alia* capitalist discipline in the labor market and basic structures of capitalist competition. Capitalism requires state structures to secure these functions. In this context, despite its *substantive* artificiality, the separation between the economic and political spheres must as much as possible be *formally* maintained in a mode of production where exploitation is not extra-economic. Private property, competition, discipline in the labor market, and keeping economic policy within acceptable bounds require “*depoliticization*” of economic relations. Here, extraterritorial legal and monetary provisions as produced by the EU have proven felicitous (e.g., Holloway & Picciotto, 1978; Bonefeld, 2002).

Werner Bonefeld (e.g., 2002, 2012) has offered the most sustained account of the EU from an Open Marxist perspective. He stresses the market-liberal character of EU competition policy enshrined already in the Treaty of Rome as well as the monetarist character of the Economic and Monetary Union (EMU) and before that of the European Monetary System (EMS). These created a constitution-like framework and autonomous agents insulated from mass politics—the Directorate General of Competition, The European Court of Justice (ECJ), the European Central Bank (ECB) (and in the EMS the German Bundesbank operating in effect as a European central bank)—that depoliticized these policy areas located at the inner sanctum of capitalist rule (see also Cocks 1980). This constitution-like framework ensured that state intervention and the welfare state would remain within the essential parameters of capitalism and that popular mobilization would not take matters beyond these parameters. This should not be seen as a weakening of the nation-state. To the contrary, this constitutional delimitation of the political enables capitalist states to serve its basic functions. For Bonefeld, the German doctrine of Ordoliberalism with the

central tenet that to reach its full potential the market must be politically constituted and safeguarded, provided the main ideological framework for these arrangements.

At a general level of abstraction, Bonefeld’s contribution is essential. Yet, at a more concrete level questions can be raised about the overall coherence that he attributes to capital as a social force in European space as well as time. Bonefeld and Open Marxists give us the sense of policy being a direct response to a collective capitalist: a “capital-in-general” whose concrete existence can be taken for granted. This underestimates the degree to which capitalism changes over time. While Bonefeld rightly points to the importance of Ordoliberal figures such as Müller-Armack in shaping European competition policy, he understates countervailing forces in the immediate postwar period, when EC-level competition regulation was (and to an extent continues to be) constrained by many exemptions. There were few restrictions on mergers to create “national champions” and there was plenty of scope for inter-company agreements, cartels, state aids, and national industrial policy operating in ways that contravened rather than conformed to the formal separation of politics and economics (Buch-Hansen and Wigger 2010:57–72; Ziltener 1999). Furthermore, though the Common Market coincided with the return to full currency convertibility in Europe, Bretton Woods allowed for capital controls that were frequently used by member states to politically intervene in the labor market so as to modify market outcomes in line with Keynesian objectives. As Perry Anderson has put it, in the first decades of the Common Market, Ordoliberalism was ‘a somewhat recessive gene in the makeup of the community, latent but never the most salient in its development (2009:65). This would certainly change with the EMS and the Single Market. But change itself needs to be explained.

Arguably, Bonefeld also understates the importance for EC and EU developments of divisions among individual capitalist groupings that after all are in competition with one another. At the concrete level, different capitalist fractions or units cannot be assumed to automatically have the same interests. Their conflicts, and balance of power between them, condition conflict and balance of power in the sociopolitical domain. If it is true, as Bonefeld states, that “capital is not interested in war. It is interested in profits” (2002:76–77), then one needs an account of what changed to make this a dichotomy as opposed to something that went hand-in-hand as classical Marxist theories of imperialism had argued. These questions were at the forefront of the interventions of Mandel and Poulantzas.

## 2. Over-Accumulation and Amalgamation: Mandel on “Supranationality”

Mandel and Poulantzas did not write directly in response to European integration scholarship with its Atlanticist problematique. Rather, they were writing in response to social mercantilist Jean-Jacques Servan Shreiber’s (1969) thesis of an “American challenge.” Similar developments took place in the German speaking world, where a number of Marxists, began to critically engage with Helmut Schmidt’s concept of a

“German Model” (Modell Deutschland) (Deppe 1975; Deubner, Rehfeld, and Schlupp 1992; Zieburg 1982; Graf 1992).

A close associate with former French Premier Mendes-France, Servan-Schreiber warned that it was primarily American multinational corporations that were in a position to take advantage of the then-nascent Common Market. Through strategic dominance in foreign direct investments, US MNC’s strengthened a transatlantic division of labor where the United States was dominant in future strategic sectors. The antidote to this was “European champion” MNC’s and federal European structures in research and development and industrial policy. These would make possible “*les grandes operations*” required to challenge the United States in strategic sectors and to take full advantage of the potentials in what then was emergent computer technology. This would facilitate the productivity growth required for corporatist social compromises that would secure the future of Europe’s social market economies.

For Mandel, Servan-Schreiber’s *The American Challenge* was an “adroit popularization of the views of capitalist circles” favouring *amalgamation* of European capital. As such Mandel considered Servan-Schreiber a spokesperson for an emergent European capitalist class with imperialist aspirations at a certain stage of development. However, he saw Servan-Schreiber as less successful in elucidating whether these aspirations could be realized (Mandel, 1969:36–39).

Mandel’s answer was affirmative. Post-World War II “absolute dominance” of US capital, facilitating trade and investment on transatlantic and European levels, had reorganized the operative sphere of national capitalists. As American dominance waned, Mandel anticipated growing inter-imperialist competition between “amalgamated European capital” and American capital. Although the Common Market was central to US grand design, it had contradictory qualities as it was facilitating European capital accumulation on a continental scale.

Mandel’s interpretation is firmly situated within the classical Marxist theory of imperialism as developed, among others, by Hilferding, Bukharin, and Lenin. Focusing on developments from the 1870s and leading up to World War I, these authors tried to show links among the growing maturity of capitalism, the direct penetration of monopoly groupings in the state, the fusion of capitalism and militarism, and acute international rivalry. When rates of technological change and lowering reproduction costs of labor no longer maintain relative surplus value augmentation, over-accumulation problems emerge and profit rates fall, which in turn generates ever-fiercer competition for market shares. Attempts by individual capitalist units to compete by reducing wage costs exacerbate the problem since this inhibits market expansion. The consequence is that some units survive while others succumb and are subsumed in takeovers, leading to a centralization of capital. The increased centrality of money and finance is a related consequence when productive and commercial capital lack adequate realization outlets.

At the economic “base” Mandel saw direct parallels between the developments at the turn of the nineteenth and twentieth centuries and developments in the 1960s. But because of the more unified spaces created in Europe under American leadership, national capitalist rivalry within Europe was no longer a dominant tendency, and the scope of operation had outgrown the scale of European national units (Mandel 1967: 28–29; 1969: 20–27). Though national mergers were still viable strategies in the short run, European amalgamation was ultimately the only route for European capital to escape subordinate interpenetration with American capital. At the time of writing, comparisons were made between the merger (amalgamation) of German AGFA and Belgian Gevaert and IBM’s takeover of French Machines Bull. The latter was symptomatic of Servan-Shreiber’s concerns, which according to Mandel were exaggerated. Supranationalist developments, such as the formation of the Common Market and the European Community, were the logical consequences of the former tendency. The “Empty Chair Crisis” of 1965, where Charles de Gaulle withdrew French ministers from the Council to thwart moves toward the European Commission generating its own resource from the customs union was seen by Mandel as self-defeating because it would only prepare the ground for European capital being swallowed up by the Americans.

Mandel’s account is certainly consistent with changes in French policy toward European integration. In contrast to de Gaulle, Mitterand would endorse the Single Market project and his erstwhile finance minister, Jacques Delors, presided over the European relaunch in the 1980s as the president of the European Commission. Mandel’s analysis serves as a cue for some contemporary analyses, arguing that within global neoliberalism and under conditions of overaccumulation (see Brenner 2006), a distinct amalgamated European capital has emerged. Geopolitically, it competes with American capital for control over transport routes, commodity and capital-flows, and access to raw materials and energy (Altvater and Mahnkopf 2007). Most of these accounts do not consider amalgamation as having gone as far as eliminating national divisions, and hence they are seen as taking place under German dominance. They point to increasingly coherent European networks of strategic ownership and interlocking directorships that are no longer subordinate to American groupings as they were in the past. German insurance company Allianz, and to a lesser extent Deutsche Bank, are seen as forming the center of this amalgamation. Since the 2000s these groupings have started making inroads into the Russian energy sector and into the transatlantic arena from a position of strength (van der Pijl, Holman, and Raviv, 2011). Furthermore, inferences are made that this forms the context for Germany’s stubbornly “neo-mercantilist” commitment to securing export surpluses and spaces of capital outflows, and a broader strategy of making the Euro a world currency (Lapavitsas et. al. 2012; Flassbeck and Lapavitsas 2015).

Mandel’s analysis is, however, marred by a major inconsistency. He insists on the continuity of inter-imperialist rivalry in the transatlantic sphere while arguing that it is being transcended in Europe. He never explains why it endures in the former and is transcended in the latter. Poulantzas answers this question more satisfactorily—and indeed presciently—in his account of a more universal but uneven process of transformation that he calls *interiorisation*, whereby European integration forms part of a

structural subordination to the American social formation. He is hence more skeptical toward the idea of European integration rising up to an “American challenge.”

### 3. Poulantzas, Interiorization, and Europe’s Structural Subordination to America

Poulantzas (1974:161–169) verdict was in a sense closer to that of Servan-Shreiber. Though he agreed with Mandel that European capitals would retain competitive autonomy and were in no sense a peripheral “comprador bourgeoisie,” they would nevertheless become increasingly dependent on the United States. This is because of US dominance in sectors that were not only strategic for competition but central to the very structuring of the global economy. This included the growing significance of US-centered money capital that at the time Poulantzas wrote was increasingly determining access to credit for the global economy as a whole. For Poulantzas, this particular sort of pre-eminence of US capital in Europe determined a whole series of corporate “practices know-how, modes and rituals to do with the economic sphere”—in short “ideology” in a broad and materialist sense (Poulantzas 1974:164). He proposed the term “interior bourgeoisie” to describe a European bourgeoisie that was not wholly dependent on the United States but that was nevertheless increasingly interconnected with American capital and its distinct social formation on subordinate terms (Poulantzas 1974:164–167). Perry Anderson (2002:24–25) has felicitously captured the essence of this particular American structural capacity in the following formulation: “a judicial system disembedding markets as much as possible from ties of custom, tradition and solidarity, whose very abstraction from them ... proved—American firms like American films—exportable and producible across the world in a way that no other competitor could quite match.” Similarly, with implicit reference to Marx’s concept of the universal equivalent, John Grahl (2001) has suggested that it is this capacity to abstraction that has given the US system of corporate finance, and its capacity to acquire massive economies of scale, a major structural advantage over Europe’s traditional voice-based systems.

This Poulantzian conception forms the basis of a major recent study by Leo Panitch and Sam Gindin (2012). Though their focus is not on European integration as such, they note the removal of capital controls as part of the Single Market project in the early 1990s and the leading role of Wall Street investment banks (Goldman Sachs, Morgan Stanley, Citigroup, and Merrill Lynch) played as underwriters of the initial public offerings (IPOs) of major European privatizations (such as that of Deutsche Telekom) and in major mergers and acquisitions in the Single Market. Sixty-five percent of German mergers and acquisitions were handled by US financial advisers in the 1990s. In addition, American IT companies (Apple, Hewlett Packard, IBM, and Microsoft) supplied 80% of Europe’s software and computer market in that period. The emulation of American business models, including the principle of “shareholder value” in corporate governance, must be seen in this context (Panitch and Gindin, 2012:199–203).



Such interiorization has resulted in a relative dislocation of Europe’s transnational capital from the particularities of Europe’s social formations and bargains. American business models and shareholder value are institutionally complementary with the deeply embedded use of retail finance in the provision of welfare goods and services such as US housing and pensions. This is not the case in European welfare states that are still reliant on state provision and publicly sponsored incomes replacement schemes. The capacity of the American growth model to leverage retail debt stands in marked contrast to the welfare state retrenchment in Europe (or the failure of sustaining debt-financed growth in Europe’s periphery) that has accompanied European integration (e.g., Storn and van Treeck 2014; Milios and Sotiropoulos 2010). This dislocation has made it ever harder for European states—including Germany (Bonder, Röttger, and Zieburg 1992)—to act as “factors of social cohesion”—that is to mediate Europe’s distinct class compromises and maintain attendant constructions of social subjectivity that distance politics from overt class rule (Cafruny and Ryner 2007; Ryner and Cafruny 2017). Poulantzas (1974; 1978) argued that herein lay a profound danger of increasingly authoritarian tendencies. These seem confirmed in the increased use of arbitrary executive power in Europe’s New Economic Governance (Oberndorfer 2015), what Gramsci called “Caesarist” and “passive revolution” forms of restructuring (Keucheyan and Durand 2015; Bieling 2015), and the rise of right-wing populist discourse and practices both within new right movements and established mainstream parties as the latter respond to the former (Bruff 2014).

## 4. Fordism, Finance-Led Accumulation and the Repression of Social Democratic Alternatives

Classical Marxist analyses, such as those following in the wake of Mandel and Poulantzas, help explain social power relations that are constitutive of European integration. The one-dimensional teleological debate between neo-functionalist “optimists” and intergovernmental “pessimists” is transcended, and it becomes possible to reject idealizations while still appreciating the transformative powers of the EU as a key component of contemporary European, transatlantic, and global capitalism. But questions can be raised about the extent to which this potential is realized in works following this tradition. There is a problematic tendency either to assume that crisis tendencies will be realized and result in systemic crisis (Mandel) or to overstate the case of structural continuity over time (Poulantzas). These problems first became evident in the 1980s when it became clear that capitalism was not collapsing but was undergoing profound qualitative transformation. Regulation theory responded to this problem, conceiving of a variety of capitalist configurations in time and space, with different social implications.

According to one leading regulation theorist, they were the “rebel sons” of structuralist Marxist Louis Althusser (who also had influenced Poulantzas profoundly) and the first postwar president of the French Commissariat General de Plan, Pierre Massé (Lipietz 1987). The structuralist Marxist legacy is manifest in their insistence that “the economy” cannot be abstracted from the ensemble of other social relations but rather forms part of

a broader and contradictory social totality with multiple economic, political, and ideological determinations (Lipietz 1988). However, regulation theorists rejected the structuralist overemphasis on reproductive coherence in capitalism. Instead they asked how, given its contradictions, it was possible to maintain any coherence and social order at all in capitalism. Reflecting their experience as economists involved in French indicative planning, they were convinced that answering this question required understanding of how regulation in a broad sense is achieved through agency and concrete practices.

Regulation theory emerged in the specific intellectual context of the crisis of the 1970s. It stood in sharp opposition to neoclassical economic theory, which was rejected because of its methodological individualism and lack of conception of sociohistorical time (Braudel 1958). Empirically, the focus was in the crisis of the 1970s. Contrary to mainstream economic theory, the crisis was not seen as an anomaly. Rather, it was the stability of the decades preceding the crisis that had to be explained. Hence, investigating the reasons that had allowed for the long-term stable growth in the postwar period in Europe and the United States became the central concern. At an “intermediate level of abstraction” regulation theorists searched for the social and institutional factors that had facilitated high levels of economic growth based on stable and dynamic economic accumulation. Regulation theorists hence tried to understand why a certain, “Fordist,” *regime of accumulation* had come to an end and why the Fordist *modes of regulation* now fell short of ensuring the reproduction of the accumulation regime.

Regulation was not understood in functionalist terms but seen as resulting from contingent social processes. The “wage relation” is essential for the regulation of capitalism and for ensuring its stability and dynamic development in a given historical period and territory. This concept refers to the capital-labor relationship, in particular the technological transformation of the production (labour) process, wage determination, and their impacts on productivity. In addition, the form of competition (the relationship between different capitalist firms), and the “monetary constraint” (the institutional configuration of money as “universal equivalent,” that is the lifeblood of capitalist exchange) are considered central elements of modes of regulation (Aglietta 1982). A successful mode of regulation consisting of all these elements reproduces and regulates capital accumulation. Specific types of accumulation, defined by the particular content of core technologies, the wage relation, form of competitions and the monetary constraint and specific to particular epochs, are called “regimes of accumulation.”

Initially, regulationist scholars mainly focused on the Fordist regime of accumulation. This regime was predominantly based on intensive relative surplus value augmentation, that is productivity growth and intensified mass consumption rather than territorial expansion and the extension of the working day. Its wage relation was based on oligopolistic competition, state-regulated money, and a quid pro quo between national collective bargaining regimes and welfare benefits and the acquiescence of workers to scientific management, whereby the stable expansion of domestic consumption ensured increased productivity growth through the progressive rationalisation of conveyor belt technology

and vice versa. Later regulation theorists became more interested in the possibilities and conditions of a post-Fordist regime of accumulation (Boyer and Saillard 2001). This included the search for viable alternatives and active support of social-democratic policies. Already very early, regulationist scholars recognized that neoliberal post-Fordism and financialized regimes of accumulation were unstable, and the internal contradictions were expected to lead rather sooner than later to a crisis (Boyer 2000).

The crisis of Fordism brought about a certain widening of options. Given the upswing of progressive social forces—the students’ movement, the peace movement, and the labor movement—the decade of the 1970s was marked by both an increasing engagement for extended democracy, social participation, and more comprehensive macroeconomic management. Leading regulationist scholars contributed to these debates by identifying alternative post-Fordist scenarios. They focused on three areas: the wage relation, forms of competition, and the monetary constraint.

Against the backdrop of alternative post-Fordist trajectories, regulation theorists offered a rather prescient critical analysis of the “Europe 1992” Single Market Project and issued warnings that would be confirmed by the EMU agreement at Maastricht. Both Boyer (1990) and Leborgne and Lipietz (1990) saw potentials in the then still open-ended “Europe 1992” project for providing the broader macroeconomic and institutional arrangements that might enable a post-Fordist trajectory based on negotiated involvement—deepening of co-determination to realise the potentials of diversified quality production and general purpose machines while maintaining negotiated wage setting (Leborgne and Lipietz 1988; Boyer 1991; Freyssenet 1998; Bertrand 2001), thus realizing Servan-Shreiber’s synthesis of the aspirations of the New Left 1968 generation with pragmatic social democracy. They stressed the potential in the economies of scale of the Single Market, “les grandes operations” of a Europe-wide industrial policy identifying and promoting market shares in the vanguard core products, potential post-Keynesian Kaldor-Verdoorn effects (virtuous circles between aggregate demand and productivity growth) of supranational macroeconomic governance, harmonized regulatory standards and coordinated wage bargaining on a European scale as a means to diffuse intensive accumulation in the periphery while preventing unemployment through worktime reduction in the core.

But especially Boyer warned that “economies of learning” (learning by doing) and returns to scale could not simply be derived from economies of scale as assumed by Europe’s Single Market project and the Cecchini Report which articulated its rationale (European Commission 1988). These were not likely to be realized through a mode regulation exclusively based on negative integration and mutual recognition, and a monetary union that simply continued the status quo ante of the EMS (see also Lipietz 1989). In particular, it would not generate stable and expansive demand (so-called Kaldor-Verdoorn effects), as required to yield high output and productivity growth rates and economies of learning compatible with negotiated involvement. Indeed, such a form of competition and monetary constraint was seen as prone to generate stagnation and with deep regional divisions with growth dependent on the capacity to capture rents (Boyer 1990:128-136;

Leborgne and Lipietz 1990:193; Vidal 2013). It is not difficult to reconcile Europe’s subsequent malaise with this analysis.

## 5. Accumulation Strategies and Hegemonic Projects

Regulation theory thus enriches understanding of European political economy and the EU. However, it is not without its own weaknesses. Because it sees modes of regulation as responses to the requirements of regimes of accumulation, a residual functionalism arguably remains (Vidal 2014). What exactly are the practices and who are the actors that determine what the objects of regulation should be? Like regulation theory, the “Amsterdam school” offers concrete analysis of distinctive regimes of accumulation. But in contrast to regulation theory, the constitution and strategies of agents that form modes of regulation are at the center of its analysis. Kees van der Pijl, its leading proponent (1984, 1998, 2006) explains why it was possible for capitalist groupings to strategically coordinate Fordist regulation on an Atlantic scale and, later, the measures that instituted transnational neoliberalism (see also Overbeek 1993). Macroeconomic management is only part of the story. It is also essential to account for how subjects themselves are formed in pursuit of winning “accumulation strategies” or “comprehensive concepts of control.” In this respect, van der Pijl gives concrete substance to the structural bones of Poulantzas “interiorization” concept.

Frankly, critical political economy has lacked something equivalent to the functionalist hypothesis, seeking to explain how anarchic rivalry is replaced or at least moderated. This entails explaining how military inter-imperialist geopolitical struggle is replaced by international collaboration. Van der Pijl offers exactly this. He suggests that American hegemony not only produced Fordism as a profound social innovation that qualitatively transformed capitalism. It also produced Woodrow Wilson’s “universalism,” which after World War II was instituted in formal and informal international organization (1984). With a lineage that goes back to informal networks such as the freemasons, this created forums in which the interpersonal relationships between transnationally mobile capitalists and state managers were transformed in the course of seeking solutions to common socioeconomic problems (1998). Hence, through informal organizations such the International Chamber of Commerce, the Bilderberg Group, and later the Trilateral Commission, patterns of socialization between different national bourgeoisies changed. Rather than treating one another as part of external nature, they started to treat each other as part of internal nature of common humanity. Hence, one can conceive of the formation of transnational power blocs as conditioning European integration. From a Marxist perspective, of course, this type of socialization is a highly one-sided representation of humanity, forged in exclusive circles of extreme privilege.

The diffusion of Fordism as a concrete project not only produced regularities in capital accumulation that facilitated national class compromises. It also enabled capitalist elites to re-socialize themselves and their societies. If this story has something in common with

both neofunctionalism and constructivism, it nevertheless provides a different analysis where capitalist power relations and interests—not institutions and ideas—are central to the story. Moreover, because capitalism is dynamic and contradictory, profound social and ecological dislocation and conflict continue to provide the main plot line (van der Pijl 1997).

According to the Amsterdam school, a transnational power bloc “re-launched” European integration in a neoliberal direction. Here, Bastiaan van Apeldoorn’s (2002; also Holman 1992) study of the European Roundtable of Industrialists (ERT) is exemplary. Taking his cues from Gramsci’s “relations of force” analysis (1971:181) and van der Pijl’s (1984) analysis of Atlantic Fordism, van Apeldoorn shows how the inner workings of the ERT unified European transnational capital around a neoliberal project that was successfully transmitted to policymakers. Van Apeldoorn highlights the inherently political and ideological nature of the process as mercantilist and social democratic alternative conceptions were ultimately displaced in a process that assigned leadership to transnational financial and export-oriented capital fractions. Still, elements of mercantilism and social democracy remained at the margins as compensatory elements, providing for a broader-based power bloc. We view van Apeldoorn’s analysis as a compelling account of how an elite accumulation strategy is formed. But we suggest that it overstates the supranational dimensions in the formation of broader inter-class hegemonic projects and understates the continued importance in that regard of nation states and inter-state relations. Hence, while recognizing regulation-theoretical accounts of different regimes of accumulation and the contribution of the Amsterdam school in elucidating transnational agency in the power-laden transition from one regime of accumulation to another, we propose that these contributions are posed in an inter-state conception that is closer to Poulantzas’ original formulation (Cafruny and Ryner 2007:18–21).

The Amsterdam school forms part of a broader set of neo-Gramscian approaches in international political economy, which has offered analyses of European integration (e.g., Bieling and Steinhilber 2000; Bieler and Morton 2001; Cafruny and Ryner 2003). Stephen Gill (1992, 1998, 2017) has applied his argument of “disciplinary neoliberalism” and “new constitutionalism” to the Single Market and European monetary integration, which is in substance much akin with the open Marxist argument about depoliticization. However, like the Amsterdam school, Gill stresses the importance of transnational class agency and contrary to Open Marxism sees these developments as weakening the nation state. The asymmetry of power and capacities between different state apparatuses operating on the supranational level (such as the ECB) and those operating at the national level (such as Ministries associated with welfare and labour) is in this context seen as central to neoliberal governance in Europe (Holman 2004). This reflects the structural weakness of labor, which in contrast to transnational capital, finds it difficult to forge unity and is divided along sectoral and national lines though there may be cautious reasons to see social movement forums as ‘expanding the horizons of resistance (e.g., Bieler and Morton 2004).

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## 6. Uneven Development, Core, and Periphery

Most of what has been written about the EU from a Marxist perspective has been done with a focus on core institutions (the European Commission, the Council of Ministers, and “private planning bodies” serving as forums for Europe’s MNCs such as the ERT), or dominant member states. In recent years, especially in the wake of the Eurozone crisis, there has, however, been a marked increase of writings on core-periphery relations in the EU.

One pioneering text in this context is *The Second Enlargement of the EEC: The Integration of Unequal Partners* (1982), edited by Dudley Seers and Constantine Vaitsos, which analyzed the southern enlargement of the EC into Greece, Spain, and Portugal that then was in process. This volume was written from what can be described as a broadly dependency-theoretical perspective. Drawing primarily on the concept of unequal exchange, the lead article by Seers (1982) argued that enlargement needed to be seen as a consequence of a particular phase in the postcolonial development of the European capitalist core. From this perspective, the Suez Crisis was a formative moment of European integration that focused the minds of member states at the Messina Intergovernmental Conference (IGC) that would result in the Treaty of Rome: It exposed the weaknesses in the formal-imperial and colonial supply chains of key commodities supplied by the colonial hinterland and the need to renegotiate the terms of core-periphery relations in a postcolonial world. From this perspective, it made sense that a liberal regime in the trade of manufacturing goods went hand in hand with the protectionist Common Agricultural Programme (CAP), which reduced European vulnerability in the supply of key foodstuff. EC enlargement into Europe’s own southern periphery came at a time when there was immense pressure to reduce the price of these commodities, when slowing productivity growth and labor militancy squeezed the profits of European capital. At the same time, the liberal design of European competition policy, the monetarist design of the EMS, and the lack of significant transfer-payments meant for Seers that European integration would serve to reproduce a core-periphery hierarchy between northern and southern member states.

During the financial bubbles in the late 1990s and early 2000s, assessments such as those of Seers and Vaitsos were discounted as diffusion rather than polarization effects seemed to prevail. Since then, analyses have mushroomed on the causes and effects of the Eurozone crisis that invoke the concept of a European core-periphery structure.

In this context, the most sustained analysis has been offered from works that broadly fall within the regulation theoretical perspective. If there is one research tradition that never lost sight of the core-periphery structure in Europe’s Single Market, it was a cluster of regulation theory inspired geographers interested in the spatial fix of industrial districts. They argued that the post-Fordist regime of accumulation was characterized by significant agglomeration economies as diversified quality production and flexible specialization required proximity to core customers, key subcontractors, and research and development clusters. Hence, the present-day enlarged European Union is clearly

marked by a stratified core/semi-periphery/periphery production structure. Europe’s affluent banana-shaped northwestern core runs along the Rhine from Piedmont up to southeastern England and characterized by high value-added production and consumption. A semi-periphery, to a large extent situated on the eastern side of the border between Western and former Communist states, supplies a cheap but qualified labor force; and the eastern and southern periphery suffers from severe deindustrialization and deprivation. Especially after eastern enlargement, European regional policy is inadequate for countering the effects of this structure (e.g., Dunford and Perrons 1994; Dunford 1995, 2005; Birch and Mykhnenko 2009). In more recent times, this analysis of the spatial fix of industrial districts has been complemented by works discerning how the implications for the core-periphery structure of the finance-led nature of the regime of accumulation. Research has demonstrated how the compulsion of financial capital to expand took financial institutions operating with highly securitised instruments into even riskier segments in especially the real estate markets in Europe’s eastern and southern periphery and semi-periphery in the first decade of monetary union. This generated a consumption and debt-led phase of growth in the build-up of the bubble, but since this “peripheral financialisation” lacked the positive network externalities of Wall Street and the City of London, this resulted in an acute solvency crisis when the bubble burst that the peripheral states in question themselves could not address (e.g., Becker et. al. 2010; Milios and Sotiropoulos 2010). At a more theoretical level, this research has prompted to a return to a concern that already preoccupied the research on the Franco-German axis by the circle around Gilbert Ziebura, namely how different European growth models are structurally coupled and strategically coordinated in complementary or contradictory ways, and how this propels developments in European integration (Jessop 2014; see Deubner, Rehfeld, and Schlupp 1992; see also Aglietta 1982).

Such research makes a significant contribution to why a “one size fits all” Economic and Monetary Union experienced as profound a crisis as it did. However, this has also given rise to a research program on Eurozone crisis management. In other words, a research program that focuses on the political forms through which core-periphery relations are managed. Such research had a relatively long lineage in the Amsterdam school and more broadly the neo-Gramscian tradition, which had focused on how transnational private planning bodies and transnational civil societal organizations had served to interiorize the social formations of new member states into integrated European capitalism (e.g., Holman 1995; Bohle 2006; Drahokoupil 2008; Vliegenghart and Horn 2007; Shields 2014). In the case of Eastern Europe, this had strong geopolitical undertones and was conditioned by the civil war in Yugoslavia, which ensured that Atlanticist neoliberalism prevailed (e.g., van der Pijl, 2001; Ryner and Cafruny 2017: 144–161). More recent research, however, focuses more directly on the conjuncture of the Eurozone crisis management, and how Poulantzas concept of authoritarian statism (reconceptualized as authoritarian neoliberalism [Oberndorfer 2015]) is particularly apt for describing the “Economic Partnership Programmes” imposed by the Troika (the Commission, the IMF, and the ECB) on Europe’s periphery (e.g., Ryner 2015; Tansel 2017)

## Conclusion

Though European integration and Marxism at one point could be described as a case of mutual neglect, there is nevertheless a significant, substantive, and rapidly growing Marxist body of work seeking to understand the nature of the European Union. We have outlined and reviewed this body of work and attendant debates. Although the review has stressed that distinct and important insights have been made from all theoretical tendencies, whether more orthodox or heterodox, the review is by no means neutral. It has implicitly favoured a more heterodox interpretation, which we will seek to render more explicit in this conclusion. Two basic points need to be made.

The first point is to stress the importance of situating analysis of the EU at a more concrete and intermediate level of abstraction. Although analyses pitched at a higher level of abstraction, such as that of Open Marxism, provide important insights into the manner in which EU competition and monetary policy shape central state forms and functions, they are prone to the risk of overgeneralizing across history. Rather, following regulation theory, this review has favored an epochal history of European integration. Indeed, one can go as far as to identify two distinct projects of integration. The first project of integration coincided with the Fordist period, where the original Common Market as generated by the European Coal and Steel Community (ECSC) and the Treaty of Rome (and tempered by the national veto confirmed by the 1966 Luxembourg Compromise) played a central role, together with the Bretton Woods system, in ensuring oligopolistic competition and a Keynesian macroeconomic framework. This would be a framework whereby mass production and mass consumption could be integrated *ex ante* and underwritten by productivity growth (Ryner and Cafruny 2017; see also Vidal 2015). This is in marked contrast to the Single Market and the EMU, which helped to institutionally constitute a finance-led accumulation regime, based on the extension of debt underwritten by an increase in asset values, which was thrown into crisis by the subprime mortgage crisis in the United States but morphed into the Eurozone crisis via contagion through the global financial crisis. As research in the field of economic geography has shown, regulation theory also helps make sense of the concrete dynamics of uneven development and core-periphery divisions that mar the contemporary political economy of the EU.

The second point to be made is that although Marxist theory of imperialism is the crucial starting point of an analysis of the EU, one cannot directly apply models that classical and orthodox theory developed to make sense of the runup to World War I. If the contrasting works of Mandel and Poulantzas serve as the point of reference, this review sides with Poulantzas. It was the major achievement of American hegemony after World War II to transform the imperialist relations between the major capitalist powers from one of external rivalry to one where their capitalist social relations have become internal to one another. The so-called Amsterdam school has helped theorize the process of interiorization as well as document it with empirical research. However, the analysis put forward here sticks closer to the original analysis of Poulantzas. Contrary to the strong globalization thesis of the Amsterdam school, which tends to see the process of



interiorization and the attendant neoliberal “comprehensive concept of control” as transcending the inter-state system, the analysis of this chapter sees it as expressing the balance of power of the inter-state system. Transnational and transatlantic relations are organic to the American social formation and not the European ones, and this is essential for understanding the subordinate status of the EU to America and the limitations and crisis of European integration (Ryner and Cafruny 2017).

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## Oxford Handbooks Online

### **The Urbanization of Capital and the Production of Capitalist Natures**

Erik Swyngedouw

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### **Abstract and Keywords**

In the corpus of Marxist thought as well as in mainstream socialist strategies and politics, the theoretical and politically strategic position and role of space, nature, and the urbanization process in the expanded production and reproduction of capitalism, and in the transformation to socialism, remains—with a few notable exceptions—largely marginal and residual. Nonetheless, cities are hotbeds of anti-capitalist struggles and socio-ecological conflict, offer experimental spaces for emancipatory socio-ecological transformation and action, and remain pivotal for the organization and management of the creative destruction that animates a continuously revolutionizing capital circulation process. This chapter explores how emancipatory-egalitarian political movements, in conjunction with urban political-economic and political-ecological transformation, demonstrate the vital role of space, urbanization, and socio-ecological processes both in sustaining the expanded reproduction of capitalism and in choreographing the dynamics and configuration of class struggle.

Keywords: Marxism and cities, urbanization, political ecology, radical cities, cities and politics

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In the corpus of Marxist thought as well as in mainstream socialist strategies and politics, the theoretical and politically strategic position and role of space, nature, and the urbanization process in the expanded production and reproduction of capitalism, and in the transformation to socialism, remains—with a few notable exceptions—largely marginal and residual. Such neglect has come with an extraordinary theoretical and political cost and requires urgent attention. This is particularly acute in an age of planetary urbanization. Not only does the majority of the world population live in urbanized environments, but cities have become core hubs that connect to and affect the remotest places on Earth, both socially and ecologically, while embodying the contradictions and perversities of contemporary capitalist dynamics. Cities are also hotbeds of anti-capitalist struggles and socio-ecological conflict, offer experimental spaces for emancipatory socio-ecological transformation and action, and remain pivotal

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for the organization and management of the creative destruction that animates a continuously revolutionizing capital circulation process. Indeed, as David Harvey pointed out, “Any political movement that does not embed itself in the heart of the urban process is doomed to fail” (Harvey 1989:255). However, despite the recurrent political significance of urban political and social movements, the urban question remains on the backburner of mainstream Marxist theory. This chapter explores how emancipatory-egalitarian political movements, in conjunction with urban political-economic and political-ecological transformation, demonstrate the vital role of space, urbanization, and socio-ecological processes both in sustaining the expanded reproduction of capitalism and in choreographing the dynamics and configuration of class struggle.

We will develop three interrelated arguments that have infused Marxist urban thought over the past century and a half. First, we will argue how the urban process has been and still is vital in both the production and reproduction of capital on the one hand, and plays a central role in the process of socialist and Communist transformation on the other. In other words, the city—or rather the urbanization process—is both the product of class relations and the arena through which class struggle operates and manifests itself. Second, the production and reproduction of capital and its circulation operates in and through the transformation of the urban process. The political economy of capital and the production and distribution of (surplus) value in its various interdependent circuits (commodities, finance, land/non-human nature) is both dependent on and actively produces actually existing urban life. The Marxist notion of land rent is central for grappling with the choreographies of urban transformation. Third, this article will explore how inequalitarian socio-ecological development is also driven by the dynamics of the capitalist urbanization process and has become central in contemporary class politics.

## 1. The City as Revolutionary Space

In Marx’s oeuvre, there are only a few scattered comments on the urban condition and its role under capitalism, but they nonetheless open up, if systematized, a spellbinding set of insights that reveals a vast and crucial terrain for grappling with the multiple socio-spatial contradictions that mark urban life under capitalism (see Harvey 1982b; Katznelson 1993; Lefebvre 2016; Merrifield 2002).

The whirlpool of modernity through which the dialectics of capital unfolds constantly revolutionizes both the urban experience and urban life. As one of the great Marxist urban intellectuals, Marshall Berman, exquisitely evokes in *Everything That Is Solid Melts Into Air*, the fragmented and kaleidoscopic maelstrom of urban transformation relays both the perverse inequities and uneven power relations that animate capitalist dynamics, as well as the multifarious resistances, insurgencies, and counter-punches through which a post-capitalist urban world will be forged (Berman 1983). A socially and ecologically sane socialism will have to be urban or will not be at all.

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Indeed, planetary urbanization with its multiple internal inequities and embedding within the combined and uneven geographical development of world capitalism is not only the geographical imprint of the deepening and widening of capitalist socio-ecological relations and accumulation dynamics; it is one of the driving forces through which the accumulation process proceeds. In other words, urbanization is an “active moment” in the development of capitalism. At the same time, cities have historically also been both the theater of class struggle and the terrain that required repossessing from the dispossessing class dynamics that underpin the accumulation process (Harvey 2012).

Paris, Berlin, Moscow, Beijing, Havana, and a wide range of other cities have historically been associated with radical and emancipatory social and political struggle. Indeed, cities have always been the hotbed of all manner of conflicts and struggle, from the Athenian *Ochlos* (the rabble) demanding the right to be part of the *Demos*, to suffragettes demanding gender equality, Parisian communards establishing and governing their own city, or undocumented immigrants staging their right to equality in the contemporary city.

Of course, the urban process was and is also marked by the making of the capitalist class and the rise of the bourgeois city. As Marx insisted all along, capitalist class formation is a bourgeois project and process. The historically torturous process of the making of the working class constitutes the symptom of the imposition and generalization of the rule of value and formation of a capitalist elite. The making of both the bourgeoisie and the working class operated in and through the urban. Consider, for example, how the early modern mercantile bourgeoisie battled with the guilds and crafts system in cities to lift the strict rules of market entry, access, organization, and the hiring and firing of a “free” labor force. The urban transformation through which a mercantile bourgeoisie rose to power (in cities such as Amsterdam, Bruges, or Venice) was also paralleled by a process of spatial expansion and the budding formation of global inter-urban trade routes and links.

The subsequent making of the industrial bourgeoisie, with Manchester of course as the emblematic example, showed decisively how the urbanization of capital produced both a capitalist city—chronicled so well by Friedrich Engels—and an urbanized working class, forging a highly concentrated and volatile ensemble of condensed class relations (Engels [1845] 1987). The rapid urban proletarianization process produced a mesmerizing kaleidoscope of heterogeneous social and economic positions that nonetheless shared, both socially and spatially, a class-based sense of exclusion, exploitation, and domination. These class relations became etched in the unequal geographies of urban life and produced perverse forms of market-led urbanization, marked by the co-existence of elite neighborhoods with areas of utmost deprivation, socio-ecological disintegration, abject poverty, and permanent housing crisis. Indeed, by the mid-nineteenth century the great capitalist cities of the Global North had become hellholes for some on the one hand, and spaces of radiant luxury where the elites reveled in the pleasures of an intensifying commodity spectacle on the other. In the process, the production of the capitalist city and the privatization and commodification of (urban) land went hand in hand. The dismal conditions of urban social reproduction also fermented an incipient urban class-

consciousness. It does not come as a surprise, therefore, that many of the most emblematic anti-capitalist conflicts and struggles unfolded as an urban theater, from Luddite insurrections aimed at destroying labor-replacing machinery in urban manufacture, to the first proper proletarian organizations, workers associations, and political movements. The first people's houses, which would become the privileged sites for the making of a working-class-for-itself, would also be built in industrial cities, both as a haven for protection from repression, and as the site for experimenting with new and proletarian ways of seeing, speaking, hearing, writing, and doing (Rancière 1989).

The making of the capitalist city was nurtured further by the transformation of the state, captured by an increasingly confident liberal bourgeoisie. Indeed, occupying state power was a decisive moment for bourgeois class formation, a process that would take several hundred years to complete but found its iconic expression in the French Revolution (really a Parisian revolution) through which the French bourgeoisie finally became a class-for-itself. In its aftermath, the bourgeoisie shaped the material cultures of urban life and the urban experience against the vestiges of the old order, defending its "national" interests against outside forces; in particular, the bourgeoisie mobilized city and state to deal with the insurgencies and rebellions that would mark the slow process of the making of a proletarian class-for-itself. Indeed, the bourgeoisie would remodel the city, both aesthetically and materially, in its own image with its own modern aesthetic registers, displays of cultural prestige, fast transportation networks, and tightly policed quarters of potentially insurrectional classes (Harvey 2003). The latter carved out their own urban landscapes, living environments, and spaces of organization and resistance, turning the urban landscape into a mesmerizing and feverishly dynamic whirlpool of change.

Consider, for example, how Chicago, Manchester, Lyon, and many other incipient capitalist cities became the theaters of insurrectional struggles. The 1819 Manchester Peterloo massacre, the 1886 Chicago Haymarket riot, or the Lyon Canut revolts (which Engels dubbed as "the first working-class rising" (Engels [1880] 1935) became iconic events in the turbulent history of urbanized class warfare. The city turned indeed into a whirlpool of revolutionary fervor and transformation in all manner of ways, from insurgent rebellions to the aesthetic register and technological or infrastructural change, from experimenting with new forms of organizing labor to practicing new ways of living together. The experience of slow time and relatively fixed spaces of pre-capitalist urbanity was rapidly replaced by the frenzy of commodity production and exchange, the creative destruction of socio-technical arrangements, and the multiple tensions and conflicts that animated the tumultuous choreographies of urban life. The barricades and the solemn declarations of freedom, liberty, and fraternity (and, of course, Bentham) became clarion calls to be heard in cities as diverse as Athens, Barcelona, Lille, Brussels, Berlin and Vienna, while in Haiti's Port-au-Prince and other colonial cities the first anti-colonial slave rebellions announced the embryonic manifestation of what would later become anti-colonial and anti-imperial struggles.

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In the maelstrom of urban class conflicts that animated modern urban life, the first successful labor revolt that resulted in the realization of the early Communist dream became a reality, an alarming situation for the elites but an ecstatic moment for the proletariat. Between March and May 1871, the Paris Commune demonstrated the proletariat's ability, not only to stage an urban revolution but also to manage and govern the city in a collective and egalitarian manner. The Paris Commune would indeed for decades remain the emblematic example of the potential and capacity of the proletariat and a horrifying specter for the bourgeoisie who now had to face the reality that the working class is indeed capable of taking power and governing (Lissagaray and Hazan 2012; Ross 2016). Only the concerted mobilization of state power and its military might deployed in the service of protecting the elite's interests would defeat the Commune. It became clear that self-organization of the proletariat is not sufficient in the absence of a disciplined party and a well-organized military defense structure to keep the enemy at bay. Communist strategies in the 20th century would indeed increasingly rely on a militarist and strong party apparatus capable of capturing state power and warding off class enemies. In addition, the wave of urban revolts and the rising tide of socialism during the late nineteenth and early twentieth century increasingly relied on Marx's analysis both for analytical insight and strategic guidance. And organized labor spurned a frantic transformation of the city. Class struggle would indeed also be fought increasingly by means of urban restructuring.

While nineteenth- and early twentieth-century class struggle and socialist politics revolved in and around the urban (with the storming of Saint Petersburg's Winter Palace in 1917 as the emblematic culmination), this shifted decidedly in the later twentieth century. Mao Zedong, Fidel Castro, Ho Chi Minh, Patrice Lumumba, Che Guevara, and proliferating post-colonial national liberation movements relied more on peasant rebels and rural discontent as the social base for organizing political transformation and focused on capturing the state as the privileged site to conquer. Nonetheless, even the success of these national peasant uprisings eventually relied on capturing the big cities (Beijing or Havana) to consolidate their power. The revolutionary success of these peasant rebellions, combined with a lingering anti-urban romanticism of many left-wing intellectuals and activists, shifted the attention away from the centrality of the urban in revolutionary praxis, precisely at the time that actually existing socialism and Communism began to reconstruct the city in the socialist states of the Global North.

Indeed, centralized state Communism in the Soviet Union had begun to re-order cities to provide mass housing and experimented with modernist and constructivist design principles while planning entirely new industrial-urban conglomerates (Vienna Centre for Architecture 2013). In the West, Keynesian welfare politics, supported by a confident social democracy and an elite frightened by the specter of a victorious Communism, turned its attention to the urban as a key site for the organization and provision of collective means of consumption such as housing and health and for attenuating class conflict. "Red" Vienna became a classic example of this urban socialist modernization project (Gruber 1991). Nonetheless, by the late 1960s, in the wake of processes of political radicalization, as well as an emerging process of de-territorialization of capital to

the new states in the Global South in the making of a global spatial division of labor, a renewed wave of urban revolts choreographed much of the anti-capitalist and New Left insurgencies. Highly racialized rebellions rolled through US cities, anti-fascist and anti-capitalist uprisings marked the urban condition in places such as Spain, South Africa, or Mexico, and radical urban movements fought against imposed urban transformations to remodel the city according to modernist-Fordist visions in places such as Amsterdam, Berlin, Brussels, or Paris. These movements were often inspired and supported by a generation of new Marxist urban scholars for whom the urban condition was indeed the key battleground for forging new and emancipatory futures (Castells 1977).

If Paris was the iconic capital of the nineteenth century and Los Angeles the metropolis of the twentieth, Lagos, Beijing, Cairo, Istanbul, Mumbai, or Sao Paulo are the megalopolises that emblematically shape the planetary urbanization process of twenty-first-century capital (Rossi 2017). It is in these sprawling urban life worlds that new forms of resistance and new political subjectivities are formed and where new forms of social and political organization emerge and are experimented with. It is in the cracks and interstices of rampant inequalities of global neoliberal “slum city” urbanization that class struggle, often in intersectional attachment to questions of race, gender, and sexuality, and re-imagined (eco-)socialist futures are discussed and fought for (Davis 2007). Particularly since 2011, urban revolts against rampant neoliberal market rule and its deepening inequalities put in place by increasingly autocratic state apparatuses that have truly become the executive managers of the capitalist elite have been dotting the global urban landscape in cities as diverse as Cairo, Istanbul, Santiago, or Hong Kong, and tentatively point to the possibilities for a different, more socially equal, democratically governed, and ecologically sensible urbanity (Wilson and Swyngedouw 2014). Yet again, these movements testify to the pivotal role of the urban as the privileged site to express discontent and to stage revolt.

## 2. “The Shitty Rent Business”: The Political Economy of Urbanization

While the urbanization of capital produces the mesmerizing and conflicting kaleidoscope of the urban experience, capitalists mobilize and shape the urban in decisive and strategic manners in their relentless and frantic search for creating or maintaining the conditions for the production and appropriation of surplus value (Harvey 1982b). The urban is where the circulation of capital as it flows through forms of labor power, means and conditions of production, financial (fictitious) capital, and land in all its forms comes together to produce a socio-spatial landscape amenable for supporting and facilitating the accumulation of capital. In this sense, the urban expresses the multiple contradictions through which capitalism unfolds. It is simultaneously a site and location for production while functioning as the anchoring node for the global circulation of capital. The tension between the need to fix some capital in place in order for the circulation of other forms of

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capital to accelerate choreographs much of urban restructuring and produces a highly contested and restless urban landscape.

The accumulation of capital and its geographical concentration as manifested in the process of urbanization are paralleled by an intensification and spatial expansion of capital circulation and an acceleration of the turnover of capital, resulting in what David Harvey dubs as “time-space compression” (Harvey 1982b). All physical and social infrastructures have to be fixed in space in order to make capital flow. Think of, for example, offices, stock exchanges, Information Technology networks, transport infrastructures of all kind, among others. As Marx put it in *Grundrisse*:

The more production comes to rest on exchange value, hence on exchange, the more important do the physical conditions of exchange—the means of communication and transport—become for the costs of circulation. Capital by its nature drives beyond every spatial barrier. Thus the creation of the physical conditions of exchange—of the means of communication and transport—the annihilation of space by time—becomes an extraordinary necessity for it.

(Marx [1857–1858] 1973:539–540)

The continuous class struggle over both the conditions of production and the provisions of means of reproduction conflicts with the permanent socio-spatial restructuring required to sustain the conditions for successful accumulation. The latter produces not only forms of organizational centralization and geographical concentration of capital but also distinct forms and processes of decentralization. Urban geographical differentiation in labor conditions, socio-environmental regulations, physical endowments, and spatially differentiated productive powers produce a variegated landscape that different fractions of capital mobilize in strategic manners; this results in a detailed spatial division of labor, functions, and accumulation sites and ultimately produces an interlinked but deeply uneven global urban network (Storper and Walker 1991). Forms of relative geographical coherence become constituted and produce a more or less precarious balance but one that is continuously perturbed by the continuing dynamics of social, technical, organizational, and political change. All this results in an urban landscape prone to continuous upheaval, latent and occasionally acute crisis, and transformation (Swyngedouw 1997). The city becomes both the central node in the spidery web through which global capital circulates, as well as the site where subaltern groups concentrate to provide the range of services and commodities on which the reproduction of urban social life depends crucially.

Access to urban locations as well as the ability to cash in on locational advantages is structured largely by rent, the process through which the specific quality of use values embodied in land and location are transformed into the homogeneous abstraction of exchange values and appropriated by a variety of social classes. Rent is the crucial variable through which socioeconomic differentiation in the city is triaged. Marx appropriately called it “the shitty rent business” (Ward and Aalbers 2016). The production of rent and its appropriation by landowners (and increasingly by financial capital) has

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become one of the driving forces that animate contemporary urban restructuring as well as urban conflict. The spectacular neoliberalizing urban transformations of the late twentieth and early twenty-first centuries, which have attempted to re-order the urban landscape within the new co-ordinates of a financialized capitalist urbanity, centers on the production, appropriation, and financialization of urban land rent. And this is what we shall focus on next.

The Marxist analysis of land rent is one of the most tantalizing, contested, and debated themes in both the history of Marxist intellectual thought and urban political strategies, not least because Marx never completed a full analysis of rent and concentrated mainly of agricultural land. With the accelerating urbanization of capital, urban land rent became more central to the reproduction of capital. And the urban rent question is now pivotal for grasping contemporary capitalist dynamics. The urbanization of capital operates through and actively produces a complex rent-map that directs the distribution of functions and activities, is mobilized through processes of land financialization, and articulates with dynamics of both state policies and urban social struggles. The contours of the rent problematic are easily drawn. As Anna Haila put it, the main theoretical questions related to the vexing problem of rent are: How does (the substance of) rent emerge? (i.e., why does land have a price, expressed in the form of rent? Why and how does land rent vary over space and in time?). Who or what are its agents? What are their behavioral patterns and mutual social relations? What is the political-economic role of rent in the process of capital accumulation and coordination? (Haila 1990)

The theoretical difficulty resides in explaining why land/location (and its appurtenances) possesses exchange value and use value (and, therefore, functions as a commodity) but apparently no value defined as socially necessary labor time; there is also the question of accounting for its apparent anomalous character in the process of capital accumulation. While land rent constitutes a potentially major source of income for landowners and can be turned into fictitious financialized capital circulation (as in the mortgage market), the private and exclusive ownership of (and therefore monopoly over) land also obstructs the accumulation of capital. Indeed, land ownership is a significant barrier to access a vital means of production, while the payment of land rent constitutes a major drain on profits (as both capitalists and workers need access to land/location for production and reproduction). Nonetheless, competition over and the mobilization of land of different absolute, relative, or relational qualities plays a pivotal role both in allocating capital flows as well as in generating extraordinary profits (as, for example, the real estate bubble during the 2000–2007 period testifies). Combined land rents in the urban environment act as a gigantic and expanding reservoir for storing surplus value, as well as an asset that permits expanding fictitious capital formation (Ward and Swyngedouw 2018).

The starting point for Marx is that land—like interest on capital for the owner of money-capital—is an entitlement to the landowner in return for surrendering the use of that land to someone else. The fundamental relationship through which rents arises is a social one (i.e., between landowners, on the one hand, and those who wish to make use of the land,

on the other) (Ball 1977; 1985). As Marx put it: “Landed property is based on the monopoly by certain persons over definite portions of the globe, as exclusive spheres of their private will to the exclusion of all others” (Marx [1894] 1959:461). The owner of the land will not surrender ownership without proper recompense. However, this understanding of the foundation of rent does not reveal anything about the magnitude of land rent, the origin of landed property, or the role of rent in capital accumulation and coordination, and consequently in producing concrete urban constellations. Obviously, different pieces of land with different locational characteristics have different and often competing uses, different prices and play—and depending on the social relations and struggles that unfold around them, different roles in different places and at different times.

Determining the magnitude of rent, however, remains theoretically complex and empirically intractable. Marx basically distinguishes between four forms of rent: monopoly, absolute, differential rent I (DRI), and differential rent II (DRII) (Harvey 1991). These different but interrelated forms of rent, taken together, determine the magnitude of land rent. However, each form plays a different role and has a different origin, although the landowner appropriates all. Monopoly rent, as the word suggests, relates to the specific and unique characteristics of a particular piece of land. Consider, for example, how the ownership of a plot of land in a central Manhattan location, or an ice-cream stall near a summer tourist attraction, generate surplus profit for the owner by virtue of the unique character of the land or location. Absolute rent, in contrast, derives from the imperfect mobility of capital as a result of fragmented and dispersed landownership. The latter leads to a situation—in contrast to an otherwise unobstructed equalization of rates of profit across sectors—whereby a lower value composition implies that products tend to trade above their price of production and, therefore, yield absolute rent (Fine 1979). This explains, for example, why archaic activities and functions or the provision of high-price low-quality commodities can still continue to exist in some high-value urban environments.

Until the 1960s, and under the influence of the political importance of the peasant or agricultural question under capitalism in postcolonial states, Marxist thought on rent focused on these two forms. The political implications of this were significant. Most Marxists at the time as well as Ricardo considered landownership as a historically archaic feudal remnant that, although transformed by and incorporated into capitalism, constituted a drain on and barrier to capital accumulation. It also pitted landowners against both industrial capitalists and tenant farmers. Landowners were considered to be both parasitic on capital accumulation elsewhere and a formidable barrier to the proper functioning of the law of value.

The rent debate has changed considerably since the late 1970s, when greater attention began to be paid to the other two forms of rent that Marx had identified, forms that fundamentally choreographed much of the struggles over urban space. Indeed, the levels of DRI and DRII derive from an entirely different process. These forms of rent refer to the way in which the mobilization of a particular piece of land affects the value of the



commodities produced on or through it. In other words, DRI and DRII are strictly parallel to the role of technological and organizational change in determining value as socially necessary labor time (and play similarly important roles in inter-capitalist competition). DRI is related to the absolute, relative, or relational qualities of land as a means of production: it refers to the *different qualities* of land with *equal amounts of capital* invested in it. These differing qualities are the result of given, but usually historically produced, socio-spatial differences between different plots of land with respect to their ability to sustain the production of value when mobilized in a specific capital circulation process. Indeed, urban land of different qualities and locational attributes requires different mobilizations of living labor to produce a given commodity with a given magnitude of capital investment. DRI, therefore, refers to the position of a particular plot of land in relation to all other possible positions and/or to its position within a larger geographical configuration (Swyngedouw 1992). Consider, for example, the premium on urban land with better infrastructural amenities, or connectivity. What is intriguing here is that “superior location” does not derive from “naturally” given characteristics but entirely from historically and socio-spatially produced conditions. The historically-geographically produced configurations place a specific location in a distinctive (advantageous or disadvantageous) position vis-à-vis other places. Consider, for example, the difference in rent (or land price) between a Silicon Valley location, on the one hand, and a rival location on the outskirts of, say, Cairo, on the other. In sum, urban DRI derives from the accrued advantages that have been produced over time as the collective outcome of many successive rounds of capital investments in space and its associated uneven development. These collectively or socially produced “locational” effects have a great (and, over time, increasing) effect on land rents, something that can be cashed in “freely” by the landowner, irrespective of his or her own capital investment in the land. It follows that all manner of individual investments, collective interventions or state policies directly affect the magnitude of DRI. In addition, this opens up a vast terrain of possible trade-offs or choices for capitalists. For example, they can decide either to invest in superior technologies or to relocate to cheaper locations (or do both simultaneously). Much of the changing geographies of capital accumulation and its associated dynamic mosaic of uneven geographical development derive exactly from the space/technology trade-offs that capitalists make on a daily basis.

DRII also derives from different qualities of land, but is generated by *differential capital investments* in pieces of land of *equal quality*. In other words, the qualities of urban land can be enhanced (and over time greatly so) by capital investment (engineering, infrastructural improvements, new or upgraded buildings, new investments for new functions in the built environment, etc.). This form of investment is strictly speaking comparable to capital investment in technological or organizational improvements in the production process. To the extent that capital investment in the labor process reduces the socially necessary labor time, extra surplus value is generated. Marx defines this surplus, made possible by the sinking of capital into land, as DRII. In sum, while rent accrues to the landowner by virtue of the monopoly ownership of land, the magnitude of land rent

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(and hence the price of land) is composed of four distinct components: monopoly and absolute rent, and DRI and DRII.

Now that we have summarized Marx's theory of the origins and magnitude of land rent and some of its applications, we are in a position to explore the vital but highly contradictory roles that (urban) land rent plays in the capital accumulation process. Rent constitutes a drain on capital accumulation in the sense that, while value is generated through the labor process, rent is appropriated by the landowner purely by virtue of ownership of the land. From this vantage point, landownership is fundamentally parasitic. Moreover, it pits landed capital against productive capital, often resulting in frenzied inter-capitalist struggles between landowners and other capitalists. However, this parasitic function is complemented by a series of vitally important functions of landownership.

First, the historical process of enclosing and privatizing agricultural land was one of the central processes through which a "free" and landless labor reserve army was produced as the separation of workers from their means of subsistence underpinned the process of proletarianization and the making of a "free" working class that had no other choice than to sell their own bodily labor force as a commodity on the labor market. This form of accumulation by dispossession is a still ongoing process that in part accounts for the accelerating migration of landless workers to the megacities of the Global South and North. Second, land rent also plays powerful economic and regulatory roles in capital accumulation. The rent relation orders the uses of land and organizes the spatial division of labor through its influence in allocating different moments, activities, and socio-technical forms of production to different places and, as such, land rent organizes and regulates the landscapes of production and consumption. Thirdly, through this allocation mechanism, land rent helps coordinate capital investment by assigning different forms of capital to distinct locations and activities, producing an unequal and uneven spatial division of labor. Fourthly, rent mediates and helps to regulate the distribution of investment across interest-bearing, productive, and landed capital. Finally, urban landownership serves also a decidedly ideological function, as it helps to legitimize the commodification and private ownership of everything as the basis of and for social organization. Although landownership constitutes a barrier for capital accumulation (productive capital would be more profitable and the cost of reproduction of the labor force would be lower if part of the profits and wages did not have to be surrendered to landowners), ownership of land is one of the pillars of a system of generalized commodification and private ownership of means of production and reproduction.

All this turns land rent into one of the most powerful and contradictory aspects of the urban political economy of capitalism. Not only does it pit landed capital against productive and interest-bearing capital (with the associated intra-class conflicts), but it also shapes the conflicts between land for reproductive use (in housing, for example), land for resource exploitation (or ecological reserve or park), land as a form of capital investment (for landowners), land as a productive asset (comparable to other means of

production), and land as form of fictitious capital that circulates as a purely financial asset (for financial capital).

This complex set of contradictions points to the need for the state (or another extra-economic configuration) to regulate and coordinate the uses of urban land. Indeed, of all the diverse means of production and reproduction, urban land is among the most tightly regulated and intensely contested. Not only is landownership (i.e., what one can do with one's land) often strictly regulated by the state through zoning, building codes, planning (among others) but is itself an active agent in land markets (particularly through zoning, infrastructure planning and construction, public investment in urban development, eminent domain laws, and the like). Needless to say, an intense (inter)class struggle unfolds over land use, land rights, and access to land. Small changes in the rules governing land can have an extraordinary impact on the level of rent and, consequently, on profits generated through landownership. Consider, for example, how the state's mobilization of "eminent domain" has been systematically used to dispossess some landowners and transfer the dispossessed lands to fractions of capital guaranteeing a higher rent and return (e.g., in the construction of railroads, airports, seaports, large industrial estates, and the like).

In recent years, attention has moved to the increasing role of land rent as claims on future value and the role of urban land as a financialized asset. As David Harvey argues, titles to land are functioning and circulating increasingly as forms of fictitious capital, comparable (albeit not identical) to other financial assets (such as shares or bonds). Rent has become one of the possible forms of generating future claims on value, and land titles have become integral parts of financial capital investment portfolios (Harvey 1974; Harvey 1982a). Land markets increasingly function as markets in (paper) titles to future returns and they have become an integral part of, often speculative, fictitious capital circulation and accumulation (Andreucci et al. 2017). Arguably, this is the fully developed capitalist form of the mobilization of urban land. While ultimately still grounded in the formation of absolute, monopoly, DRI, and DRII forms of rent, there is a complex and dynamic relation at work under capitalism that combines the continuous production and transformation of locational rents (e.g., through speculative real estate urban redevelopment), the production of temporary monopoly rents (cashing in on design, climate, amenities, "cultural capital," and the like) (see Harvey 2009), the involvement of the state in producing geographical configurations that enhance DRI for specific locations, and so on. The 2007–2008 financial crisis undoubtedly arose out of the extraordinary speculative carousel of increasing rents while turning these promises into fictitious capital assets circulating through complex derivative financial instruments. As with all forms of fictitious capital formation, these speculative carousels are sustained as long as the promises for securing future value entitlements are maintained but eventually build up to an inevitable crash. The recent history of global capitalism conclusively shows how urban land and land rent play a pivotal role in capital accumulation while intensifying the very contradictions that are the signature hallmark of mature capitalism. It is not a surprise, therefore, that urban class and other social struggles unfold precisely

around the dynamics and processes through which the rent map is reorganized and the modalities through which rent articulates with other forms of capital circulation.

### 3. UrbanNatural: Capitalist Urbanization of Nature

While rent expresses, among other things, how privately owned concrete use values vested in different types of land become transfigured in the abstract universality of exchange values, this process becomes even more clearly discernable in the way in which all manner of non-human stuff becomes metabolized and urbanized as “resources.” Indeed, over the past two decades or so, Marxist thought has engaged much more directly with the urban environmental question as one that articulates the dynamics of capitalism with the process of urbanizing nature. “There is nothing unnatural about New York City,” David Harvey famously wrote in 1996 (Harvey 1996).

Under capitalism, all manner of non-human matter becomes increasingly enrolled in the circuits of capital accumulation through which they are both transformed and de-/re-territorialized as commodified “resources.” As Guy Debord insisted, “Urbanism is the mode of appropriation of the natural and human environment by capitalism” (Debord 1994:121). This enrolling unfolds through a process of enclosing, privatizing, and socio-ecologically transforming and metabolizing “physical matter such as water or cows into useable, ownable, and tradable commodities” (Coe, Kelly, and Yeung 2007:161) with all sorts of social conflict and ecological problems as a consequence. An extraordinary socio-metabolic rift shifts all manner of natures—uranium, oil, food, copper, sand, for example—into the urbanization process through combined labor and technological and physical metabolic processes.

The importance of the social and material production of urban nature has recently emerged as an area of importance within historical-geographical materialist thought (Castree 2002; Foster 2000; O’Connor 1998; Smith 1984; Heynen, Kaika, and Swyngedouw 2006). The interrelated web of socio-ecological relations that brings about highly uneven urban environments, as well as shaping processes of uneven geographical development at other geographical scales, have become pivotal terrains around which political action crystallizes and socio-ecological mobilizations take place (Arboleda 2015). As Jason Moore demonstrated, the history of both accumulation and urbanization is produced by the socio-physical appropriation and metabolism of both human labor and non-human matter (Moore 2015).

From this perspective, Marxist political ecologists are not primarily concerned with the city as a dense and heterogeneous assemblage of accumulated socio-natural things and gathered bodies in a concentrated space but rather with the particular forms of capitalist urbanization as a socio-ecological process whose functioning is predicated upon ever longer, often globally structured, socio-ecological metabolic flows (Swyngedouw 2006). Using Marx’s concepts of metabolism and circulation, these flows not only meld things

together—natures and social classes, for example—but do so in socially, ecologically, and geographically articulated (but uneven) ways that produce socio-ecological class conflict, disastrous environmental conditions, and forms of combined and uneven socio-ecological collapse. The key question for Marxist urban political ecology is, therefore, not about what kinds of natures are present *in* the city, but rather about the capitalist form of urbanization *of* natures: the process through which all manner of non-human “stuff” is socially mobilized, discursively scripted, imagined, economically enrolled (enclosed, privatized, and commodified), and physically metabolized/transformed to produce socio-ecological assemblages that support the urbanization process (Heynen, Kaika, and Swyngedouw 2005). Consider, for example, how dependent the purportedly de-materialized affective economies that animate much of contemporary urban social and cultural life (IT networks, social media, smart networks, eco-architecture, informatics, and the like) are upon the following: mobilizing a range of minerals (e.g., Coltan [columbite-tantalite]), feverish resource grabbing (often through tactics of dispossession) in socio-ecologically vulnerable places; production chains that are shaped by deeply uneven and often dehumanizing socio-ecological metabolisms (material and immaterial production processes) to render these non-human natures useful in ITC hardware; and a “re-cycling” process that returns much of the e-waste to the socio-ecologically dystopian geographies of, for example, Mumbai’s or Dhaka’s suburban informal wastelands. Indeed, the excesses of urbanization—from waste to CO<sub>2</sub>—are customarily decanted onto the socio-ecological dumping grounds on the periphery of cities.

The capitalist form of planetary urbanization and the socio-ecological and political-economic processes that animate its combined and uneven socio-ecological development on a world scale are now generally recognized as key drivers of anthropogenic climate change and other socio-environmental transformations: for example, biodiversity loss, soil erosion, large eco-infrastructure such as dams, deforestation, resource extraction and deep-geological mining, pollution, and the galloping commodification of all manner of natures (Swyngedouw 2018). Capitalist urbanization is the key driver of the Anthropocene (or rather Capitalocene) (Moore 2015).

Marxist urban scholars and activists began to dissect the urbanization of nature as a process of continuous de- and re-territorialization of socio-ecological metabolic circulatory flows, organized through predominantly capitalist social relations sustained by privately or publicly managed socio-physical conduits and networks and nurtured by particular imaginaries of what nature is or should be. Such produced urban socio-physical environments embody and reflect the unequal power and associated asymmetrical socio-ecological living conditions inscribed in socio-ecological metabolisms. “Scarcity” or “socio-ecological disintegration” resides, therefore, not in nature but in the socially constructed and utterly contingent modalities of its spatially and socio-ecologically variegated enrolling within urbanizing circuits of capital circulation and accumulation.

The production of urban environments, and the “metabolic vehicles” (such as infrastructures of all kinds, the technical conditions that permit the flow and metabolization of energy, food, information, bodies, and things) that secure its

functioning are of course mediated by institutional arrangements that are often nominally democratic but are nonetheless necessarily deeply committed to assuring the uninterrupted expansion of the capital circulation process (Virilio 1986). “Metabolic vehicles” are the hard and soft infrastructures through which non-human matter becomes transformed and express in their techno-political functioning multiple relations of power in which social actors strive to create and defend socio-physical environments that serve their interests and satisfy their desires. It is precisely this articulation between state, class, and environmental translation that renders urban socio-ecological processes, including the question of “sustainability,” highly conflictive and subject to intense political and social struggle. Consider, for example, how the urban rebellion that engulfed Turkey with rarely seen intensity in the summer of 2013 emblematically sparked off with a conflict over a park and a few trees on Istanbul’s Taksim Square. Also consider how climate summits meet with increasingly intense street protests (Swyngedouw 2015).

Therefore, Marxist urban political ecology is concerned with the democratic and emancipatory political process through which such politically embedded ecological transformation takes place. Rather than invoking a normative notion of environmental justice or of an idealized (balanced) nature, UPE insists on focusing on the realities of the presumed democratic political equality in the decision-making processes that organize socio-ecological transformation and choreograph the management of the commons. In doing so, the attention shifts from a techno-managerial or ethical perspective to a resolutely political vantage point—articulated around the notion of equality—that considers the ecological conundrum to be inexorably associated with democratic political acting, and focuses on the fundamentally politicized conditions through which natures become produced (Swyngedouw 2014).

Ultimately, the intellectual challenge posed by the socio-environmental conditions shaped by planetary urbanization must be to extend the intellectual imaginary and the powers of thought and practice to overcome the contemporary cultural impasse identified by Jameson that “it is easier to imagine the end of the world than changes in the [eco-]capitalist order and its inequities” (Jameson 2003:73). This is the courage of the intellect that is now required more than ever: a courage that takes us beyond the impotent confines of a sustainability discourse and leaves the existing combined and uneven, but decidedly urbanized, socio-ecological dynamics fundamentally intact.

## 4. Conclusion

Capitalism has always been and will continue to be a profoundly geographical project intent on incorporating places, peoples, and environments within its circuits while producing new geographies. As Henry Lefebvre insisted, “Capitalism has found itself able to attenuate (if not resolve) its internal contradictions for a century, and consequently, in the hundred years since the writing of *Capital*, it has succeeded in achieving ‘growth.’ We cannot calculate at what price, but we do know the means: by occupying space, by producing a space” (Lefebvre 1976:21). Capitalist urbanization expresses (and is an

active “moment” in) the expanded reproduction of capital and the social relations upon which capital accumulation is predicated. As such, urbanity embodies the multiple tensions and contradictions that animate the circulation of capital. It is simultaneously a site of production and a space for reproduction. It offers all manner of possibilities to appropriate value as well as sinking value into place. Urbanization is a formidable force of production and a contested space for organizing the reproduction of both labor and capital. It is the process that exemplifies par excellence the de- and re-territorializing dynamics of both human labor and non-human natures through which the circulation of capital is organized.

Not surprisingly, therefore, the capitalist city has been a pivotal arena for class struggle as well as the terrain over which it was and continues to be fought. Marx and Marxist urban scholars and activists have indeed demonstrated that the city is both the greatest oeuvre of capital in all its manifold contradictions and the privileged site through which a post-capitalist world will have to be wrought. As Henri Lefebvre argued more than forty years ago, socialist transformation is about the “Right to the City,” understood as the right to co-organize and co-manage the commons of the city. A Communist society will have to be an urban one, or it will never come into being at all.

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## Oxford Handbooks Online

### **The Marxian Long View: Stages of Capitalism and Social Structures of Accumulation**

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### **Abstract and Keywords**

The Marxian theory of stages of capitalism emerged in two waves. The first wave, at the turn of the twentieth century, was rooted in the Marxist response to the recovery of capitalism from its late nineteenth-century crisis. Conversely, the second wave in the 1970s grew out of the faltering of the relatively unproblematic accumulation associated with the post-World War II capitalist order. One wave was concerned with the beginning of a period of long-run accumulation. The second wave was concerned with the advent of a downturn in capitalist accumulation and a period of crisis. These turning points marked the inauguration of a period of relatively unproblematic reproduction of capitalist social relations and, symmetrically, the beginning of a period of stagnation and crisis. This chapter examines the Marxist concept of a stage of capitalism and concludes with an application to the contemporary crisis at a global, regional and national level.

Keywords: stages, institutions, structures, accumulation, crisis

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## **1. Finance Capital Joins Commercial and Industrial Capital**

The concept of a stage of capitalism within Marxism begins in Marx's distinction between commercial and industrial capitalism. This simple original distinction in the history of capitalism was complicated by Rudolf Hilferding when he identified finance capital as a third stage of capitalism in the early twentieth century. The theory of finance capital begins with a crisis precipitated by the recovery of the capitalist economy from the first Great Depression at the end of the nineteenth century. Seeing capitalism recover from what was thought to be its final crisis, Marxist activists searched for a way of explaining this recovery without abandoning the revolutionary implications of Marx's analysis of the contradictory character of capitalist social relations. This explanation was to be found in

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the pioneering work of Rudolf Hilferding, as well as Nicolai Bukharin on the world economy, and V.I. Lenin on imperialism. All three argued that the capitalist economy had, with the advent of monopoly capitalism, entered a new and higher stage of capitalism. This new stage underlay the recovery, but it had not transcended the basic Marxian dynamics of capital accumulation.

Marxism first obtained prominence in the context of the Great Depression of the late nineteenth century. Dobb (1947:310) sums up the period as “essentially a depression of cut-throat competition and cut prices of the classic textbook type.” Geary (1987:2) relates the views of contemporary Marxist observers:

The extent to which there really was a 'great depression between 1873 and 1896 is of course a source of dispute amongst economic historians but there is no doubt that many contemporaries, amongst them August Bebel and Eduard Bernstein (initially), saw the recession as nothing less than the 'final crisis of capitalism.'

However, after 1896, capitalism was showing definite signs of recovery. Geary (1987:36) sums up the developments in the German economy, while indicating their significance in the inauguration of theoretical debate:

Revisionism was not spawned ex nihilo but was the fruit of the economic recovery which took place after 1896 (not only in Germany) and of a change in the political situation of the Second Reich. From 1896 until the First World War the German economy enjoyed almost uninterrupted growth and low levels of unemployment.

The immediate evidence for a crisis within the Marxism of the Second International is to be found in a largely unconstructive debate over the significance of the recovery for the strategy of the socialist movement. Marxists had looked for a swift, worldwide proletarian revolution produced by the worsening of the capitalist crisis. When recovery instead of revolution materialized, a debate began concerning the role of economic crisis in revolutionary theory.<sup>1</sup>

This “breakdown controversy” was an argument between orthodox Marxists like Karl Kautsky, who claimed that capitalist crisis would continue to worsen, thereby producing a revolutionary conjuncture, and Edouard Bernstein’s followers, who rejected revolutionary tactics. The latter argued that revolution is only required if capitalism breaks down. For if the system will not fail of its own accord, then the class struggle can be ameliorated within the existing political framework, and men will be able to realize “the continuance of free development” (Bernstein 1961:82–87).

The constructive Marxist response to the capitalist recovery was to be found in the contributions of Rudolf Hilferding (1980), Nicolai Bukharin (1973), and Lenin (1968) (HBL). It is these three authors whose work, taken together, forms the structure of the early twentieth-century Marxist theory of both imperialism and stages of capitalism. Hilferding’s *Finance Capital* appeared in 1910 and was received in Marxist circles as

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virtually another volume of *Capital* (Hilferding 1980:1). *Finance Capital* would be the foundation for both Bukharin's and Lenin's later volumes.

## 1.1 Hilferding's Contribution

Just as Marx had analyzed the emergence and dynamic growth of industrial capital in contrast to the previously dominant merchant capital in *Das Kapital*, Hilferding set out in *Das Finanzkapital* to analyze the emergence from industrial capital of the new form of finance capital. Such a study, Hilferding writes, is essential to achieving a "scientific understanding of the economic characteristics of the latest phase of capitalist development" (Hilferding 1980:21).

Hilferding begins with an analysis of money and the increasing importance of credit in the capitalist valorization process. Banks begin to concern themselves with the "long-range prospects of the enterprise and the future state of the market" (Hilferding 1980: 95). With the advent of the joint-stock company, banks become involved in raising industrial capital through the promotion of stock issues. The organization of a stock exchange makes possible the pooling of capitals and opens the way for an enormous expansion of the scale of capitalist enterprise. Since considerably less than 100% of the stock is necessary to exercise control, the organizing reach of an individual capital is greatly extended. A common ownership interest is created among various companies, which is reinforced by interlocking boards of directors.

The new joint stock corporation had numerous competitive advantages over the individually owned enterprise. It had a much greater capacity for growth, drawing as it did upon the whole supply of free money capital. The ability to retain profits gave the corporation an advantage in price competition and in surviving business downturns. Increasing bank involvement with industrial production created a change in business principles:

The professional banking principle of maximum security makes the banks inherently averse to competition and predisposed in favour of the elimination of competition in industry through cartels, and its replacement by a 'steady profit.'

(Hilferding 1980:179)

Bank capital, increasingly concentrated itself, began to promote combination rather than competition in industry. Integration raised the profit rate through decreasing competition, greater economies of scale and technical innovation, and greater stability over the business cycle. Concentration was achieved through the formation of cartels and trusts:

Industrial profit incorporates commercial profit, is itself capitalized as promoter's profit, and becomes the booty of the trinity which has attained the highest form of capital as finance capital. For industrial capital is God the Father, who sent forth commercial and bank capital as God the Son, and money capital is the Holy Ghost. They are three persons united in one, in finance capital.

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(Hilferding 1980:220)

While the basic capitalist tendencies toward crises still exist, the concentration of industries tends to mitigate the negative effects for capital. Hilferding (1980:289) observes that the ability of an enterprise to survive increases with its size. The ability of cartels to maintain prices means that they can divert the main burden of a crisis to the noncartelized industries. The existence of capitalist crisis then accelerates the process of concentration.

Having undertaken the comprehensive description of transformations at the economic level of society, Hilferding makes the transition to political analysis in the following passage:

Finance capital signifies the unification of capital ...The basis of this association is the elimination of free competition among individual capitalists by the large monopolistic combines. This naturally involves at the same time a change in the relation of the capitalist class to state power.

(Hilferding 1980:30)

It is with this transition that Hilferding lays the foundations for analyzing the close relationships among the economic, political, and cultural levels of society.

Hilferding develops this point about the changing relation of class and state power through a discussion of the tariff. The generalization of the protective tariff increases the importance of the size of the protected area and hence the size of the national territory and the control of colonial areas. To raise price, cartelized industries are forced to restrict production for the domestic market, necessitating export sales to raise capacity utilization. This overseas expansion of economic activity can only be accomplished through the threat or use of military force. As the world is increasingly divided up between the major economic powers, the political and military conflict between them becomes increasingly bitter. Owing to uneven development, newly industrializing powers may find themselves without a proportionate share of colonial possessions. The redistribution of territory can only be accomplished by force and war becomes likely.

Hilferding also seeks to understand the ideological changes that accompany the economic and political transformations associated with finance capital. The new ideology abandons liberalism, in favor of a politically powerful state that can protect its interests both at home and abroad. This new nationalism inevitably takes on racist overtones:

Since the subjection of foreign nations takes place by force—

that is, in a perfectly natural way—it appears to the ruling nation that this domination is due to some special natural qualities, in short to its racial characteristics. Thus there emerges in racist ideology, cloaked in the garb of natural science, a justification for finance capital's lust for power.

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(Hilferding 1980:335)

Hilferding also examines the changes in the relation of the various classes to one another in the era of finance capital. Support for the tariff, a strong state, and opposition to the working class increasingly unites capital and large landowners. Small business is increasingly subordinated to big capital and also shares its opposition to labor. A new middle strata arises, consisting of the salaried managerial and technical employees in commerce and industry.

In the field of labor relations, unions find themselves facing a capitalist class increasingly united in employers' organizations, which can temporarily fill orders, compensate losses and prevent strikers from finding alternate employment. Monopoly corporations are also able to claw back wage rises through price increases.

Hilferding finds that finance capital is associated with changes in the class structure, the character of class alliances, and the balance of class forces. The changing interests of capital lead to changes at the political level. Capital becomes more closely associated with a strong state, which can protect its monopoly position at home while pursuing an aggressive policy of imperialism abroad. At the ideological level, these changes are justified by the abandonment of liberalism and the adoption of a reactionary nationalism and racism. This multilevel analysis of the role of political and social institutions laid the intellectual basis for later multifactoral analyses of capitalist stages.

## 1.2 Bukharin and Lenin

According to his biographer, *Finance Capital* was "the starting point and essential inspiration (Cohen 1980:25)" of Bukharin's ([1915]1973) contribution, *The World Economy and Imperialism*. The major difference between Bukharin's treatment and that of Hilferding was that Bukharin reversed the order of Hilferding's presentation. Hilferding had argued from finance capital to concentration to the world economy and imperialism. Bukharin started with the world economy. He then set about drawing the connections between the world economy, state policy, class relations, concentration, and finance capital.

It is largely through the medium of Lenin's ([1917]1968) *Imperialism, the Highest Stage of Capitalism* that Hilferding and Bukharin's ideas have come down to us, especially in the English-speaking world. Bukharin's work was for many decades crushed under the weight of Stalinist repression. Remarkably, an English-language translation of *Finance Capital* did not appear in print until 1980. Lenin's work was not intended as a major independent theoretical treatise but was in Lenin's own subtitle "a popular outline" drawing extensively on the previous two works. Nevertheless, from the point of view of advancing a Marxist theory of stages of capitalism, *Imperialism* makes two significant contributions. The first is to identify imperialism specifically as a "stage" of capitalism (see Albritton 1986:98). The second is to identify the imperialist stage with monopoly capitalism.

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The concept of a stage of capitalism is used in Lenin's subtitle and appears frequently throughout the work. This is not merely a matter of terminology. Lenin gives substance to his use of the new term by seeking to identify more sharply the boundary between the imperialist stage of capitalism and its predecessor. Throughout *Imperialism*, Lenin is concerned to identify the time of the transition between stages as closely as possible. For instance, he argues that:

For Europe, the time when the new capitalism definitely superseded the old can be established with fair precision; it was the beginning of the twentieth century.

(Lenin [1917]1968:180, emphasis in original)

Subsequent discussion centers the change specifically on the year 1900. This concern with the identification of the turning point that marks the transition from one stage of capitalism to another cannot be found in either Hilferding's or Bukharin's treatments. The location of the point of transition from the previous stage of capitalism to the new stage of imperialism emphasizes the qualitative nature of the transition. It is this difference that lends content to Lenin's change in terminology in designating imperialism as a stage of capitalism rather than a phase or an epoch.

The other major difference in Lenin's work is in the role given specifically to the development of monopoly market structures. We have already discussed how Hilferding began his analysis with finance capital while Bukharin analyzed virtually the same set of institutions using the world economy as his starting point. Lenin adopts still another starting point by emphasizing the role of monopoly capital in imperialism. Indeed, in one of the most-quoted passages from *Imperialism* Lenin equates the two:

If it were necessary to give the briefest possible definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism.

(Lenin [1917]1968:23)

Lenin begins his discussion of the highest stage of capitalism with a discussion of "concentration of production and monopolies" (Lenin [1917]1968:176). This transposition of the order of the discussion would not have great significance except that Lenin also gives the emergence of monopoly a causative significance in the development of the rest of the basic features of imperialism. Finance capital, the export of capital, and the imperialist division of the world all stem from the emergence of the monopoly market structure.

This identification of monopoly capital as the key factor in determining the character of the new stage would have a profound influence on subsequent generations of Marxist stage theorists. HBL analysis would be carried into the post-World War II era through the work of Paul Sweezy (1968) and Ernest Mandel (1970). In their influential expositions of Marxian economics, the HBL analysis of monopoly capitalism was treated by each as essentially a fourth volume of *Capital*. Their descriptions of the transition to monopoly capital consolidated stage theory as an accepted component of Marxian theoretical



practice. Both would be influential in forming the basis for the second wave of Marxian stage theory.

## 2. The Second Wave of Marxian Stage Theory

The second wave of Marxian stage theory emerged with the end of the post-World War II expansion. Ernest Mandel's long wave theory (LWT), the Regulation Approach (RA), and the Social Structure of Accumulation Framework (SSAF) analyzed the stagflationary crises of the advanced capitalist countries as the end of a long wave of growth following the end of the war. This long wave of accumulation was underpinned by the emergence of a new stage of capitalism, which was analogous to the reorganization brought about by monopoly capital at the turn of the century. Since this new stage was the resolution of the crisis of the monopoly stage, these new schools were reluctant to predict the non-resolution of the then-current crisis, thus opening up the possibility of further stages of capitalism in the future. This identification of a new postwar stage following from HBL's monopoly stage and the possibility of subsequent stages in the future elevated Lenin's theory of the highest stage to a general theory of stages of capitalism.

The SSAF built on Sweezy's contribution and that of the American Monopoly Capital School. Mandel's LWT, not surprisingly, was founded on his earlier analysis of monopoly capital. The RA claimed no precursors apart from Louis Althusser, though Althusser's admiration for Lenin and specifically his *Imperialism* is well known.

### 2.1 Ernest Mandel's Long Wave Theory

Mandel's (1970) early expositions of the twentieth century economy owe a great deal to the HBL analysis. Chapters 12, 13, and 14 of *Marxist Economic Theory* are entitled respectively "Monopoly Capitalism," "Imperialism," and "The Epoch of Capitalist Decline." These chapters reproduce and update much of the HBL explanation of the era of finance capital. Mandel parallels Sweezy in substituting the term "monopoly capitalism" for Hilferding's finance capital and Lenin's imperialism. In his monumental *Late Capitalism*, Mandel develops a theory of long waves of capitalist development. These long waves form the basis for periodizing capitalism into stages:

The long waves ... do not simply represent statistical averages for given time spans ... They represent historical realities, segments of the overall history of the capitalist mode of production that have definitely distinguishable features. For that very same reason they are of irregular duration. The Marxist explanation of these long waves, with its peculiar interweaving of internal economic factors, exogenous "environmental" changes, and their mediation through sociopolitical developments (i.e., periodic changes in the overall balance of class forces and intercapitalist relationship of forces, the outcomes of momentous class struggles and of wars) gives this historical reality of the long wave an integrated "total" character.

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(Mandel 1980: 97)

Mandel identifies three successive stages in capitalist history: competitive capitalism, classical imperialism, and late capitalism.

Mandel (1980:20) emphasizes the “key roles” of extra economic factors. The increase in the profit rate that inaugurates a long wave upturn (and hence a new period in the history of capitalism) can be understood:

only if all the concrete forms of capitalist development in a given environment ... are brought into play ... These radical changes in the overall social and geographic environment in which the capitalist mode of production operates in turn detonate, so to speak, radical upheavals in the basic variables of capitalist growth

(Mandel 1980:21-22)

In connection with the era of classical imperialism, Mandel discusses the concentration and centralization of capital, the export of capital, colonialism, militarism, imperialist competition and unequal exchange, the growing importance of the state, the introduction of welfare measures and changing technology. This multifactoral discussion is also applied to the analysis of late capitalism in the post-World War II period. In this connection, Mandel discusses changes in technology, the weakening of labor organization, long-term collective bargaining, shopfloor control of the labor process, multinational corporations, the new international division of labor, the international monetary system, the Marshall Plan, the state guarantee of profits through military contracts and other means, deficit finance and inflation, the growth of marketing and customer manipulation, the extension of consumer credit, mass communications and technocratic ideology.

## 2.2 The Regulation Approach

Though the term regulation had earlier been borrowed from systems theory by French Marxist scholars, the Regulation Approach effectively begins with Michel Aglietta's *A Theory of Capitalist Regulation: The U.S. Experience* published in 1976. In this work Aglietta put forward an analysis of the institutional framework of accumulation cast in Althusserian structuralist terms. Aglietta begins the book with an extended critique of neoclassical general equilibrium theory. While rejecting the notion of equilibrium, Aglietta recognizes the necessity of analyzing the preconditions of the reproduction of the wage relation over time. Hence, he argues that the study of economics must replace the theory of general equilibrium with a theory of capitalist regulation. In his introduction, Aglietta (1979:29) defines part of his project as seeking to show “that the institutionalization of social relations under the effect of class struggles is the central process of their reproduction.” He applies this understanding to capitalist regulation and crises in the following way:

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This theoretical position will enable us to conceive crises as ruptures in the continuous reproduction of social relations, to see why periods of crisis are periods of intense social creation, and to understand why the resolution of a crisis always involves an irreversible transformation of the mode of production.

(Aglietta 1979:19)

Aglietta's book stimulated subsequent work in France applying the framework to historical movements in the French economy. During this period, Robert Boyer emerged as the leading figure of what was referred to as the Parisian school of regulation theory. In 1986, Boyer set out to sum up this work in a concise introduction.

After discussing the mode of production, Boyer then introduces a number of "intermediate" concepts. The first is the regime of accumulation. This set of economic elements includes first, the organization of production, then the distribution of the value produced and a related composition of social demand, which is consistent with production potentialities. These regimes of accumulation vary over time and space within the overall framework of the capitalist mode of production.

The regime of accumulation is conditioned and reproduced by further intermediate institutional forms. These institutional forms are collected under five headings: forms of monetary constraint, configurations of the wage relation, forms of competition, position within the international regime, and forms of the state. These institutional forms together constitute the mode of regulation. The combination of the regime of accumulation and a type of regulation is the mode of development. The objective of the regulation school is "to explain the rise and subsequent crises of modes of development" (Boyer 1990:48).

### 2.3 The Social Structure of Accumulation Framework

At the end of the 1970s, David Gordon (1978:1980) published two articles linking long cycle theory with the concept of stages of capitalism. In this context, the advent of monopoly capital at the turn of the century coincides with the completion of the long wave trough at the end of the nineteenth century and the inauguration of the long wave expansion that ended with the Great Depression of the 1930s. The new question that the adoption of a long wave perspective posed to the monopoly stage of capitalism tradition was whether the postwar expansion was associated with a similar set of multidimensional institutional changes. Gordon (1978) answers this question by proposing a set of postwar institutions whose establishment accounted for the long period of postwar prosperity. These institutions included among others multinational corporate structures, dual labor markets associated with a bread-and-butter industrial unionism, American international economic and military hegemony, easy credit, conservative Keynesian state policy, and bureaucratic control of workers.

In this way, Gordon established the possibility of articulating a postwar set of institutions that conditioned the subsequent expansion of the economy in a way similar to the set of institutions analyzed by HBL, which accounted for the turn-of-the-century expansion.

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Thus, the multi-institutional analysis of monopoly capital is implicitly used by Gordon as a model for explaining the postwar expansion.

The repetitive use of this kind of explanation raised the question of whether the assembling of such sets of institutions could be generalized as the basis of a comprehensive theory of stages of capitalism. Gordon (1978 and 1980) answers this question by proposing that both the institutions comprising monopoly capital and those making up the postwar social order constituted examples of SSAs. The construction of a new SSA provided the basis for a new stage of capitalism. The disintegration of this set of institutions marks the end of each stage.

The SSA approach achieved its definitive form shortly thereafter with the publication of Gordon, Edwards, and Reich's *Segmented Work, Divided Workers* (1982).<sup>2</sup> This volume used Gordon's SSA approach to capitalist stages to reformulate these authors' earlier analysis of the history of capital-labor relations in the United States (Reich et al. 1973). The authors' exposition of the SSA, which dominated the capitalist world at the beginning of the twentieth century, clearly owes a great deal to HBL's original description of the era of imperialism.

The relationship between the RA and the SSAF was recognized early. Bob Jessop lists the SSAF as one of his seven schools of the RA (Jessop 1990). The SSA is analogous to a combination of the regulation theory concepts "regime of accumulation" and "mode of regulation." Subsequent developments within the Parisian School of Regulation have led, however, to a steady drift away from Marxism. This is most pronounced in the founding Parisian school. In their edited *Regulation Theory: The State of the Art*, Boyer and Saillard (2002:46) discuss the wage-labor nexus:

Its initial basis was none other than the Marxist theory of exploitation which in the 1990s is no longer a major reference point. Today the theory centres on relations between power, wage compromise and the institutional determinants of the wage-profit division.

Several other chapters discuss the RA as a variety of institutionalism.

The RA has moved away from its original concern with the succession of a Fordism in crisis with Post-Fordism. The argument was originally that capitalism survives through its variation across time. The crisis of Fordism could be overcome through the transition to Post-Fordism. As it became clear that this Post-Fordism was being organized around an aggressive neoliberal project, carried out in the context of increasing globalization, the concern with capitalism's survival became more specific. The guiding question became, not whether capitalism could survive, but whether an alternative to neoliberalism could survive in a globalized world. Globalization set different national economies in direct competition with one another in world markets. Analysts began to wonder whether this global competition would force a convergence to a neoliberal model of capitalism on a

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worldwide basis. In Europe the question became would the European social model survive the transition to Post-Fordism.

This reposing of the question of capitalism's survival shifted the emphasis from capitalism's ability to vary across periods of time to whether capitalism could vary across space, or more particularly across national boundaries. The RA became more concerned with identifying the coherence of different varieties of capitalist institutional arrangements. This has inevitably led to a greater emphasis on the stability of alternative institutional arrangements:

An institutional logic in each society leads institutions to coalesce into a complex social configuration. This occurs because the institutions are embedded in a culture in which their logics are symbolically grounded, organizationally structured, technically and materially constrained and politically defended. The institutional configuration usually exhibits some degree of adaptability to new challenges, but continues to evolve with an existing style.

(Boyer and Hollingsworth 1997:2)

The SSAF has generally moved in the opposite direction from the RA by reemphasizing its roots in the Marxian tradition. In his 1997 retrospective and prospective on the SSAF, Michael Reich (1997:4) identifies the early theoretical perspective as rooted in "Marxian insights concerning class conflict over production and distribution at the workplace and in the political arena, and by Marxian and Keynesian macroeconomic analyses." Most subsequent SSA studies proceed on this basis.

In addition to its emphasis on the problems of the reproduction of capitalism as such, the SSAF continues to emphasize capitalist variation across time. While it by no means denies the possibility of capitalist variation across countries or regions, the SSAF locates these differences in national responses to capitalist crises that demand for their resolution the reorganization of the institutional conditions of the capitalist accumulation process. In this way, the emphasis is on the dynamics of capitalism over time, the reproduction of these dynamics over time, and the recovery of capitalist social formations from periodic major crises of capitalist reproduction.

Analyzed in the Marxian tradition, capitalism contains multiple conflicts, instabilities, and crisis tendencies that need to be moderated and channeled through institutional means. The SSAF is sometimes seen as an alternative to traditional Marxist crisis theory. This is the case only in that SSA theory insists on deploying the full range of Marxist crisis theories over time and space, rather than favoring one tendency across capitalist history. Class conflict and capitalist competition play prominent roles. Capital accumulation is seen to erode its own institutional preconditions. This creates a historical dynamic of both the success and failure of capital accumulation, alternating periods of growth and crisis. While SSAs are stable for an extended period of time, capitalist contradictions eventually come to the fore, eroding the institutional conditions of capitalist accumulation and precipitating crisis. The failure of institutional resources as well as conflict in the context

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of the developing crisis further erodes the institutions. The stagnation will only be overcome eventually through the construction of a new SSA. Contrary to any stability thesis, the new SSA differs fundamentally from the previous SSA.

Wolfson and Kotz (2010:81–89) elaborate a conception of Liberal SSAs and Regulated SSAs. Liberal SSAs tend to enter into crisis because capital's ability to dominate labor leads to stagnant wages, inadequate demand, and overcapacity. Unregulated economies are often prey to financial crises. These Liberal crises are most easily resolved through an increase in the strength of labor, a limited redistribution of income, and the regulation of demand and finance—that is, the establishment of a Regulated SSA. Regulated SSAs by contrast are prone to “profit-squeeze” crises, due to rising wages and popular demands for intervention by government in the markets. These crises are most often resolved through the reassertion of capital's dominance over labor and the promotion of deregulation through the creation of a Liberal SSA.

Thus, types of capitalism are not internally reproduced over the medium term. Rather they enter into crisis and succeed one another, sometimes in a repeated leapfrog fashion. This analysis serves to emphasize the variability of SSAs over time. In fact, Kotz and Wolfson's suggestion of two types runs against the tendency of the rest of the literature. The emphasis there is on the concrete historical origin of SSAs in the context of the crisis that precedes them. A wide variety of institutional regimes are capable of characterization as SSAs.

### **2.4 The Crisis of Global Neoliberalism**

Because of the movement of the RA away from Marxism and the paucity of subsequent work building on Mandel's LWT, subsequent discussion will concentrate on the SSAF. Within the SSA framework, recent events can be analyzed as the crisis of global neoliberalism, an additional SSA that succeeded the 1970s crisis. While each SSA is different from those that preceded it, global neoliberalism constituted a particular break with previous SSAs in that these SSAs were primarily national in scope, whereas global neoliberalism developed at an international level. The relation between the global and national aspects is therefore different in the contemporary stage of accumulation compared to previous eras.

The post-World War II stage of accumulation can be thought of as a series of national state-regulated structures that were linked, internationally, by a set of transnational institutions, such as the Bretton Woods system. By contrast, the global neoliberal stage exists in its most pure form at the international level, where neoliberal principles became dominant as expressed in institutions such as the World Trade Organization (WTO), International Monetary Fund (IMF), and the World Bank. Global neoliberalism is a transnational structure with local social structures nested within it. There is variation in the extent to which local arrangements reflect the broader global neoliberal model of capital accumulation.

## 3. Nested Crises

The remainder of this article will examine this issue in the context of the current economic crisis in Ireland, in the EU, and at the global level to illustrate the way in which national and regional economic dynamics are nested within the larger global neoliberal SSA. The Irish crisis is simultaneously the result of its own neoliberal institutional structures and also an expression of the global neoliberal crisis. The Irish case is further complicated in that Ireland is a part of the European Union and more particularly the Eurozone currency area. Like Ireland, the crisis in the Eurozone is simultaneously a local manifestation of the global crisis and a crisis of the specifically European version of global neoliberalism. The following section will first draw out the origins of the global crisis and then look at the European crisis. Finally, the outline of the Irish crisis will be traced in the context of the other two.

### 3.1 The Global Crisis

A brief outline of the global crisis begins with a simplified framework presented in Figure 1. The analytical challenge is to proceed from the basic structure of global neoliberalism, on the left in Figure 1, to the current crisis on the right. For convenience, the SSA will be outlined in relation to four general constituent elements: *globalization*, *neoliberalism*, *weakened labor*, and *financialization*. These factors all initially led to restored profitability and will be discussed in turn.

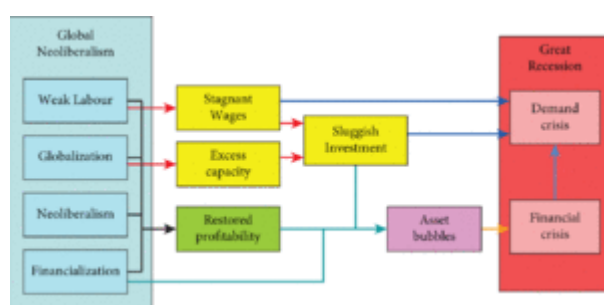


Figure 1: The global crisis of neoliberalism

*Globalization* is located in several developments. One is a significant increase in the international movement of capital, goods and money consequent on the widespread reduction in both physical and political barriers to markets. A

second development is a geographical extension of capitalist relations of production to Eastern Europe and China. These transitions have opened up vast supplies of raw materials, extensive investment opportunities, massive pools of cheap labor, and large new markets for global capitalism. The result of this new mobility is the fragmentation of production across borders and its reintegration via trade and the global supply chains of transnational corporations (Gereffi and Korzeniewicz 1994; Kaplinsky and Morris 2001). In this context, the emergence of transnational class relations has become increasingly important, and arguably key from a specifically Marxist perspective (van der Pijl 1998; Overbeek 2001; Robinson 2004).

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*Neoliberalism* is a multifaceted entity that includes political-economic institutions, policies, theories, and ideology. Key institutions include those charged with promoting the economic liberalization of world markets, such as the WTO and IMF. The smaller domestic state must be included as well as numerous private think tanks and organizations. At the policy level, neoliberalism advocates privatization, deregulation, and price stabilization. The dominant theory is an ultra-free-market version of neoclassical economics, predicated on the glorification of individual choice in unregulated markets.

The third element of the SSA is the *weakened role of labor*, which was pursued through the shift or threatened shift of production location. This is a new labor control strategy through “spatialization” (Wallace and Brady 2010). Trade unions have experienced declining density, influence, and power. This has been accompanied by the emergence of new production regimes that further diminish the organizational capacity of labor, such as models of lean manufacturing and flexible specialization (Parker and Slaughter 1994).

Finally, *financialization* “refers to the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international level” (Epstein 2005: 1).

Short-term performance and quarterly returns have become the measure of success (Tabb 2010). Regulations restricting the unfettered movement of finance have been systematically eliminated. Financial innovation has proliferated. Finance has created a tendency to divert investment from the productive sector of the economy.

In the manner of Hilferding’s and Bukharin’s earlier work, SSA theorists generally agree on this description of the institutions of the latest SSA but disagree on where to locate priority. Wallace and Brady (2010) emphasize the weakening of labor in identifying “spatialization” as central to the SSA. Kotz (2015) prioritizes neoliberalism. Tabb (2012) lays prime importance on financialization. Robinson (2004) chooses globalization. This chapter refers to the global neoliberal SSA.

Global neoliberalism initially led to restored profitability. The impact of weakened labor, the globalization of capital, the inauguration of neoliberal policies, and financialization all initially contributed to restored profitability. Restored profitability led to a period of stability and growth though at a lower level than in the post-World War II era. At the same time, global neoliberalism began storing up problems that would eventually lead to the current crisis. Weakened labor led to relatively stagnant wage levels across the Western World. At the same time, globalization was leading to a renewed era of competition, this time between giant transnational corporations. This contributed inevitably to the emergence of excess capacity, as firms geared up for a global market while wages stagnated.

The combination of excess capacity and stagnant consumer income in turn led to sluggish investment in real productive capacity. The paucity of attractive investment opportunities coupled with the restoration of profitability created a pool of liquid capital seeking an outlet. This pool of funds was sucked into the growing financial sector and fed into a



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series of asset bubbles of increasing size including the dot-com bubble and various property bubbles. These asset bubbles underpinned an expansion of consumer debt that propped up the demand side of the economy.

Eventually the bursting of the last of these bubbles would inaugurate the current global financial crisis. The credit crisis quickly fed into a collapse of demand from households, businesses, and ultimately governments. Thus, the credit-based collapse brought to the fore the deeper underlying problems generated by stagnant wages and sluggish investment. At the time of writing we are still living with these consequences. Global neoliberalism first restored the capitalist economy but also laid the foundations for the current collapse.

### 3.2 The Crisis of the Eurozone

The advent of the common currency and its associated institutions mark the neoliberalization of the European social structure. Indeed, the Eurozone SSA can be regarded as hyper-neoliberal when compared institution by institution to its American counterpart. Figure 2 identifies the Euro system as an expression of the four general global neoliberal institutions.

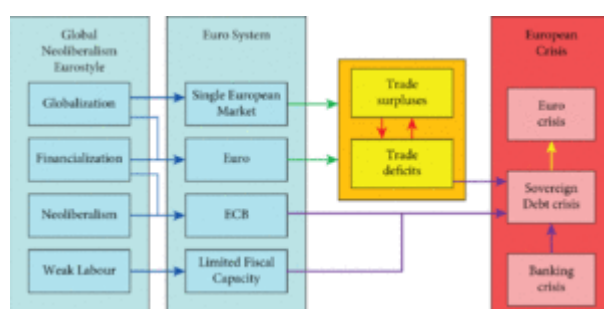


Figure 2. The European crisis

The Eurozone arises in the context of the progressive creation of the European single market. The removal of trade barriers within Europe has been a stepping stone to full integration into the global trading order. This is made especially clear by

Europe's active participation in the current Transatlantic Trade and Investment Partnership negotiations and a recent free-trade agreement with Canada.

Both globalization and financialization are implicated in the creation of the single currency. The Euro was intended to facilitate trade within the European area and to smooth interstate financial transactions. It was also hoped that it would become a global currency to rival the dollar, creating seigniorage benefits for European governments. While it has to a certain extent accomplished these things, its insulation of monetary policy from democratic control within the European states has been its most important consequence. The European Central Bank (ECB) has been mandated to pursue the neoliberal priority of price stabilization, while, in contrast to the Fed in the United States, the bank has no mandate to balance this with a concern for growth and employment creation.

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The European Union has lacked both the capacity and the will to conduct a policy of substantial fiscal transfers from successful to less successful regions. EU budget expenditure has not substantially exceeded 1% of EU gross national income. This is well short of the 15% it would take to be able to make a serious impact.

Together these institutions constitute a fundamentally neoliberal framework. Trade is radically open both within Europe and with the rest of the globe. The capacity for fiscal policy within the Eurozone is severely truncated. States cannot use monetary creation to reflate in downturns, employ unused resources, or control the interest rates at which they borrow. Exchange rate policy is impossible within the common currency. In any case, decision making within the European Union is insulated from popular influence. This overall framework encourages states to compete for inward investment.

The combination of free trade and fixed exchange rates under the common currency led inevitably to the emergence of trade surpluses and trade deficits, which were to a certain extent mutually complementary. More particularly, Germany has been in substantial surplus while the southern periphery has been seriously in deficit. To some extent, Germany's surpluses were recirculated through the financial system, contributing to property bubbles, especially in Ireland and Spain.

The outbreak of the international financial crisis was immediately translated into a sovereign debt crisis through this institutional framework. Weak states suffering from trade deficits were forced to rescue their banking systems and address the consequences of the downturn, taking large deficits and blowing them up further. Lack of control over monetary policy prevented the monetization of deficits and countercyclical monetary policy. States were essentially operating with a foreign currency and were forced to borrow on foreign exchange markets, driving up interest rates. The combination of large deficits and high interest rates made government debt unsustainable. States were "bailed out" by a "troika" consisting of the IMF, the European Commission, and the European Central Bank. The bailouts were accompanied by what was essentially an IMF-style structural adjustment program. The required expenditure cuts and tax increases deepened the recession into a depression in the European periphery.

### **3.3 The Irish Crisis**

National differences are bound to alter the expression of crisis dynamics rather than simply mirroring them. In this context, the Irish crisis is simultaneously both a manifestation of the global crisis and an expression of how its own national institutional dynamics played out. The same four categories utilized in the description of global neoliberalism and the Eurozone, Figures 1 and 2 above, are replicated in the Irish context in Figure 3.

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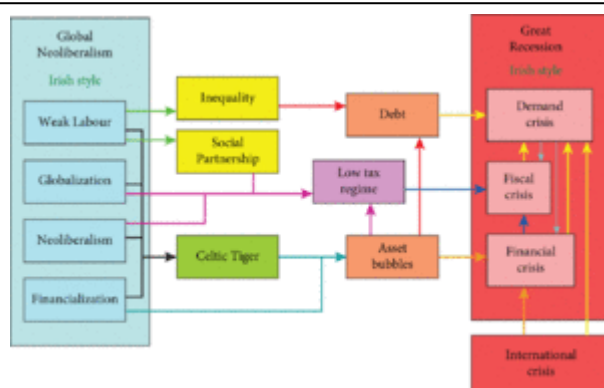


Figure 3. The crisis of global neo-liberalism: Irish style

Irish trade policy has been outwardly oriented since the late 1950s when a nationalistic import substitution policy was abandoned and foreign direct investment actively pursued. In 1981, a corporate tax rate of 10% was introduced on all manufacturing profits to promote exports.

Subsequently, a uniform

corporate tax rate of 12.5% was introduced. An active intervention by state agencies was oriented to connecting the Irish economy to the global. Net foreign direct investment rose by over 700% in 1989 over the previous year. It doubled in 1990 and again by 1996 to €2.62 billion, with a peak of nearly €30 billion in 2002 (World Bank Development Indicators). Irish exports took off after 1990 and rose from 56.7% of GDP and peaked at 100% of GDP in 2001 (World Bank Development Indicators).

The best evidence for the dominance of neoliberalism in Ireland in this period is Ireland's enthusiastic integration into international markets and openness to foreign direct investment. Further, the Irish government's approach to regulation has been characterized as "light-touch" or "minimalist." Another area in which the neoliberal policy agenda has been actively pursued is through privatization. Ireland had inherited a legacy of publicly owned corporations from an early history of public developmental projects. Wholesale privatizations began in 1991 and the largest was of the public telecommunications company in 1999. Tax reform was central to the neoliberal project. As a percentage of GDP, Irish taxation remains at a similar level to some of the poorer Eastern European states. It is considerably lower than Ireland's neighboring competitors: the UK, France, Germany or Spain.

The first of a series of extensive tripartite capital-labor-government partnership agreements was negotiated in 1987. These agreements dovetailed wage restraint, negotiated welfare levels and lowered taxation. This "partnership" model has been held in contrast with the anti-union postures of paradigmatic neoliberal governments in the United States and United Kingdom. Indeed, the enthusiasm displayed by the union leadership for social partnership stemmed partly from a desire to avoid the kind of brutal confrontation which occurred under Thatcherism in the United Kingdom.

Despite this institutional arrangement, organized labor was weakened during the Celtic Tiger period. Income inequality rose (McDonough and Loughrey 2009). "Light-touch" employment regulation has favored capital at the expense of employee rights. Irish trade union membership declined from its peak in 1980 of 62%, to 31% by 2007 (CSO 2008). Non-unionism is particularly evident among the growing multinational sector, with the

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Industrial Development Authority (IDA) Ireland endorsing a choice of non-recognition for inward investing firms (Gunnigle et al. 2005 and 2009; Collings et al. 2008).

Ireland has been an enthusiastic participant in financialization. In 1987, tax relief was given to occupants of the Irish Financial Services Centre (IFSC), a government-initiated facility built on eleven acres of derelict ground in the Dublin Docklands. This quickly became an important center for a wide variety of transnational financial activity. Light touch financial regulation was essential to attracting this kind of inward investment. Domestic financial institutions moved to take advantage of this new ethos.

While the IFSC was doing its part to facilitate international financialization, a particularly Irish local counterpart was built up around the coalescing interests of Irish property developers, Irish banks, and a cadre of politicians. This led to tapping international capital flows to finance both the development of Irish property and the private purchase of this property once completed, inflating a massive property bubble. Growth increasingly depended on construction, and private spending increases depended on borrowing and inflated home equity. This was the Irish counterpart to the American sub-prime bubble.

House prices peaked in 2007, and anxiety generated by the global financial crisis accelerated the slide. Because of lower taxes on personal income, agreed through successive social partnership negotiations in exchange for wage restraint, taxes had become excessively dependent on income from the construction sector. The collapse of the housing bubble cut off these funds. At the same time, rising unemployment increased social welfare payments. This created a fiscal crisis. The downturn then set off a classic Keynesian downward spiral of rising unemployment and falling demand.

Ireland's social structure and economic crisis was a variation within the larger global structure. One notable *departure* from the institutions of global neoliberalism was the social partnership model that took responsibility for negotiated wage restraint, welfare provision, and taxation. While Irish social partnership contributed to the Celtic Tiger success, it was itself heavily dependent for its longevity on the resources generated by the rapid expansion of the Celtic Tiger period (Rittau and Dundon 2010). Ultimately, it lacked many of the institutional underpinnings of regulated arrangements in other European/Nordic countries (Donaghey and Teague 2005). Wage restraint and lowered taxation featured prominently in the agreements. In these areas, it did not depart so radically from global neoliberal patterns. In the face of economic crisis, social partnership, successful in part in distributing the spoils of growth, proved unable to negotiate retrenchment and was abandoned.

## 4. The Marxian Theory of Capitalist Stages

Marxist stages of capitalism consist in complexes of institutions that support periods of capital accumulation. These stages are separated from one another by capitalist crises. This chapter has surveyed the Marxist concept of stages of capitalism using both an historical and contemporary frame. It has argued that the concept entered debates within

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the workers' movement and Marxian theory at the turn of the twentieth century. The concept was then taken up again in the context of explaining the rise and demise of the post-World War II order. Finally, the concept, as developed in this second wave of theorizing, retains its usefulness in describing the current economic crisis in a global capitalist context. The workers and other progressive movements will find their opportunities and challenges in the context of the working out of this long-run crisis. The crisis may be followed by a new, institutionally novel stage of capitalism. Alternatively, we could see increasing popular struggle in the context of continuing social crisis—a struggle that could lead to transcending capitalism itself. Such a transcendence is all the more urgent in the face of multiplying ecological crises.

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### Notes:

(<sup>1</sup>) A summary of the revisionist or breakdown controversy can be found in Sweezy (1968 [1942]:190–213).

(<sup>2</sup>) For collections of articles explaining, reviewing and applying the SSA approach see Kotz et al. (1994), and McDonough et al. (2010, 2014).

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## Oxford Handbooks Online

### **Geriatric Capitalism: Stagnation and Crisis in the Atlantic Post-Fordist Accumulation Regime**

Matt Vidal

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### **Abstract and Keywords**

This entry presents a variegated capitalism analysis of Atlantic capitalism. We trace the development of the national accumulation regimes in the United Kingdom, United States, and Germany from the nineteenth century to the present. Following the Great Depression and World War II, policymakers, reformers, and business leaders explicitly crafted a framework for regulating North American and Western European capitalism. The national Fordist accumulation regimes embedded in this international framework offset the stagnationist and crisis tendencies of capitalism for around two decades, seeing high profits and strong, wage-led growth. The crisis of Fordism that lasted through the 1970s—declining profits and stagnation—marked the transition to what we refer to as the geriatric stage of post-Fordist Atlantic capitalism. In response to the crisis, capital and the state engaged in widespread restructuring. The post-Fordist regime of internationalized competition and finance generated a return to destructive, wage-based competition. The core-periphery nature of the enlarged, neoliberalized European Union and the precarious dependence of the United States on China have exacerbated global political economic instability. The post-Fordist stage is characterized by slow growth, economic instability, and increasingly damaging economic crises; wage stagnation, rising inequality, and labor market precarity; and political polarization.

**Keywords:** declining rate of profit, economic crisis, financial crisis, financialization, Fordism, overaccumulation, post-Fordism, regulation theory, stagnation, variegated capitalism

Western European and North American capitalism experienced broadly similar patterns of industrialization and subsequent developmental trajectories. To be sure, there are important differences in national institutional settlements, due to uneven and combined development, geopolitical position within the international political economy, and contingent outcomes of national class struggle and compromise. Such national variations notwithstanding, Western Europe and North America developed through the same series of institutional stages: from competitive markets augmented by proto-developmental

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states to oligopolistic mass production for domestic markets with Keynesian welfare states to service-dominant, internationalized, and financialized capitalism with neoliberal states.

This remarkable similarity is no coincidence. As first fully appreciated and articulated by Marx and Engels ([1848] 1978), capitalist development is fundamentally global in its quest to establish the world market, to extract surplus-labor and resources from all corners of the Earth. But this is an uneven political economic process of territorialization, state formation, institutional regulation, and geopolitical stratification. Capital accumulation regimes—at the national, regional, and global level—are constituted and institutionally regulated by business organizations, states, and (particularly at the national level) labor unions.

International political economists focus on the global economy as a single system. Comparativists generally focus on the national level of analysis. Regulation theory has attempted to bridge the two, focusing mainly on comparative analysis of national accumulation regimes but appreciating that national economies have different levels of power and influence in the global political economy (Boyer 1988; Boyer and Saillard 2002). Within the regulation theoretic tradition, the theory of variegated capitalism has articulated these connections most fully, emphasizing the multiscale process of uneven and combined development in which the institutional regulation of capitalist accumulation occurs at national, subnational, and supranational scales, including a stratified hierarchy of national states (Jessop 2012; Peck and Theodore 2007).

In this chapter I develop a variegated capitalism analysis of Atlantic capitalism as a transnational regime of accumulation, focusing on three of its largest national economies: America, Britain, and Germany. Such an analysis can be located within a long view of the evolution of the capitalist world system.

Beginning in the late Middle Ages, blocs of states and businesses emerged to control interstate competition for mobile capital (Arrighi 1999), resulting in a capitalist world-system with Western Europe and North America as its core. The core states appropriate surplus from peripheral states, with semiperipheral states providing a buffer of political stability (Wallerstein 1979). Within the core, a hegemonic state leads in material expansion (trade in commodities) and then, as the locus of material expansion shifts to a rising new hegemon, the declining hegemonic state transitions to financial expansion (trade in money) (Arrighi 1999). The first global capitalist hegemon was the Republic of Genoa from the fifteenth to the early seventeenth century, followed by the Dutch Republic from the late sixteenth to through the eighteenth, the United Kingdom from the latter half of the eighteenth through the early twentieth century, and the United States from the late nineteenth century through its current phase of financialization.

Although each hegemon underwent a phase of material expansion followed by financial expansion, this is not simply the repetition of an identical cycle. In a single world system undergoing a process of development and maturation, each new cycle unfolds in institutionally distinct ways. In the British case, financialization initially occurred through

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a shift in the relative power of its sectors: a rise in the global influence of British finance capital in the last quarter of the nineteenth century occurred alongside an increase in manufacturing employment, which rose until a peak of 47% of total employment in 1960. By contrast, in the American case financialization in the 1970s occurred simultaneously with deindustrialization, the former entailing a far more encompassing, qualitative transformation of the political economy, including the penetration of nonfinancial corporations and households alike.

Here we trace the development of the national accumulation regimes in the United Kingdom, United States, and Germany and their consolidation into a transnational accumulation regime. Following the Great Depression and World War II, policymakers, reformers, and business leaders in Western Europe and North America explicitly crafted a transnational regulatory framework, which Jessop (2002) labelled Atlantic Fordism. The Fordist accumulation regime offset the stagnationist and crisis tendencies of capitalism for around two decades, seeing high profits and strong, wage-led growth. The crisis of Fordism that lasted through the 1970s marked the transition to what we call the geriatric stage of Atlantic capitalism.

This post-Fordist stage, roughly from the 1980s to the present, is characterized by slow growth, economic instability, and increasingly damaging economic crises; wage stagnation, rising inequality, and labor market precarity; and political polarization. Within the EU, the neoliberal turn in the 1980s toward expansion based on negative integration and monetary union, including Southern and Eastern European countries, resulted in the construction of a European accumulation regime encompassing economies of vastly different national growth regimes and unequal state capacities, resulting in deep distributive conflicts among regions unresolvable without supranational fiscal, welfare, and industrial policy (Jessop 2012; Ryner and Cafruny 2017).

## 1. The Institutional Regulation of Capitalist Accumulation Regimes

This section first develops Marxist crisis theory and then builds on this to articulate a regulation theory of accumulating regimes.

### 1.1 Crisis Tendencies and Stagnationist Tendencies

Marx's most developed discussion of the crisis tendencies of capitalism is Part III of *Capital*, Volume III (Marx [1894] 1981). The theory of the tendency of the rate of profit to fall in chapter 13 and of counteracting factors in chapter 14 is straightforward and clear. The theory articulated in chapter 15 of how these interact with the tendencies toward overproduction, overaccumulation, and underconsumption is convoluted and difficult.

Marx ([1894] 1981:350–352) began by noting that a falling profit rate “slows down the formation of new, independent capitals ... promotes overproduction, speculation and

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crises, and leads to the existence of an excess of capital alongside a surplus population [i.e. to overaccumulation]." This statement is followed immediately by a discussion of how, although "it should never be forgotten that" the production of profit, not the satisfaction of needs, "is the immediate purpose and determining motive of capitalist production," this is "only the first act in the capitalist production process." The second act is the realization of profit by the sale of commodities. The conditions for the latter are restricted by "the proportionality between the different branches of production and by the society's power of consumption." The theory of disproportionality was articulated in *Capital*, Volume II ([1885] 1992).

In Volume III, Marx ([1894] 1981: 352) discussed how consumption of the workforce is conditioned by the antagonistic nature of the relations of production, "which reduce the consumption of the vast majority of society to a minimum level." This has provided a basis for a theory of underconsumption. Many marxists criticize the concept of underconsumption because it is allegedly associated with reformist politics and ostensibly conflicts with Marx's emphasis that the sole purpose of capitalism is the production of profit (e.g., Kliman 2012; Shaikh 1978). But this interpretation ignores Marx's explicit statement that capitalist production consists of two acts: the production and of surplus value in the labor process and its subsequent realization (or not) in the market. Further, in Marx's usage the restriction of purchasing power is only one side of a contradictory relation, the other side being a tendency of capital to increase production without regard for the limits of the market (Clarke 1990).

Marx saw the tendency of the rate of profit to fall as "the most important law of modern political economy" ([1857–1858] 1993:748) because it is an "expression for the progressive development of the social productivity of labor" ([1894] 1981: 18). That is, competitive pressure to increase productivity necessarily leads to growing use of machinery and other forms of fixed capital relative to labor. In more technical terms, the ratio of fixed capital to labor (the organic composition of capital) increases. Because labor is the sole source of new value, a rising organic composition of capital pushes the profit rate down. Importantly, however, there are several counteracting tendencies that push profits upward, including an increase in the rate of exploitation of labor, a reduction of wages, and reduction in the cost of capital goods due to productivity improvements or devaluation.

Marx then discussed of the "internal contradictions" of capitalist production rooted in the tendency of the rate of profit to fall. Capitalist production contains immanent barriers, which are expressions of an internal contradiction; the compulsion to develop the productive forces without limit conflicts with the need to maintain and increase the value of existing capital (Marx [1894] 1981). Productivity increases are generated by increasing investment in fixed capital relative to labor, which drives the profit rate down, thus slowing down capital accumulation (one internal barrier). The introduction of more productive machines or cheaper machines, however, also devalues existing fixed capital and raises the rate of profit. Although the raised profit rate spurs investment,

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devaluations of capital disturb circulation, leading to production stoppages and crises (a second internal barrier).

The same tendency to develop the productive forces with limit, which drives a declining profit rate, also leads to overaccumulation, which is the source of major economic and financial crises. Absolute overaccumulation of capital—which always happens alongside the overproduction of commodities—occurs when there is a surplus of capital that cannot be used for further production (Marx [1894] 1981). Overaccumulation of capital increases competition and leads to a drop in prices. Because the credit system develops chains of credit and debt, if a price drop is sufficiently widespread and deep, it will generate a breakdown in the credit system and a general crisis (Choonara 2018). This results in the widespread devaluation of capital and a wave of bankruptcies, which set the conditions for renewed profitability. The cycle begins again.

Even in a restricted market, when facing competitive pressures there is a tendency to maintain or increase production levels (Clarke 1990). More advanced (efficient) capitalists will reduce prices and expand production to increase market share, while less successful capitalists will attempt to maintain prices as well as production levels. The availability of credit allows capitalists to continually develop the productive forces, without regard for the limited market. Such credit-fueled investment routinely generates overproduction, which takes one of two forms.

One form of overproduction is disproportionality between branches of production. Disproportions may occur between the supply of and demand for producer goods or between depreciated capital and new investment capital (Hilferding [1910] 2006). Overproduction tends to take place in the most capital-intensive industries, in particular the producer goods sector, which outpaces growth in the less capital-intensive sectors, notably consumer goods. The second form of overproduction is in consumer goods. In either case, overproduction will periodically metastasize into a crisis of overaccumulation.

Another form this internal contradiction takes is “between the conditions in which this surplus-value [is] produced and the conditions in which it [is] realized” (Marx [1894] 1981:353, 365). Such demand could theoretically come from either capitalist investment or consumer demand. Marx emphasized the restriction of consumer demand, particularly under the tendency of the profit rate to fall. Pushing wages below their value is a way of propping up the profit rate, and capitalist development tends to increase under- and unemployment. Indeed, it is *because* “capital’s purpose is not the satisfaction of needs but the production of profit” that “there must be a constant tension between the restricted consumption on the capitalist basis, and a production that is constantly striving to overcome these immanent barriers” on the side of production.

While underconsumption and overproduction are to a certain extent two sides of the same coin, they have different causes and outcomes. Overproduction is generated by competition between capitals in an anarchic market, and as such may lead to crises of overaccumulation. Underconsumption is driven by class struggle as capital attempts to

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maintain profits by reducing wages. It does not lead *directly* to overaccumulation but is a source of stagnation and as such may intensify the competitive struggle between capitals, hence contributing to overaccumulation.

Following Harvey (2010), this article reserves the term “crisis” for periods of large-scale devaluations of capital, extensive bankruptcies, and widespread corporate restructuring. These are typically preceded by an extended recession and often associated with bubbles (due to speculation with surplus capital). Global crises fitting this description have occurred in 1857, 1873, 1929, 1973, and 2008.

I thus refer to the other tendencies—a falling profit rate or underconsumption—as *stagnationist* tendencies (Vidal 2013b). They do not lead directly to crises of overaccumulation but dampen growth, intensify competition, increase fragility and instability, and exacerbate the tendencies toward overproduction and overaccumulation. The profit rate also may be reduced if a class compromise between capital and labor results in an increased wage share, resulting in a profit squeeze (Glyn et al. 2007; Mohun 2009; Wolff 2003).

Finally, drawing from post-Keynesian economics, a third stagnationist tendency is debt-led growth (Onaran et al. 2010). This theory distinguishes investment-led regimes, where investment demand internally drives growth, from wage-led regimes, where consumer demand drives growth. Debt-led regimes are wage-led regimes in which consumer credit plays a significant role sustaining consumer demand. Debt-led regimes are fragile because high debt servicing levels mean that even temporary reductions in income will lead to increasing defaults (Stockhammer 2012). Alternatively, a regime is export-led when exports are a significant component of demand.

We now turn to regulation theory to flesh out a theory of the transition from the functional stage of Fordism, in which all of the stagnationist tendencies were offset, to the dysfunctional stage of post-Fordism in which these stagnationist tendencies have been unleashed and crisis tendencies exacerbated.

### 1.2 From Production Regimes to National and International Regimes of Accumulation

Building on Marx’s theory of reproduction, Aglietta ([1976] 2000) presented a theory of capitalist regulation based on the US case, showing how relatively stable, internally driven growth could happen only when there was proportionality between the producer and consumer goods sectors. The Fordist regime established intensive growth based on rising real wages via a class compromise with unions, vertically integrated, internalized employment, and a Keynesian welfare state. Regulation theory has subsequently distinguished five regulatory domains: work and employment relations, forms of competition, money and credit, the state, and the insertion of the national economy into the international system (Boyer 1988; Boyer and Saillard 2002).

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Our analysis begins with the production model (work and employment relations) as the starting level of analysis and then examines the co-formation of national accumulation regimes (forms of competition and the state) and the international, Atlantic accumulation regime under US hegemony. Within this complex ecology of accumulation regimes, the performance of national regimes depends on internal and external conditions, including the role of the United States as global hegemon and the dominance of Germany within Europe (Jessop 2012).

### 1.3 Functional and Dysfunctional Accumulation Regimes

The institutional regulation of capitalism is multiscalar, including national regimes embedded in international regimes. But due to the sovereignty of national states (legislatures, police, military, etc.), the national accumulation regime remains the primary unit of institutional regulation and economic performance. In assessing such performance, we distinguish between functional and dysfunctional accumulation regimes (Vidal 2013b).

An accumulation regime is *functional* when all of the stagnation tendencies have been offset. In other words, there will be high profits based on wage-led demand leading to strong growth (above 3% per annum). An accumulation regime is *dysfunctional* when one or more stagnation tendencies has become manifest, but the economy remains out of crisis for an extended period.

## 2. Models of Production in the United Kingdom, United States, and Germany

Following the industrial revolution, British firms enjoyed access to the fragmented and heterogeneous markets of the British Empire, making a wide range of products, with little incentive to standardize products or develop mass production methods (Gospel 2014).<sup>1</sup> Around the turn of the twentieth century, UK engineers lost out in a struggle with accountants for control of general management, leading to a continued failure to emphasize standardization (Ackroyd and Lawrenson 1996). Further, the informal shop steward movement gained substantial control over the shop-floor (Lewchuk 1983). The foregoing developments provided a basis of the persistence of craft control through the 1920s.

### 2.1 Classical Fordism in the United States

Standardized production was realized in the nineteenth century under the guidance and funding of the federal government. It spread from armaments to sewing machines, bicycles, and farm implements. While the latter all marketed their products in the top price category, Ford designed the Model T as a “car for the masses,” being the first to pursue a high-volume, low-cost strategy (Hounshell 1984).

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In my analysis, the Model-T system—based on flow production and single-purpose machinery—was a transitional production model that, after two refinements introduced by GM, became a generalized production model widely known as *classical Fordism*. It consists of a refinement of Ford's Model-T system. Like the latter it is based on the high-volume production of standardized parts for mass markets. GM introduced two critical adaptations with its strategy of more diversified but still highly standardized products: general-purpose machines and decentralized batch production.

Ford's attempt to solve the problem of soldiering, of course, was the five-dollar day wage. This reduced labor turnover and increased productivity—but only for a short period (Lazonick 1983). As productivity increases began to slow and competition began to catch up in the 1930s, Ford was no longer able to afford such a high wage. Close supervision could not ensure reliable and attentive workers either. The solution was found in providing internal labor markets, including not only promotion ladders but administratively determined wages associated with positions on an internal promotion ladder.

This Fordist model—mass production of standardized products using Taylorist work organization, general-purpose machines, and batch production in vertically integrated firms with internal labor markets—spread widely across the US economy. Fordist principles—high volumes, standardization, and Taylorism—were even adopted in leading service companies, most prominently by McDonald's and the emerging fast food industry.

Finally, following the path-breaking innovations of Toyota, the model of lean production began diffusing to Europe and North America in the 1980s and by the 2000s was the dominant model throughout the manufacturing world (Vidal 2011). It consists of demand-driven rather than forecast-driven production, continuous flow production based on just-in-time inventory and production control principles. Under the lean model, process standardization is central, but it now involves workers in problem solving and—in principle and occasionally in practice—decision making (Adler 1995). Similar principles—customer focus, flow production, neo-Taylorism—are being widely implemented in the service sector, with the health care, banking and insurance, and civil service sectors leading the way. And there has been a dramatic move toward vertical disintegration, which has eliminated or truncated internal labor markets and been implemented along with a return to market determination of wages (Vidal 2013a).

### 2.2 Reluctant Fordism in the United Kingdom

A large firm sector began to emerge before World War I, and industrial concentration rapidly increased during the 1920s. Oligopolies were established in chemicals, electrical engineering, food, drink, and tobacco (Gospel 1992). During the war the government encouraged standardization of parts and products, there was an increasing use of mechanization and semi-skilled workers, and the stable markets created by the war gave further impetus to the development of mass production methods (Gospel 1992; Littler 1982). During the Great Depression, Britain turned to protectionism and collusion, which



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greatly facilitated vertical integration and the introduction of internal labor markets (Gospel 2014).

The production model that Britain achieved by the postwar period may be referred to as *reluctant Fordism*. Fordist ideas were resisted for years and never fully accepted by a large proportion of British management. The British regime deviated from classical Fordism in two respects. First, a modified form of Taylorism, the Bedaux system, was adopted, which allowed skilled workers to remain more important to production than in the United States (Littler 1982). Second, the United Kingdom remained less vertically integrated than the United States.

Finally, after some experimentation with competing models in the 1980s, by the 1990s lean production was the dominant model within the United Kingdom.

### 2.3 Flexible Fordism in Germany

In some respects, German moves toward Fordist-type organization occurred earlier than in the United States. Most importantly, as early as 1887, fourteen of the top 100 largest firms were fully integrated, and by 1907, sixty-two of the top 100 were (Kocka 1980). These firms were also highly diversified, more so than US firms at the time (Chandler and Daems 1980). Cartels were widely seen as legitimate forms of business organization.

The development of professional and bureaucratic management took place around the same time as the United States and earlier than the United Kingdom (Kocka 1980). The emphasis on technical training and engineering was strong in Germany, following the bureaucratic tradition of German absolutism (Homburg 1983).

During the interwar period mass production was introduced in the steel, auto, light machinery, and textile industries (Herrigel 1996:150). As early as World War I, Daimler and Benz were adopting methods along the lines of classical Fordism: a mix of dedicated and general-purpose tools, volume production in large batches based on functional (rather than flow) organization, and increased vertical integration. Over the interwar period, the remaining small-batch, custom machinery producers began to produce standard machines, and along with this increased standardization and volumes. The consolidation of the Fordist model occurred rapidly after World War II. Under the Marshall Plan, the Economic Cooperation Administration (ECA), and the American Military Government in Germany (OMGUS) explicitly adopted Fordist mass production as its model, understood as “large, mass producing corporations [competing] on oligopolistic markets” (Djelic 1998: 104).

In the postwar period the dominant production model in Germany came to be *flexible Fordism*. German manufacturing widely adopted standardized parts, general-purpose machinery, and forecast-driven, high-volume batch production but achieved more flexibility through a system of democratic Taylorism (Adler 1995), which was institutionalized in the Works Councils Act of 1952.

Germany's form of flexible Fordism persisted into the 1980s. Like the United States and United Kingdom, by the 1990s lean production had become dominant in Germany.

### **3. The Construction of Atlantic Fordism and the Golden Age**

This section discusses key institutions of the Fordist accumulation regime at the international and national levels.

#### **3.1 The Bretton Woods Monetary System and the European Communities**

In the liberal system of international finance during the late nineteenth and early twentieth centuries, speculative flows caused severe volatility in exchange rates and trade relations. These speculative flows were widely seen as having been a central cause of the Great Depression (Helleiner 1994). After 1931, states turned to protectionism and capital controls. Private and central bankers lost influence and were displaced from positions of power by a coalition of Keynesian-oriented state policymakers, industrialists, and labor leaders. This shift in class coalitions made possible the Bretton Woods agreement of 1944, which established a system of capital controls necessary to protect the policy autonomy of Keynesian welfare states (Djelic 1998; Ryner and Cafruny 2017).

Even before World War II, economic developments such as cross-national mergers and movements toward Fordist mass production were pushing toward European integration. The emerging Fordist growth regime required large markets and regulatory coordination over larger economic areas than covered by its small and moderately sized states, giving European capital strong interest in economic integration. Following the war, such integration took place under American hegemony and, as such, the construction of the European Union must be understood as an “expression of Franco-German relations in the context of triangular diplomacy between Bonn/Berlin, Washington, and Paris” (Ryner and Cafruny 2017: 174).

American geopolitical and economic interests loomed large. Although the origins of NATO lie in the 1948 Treaty of Brussels (the United Kingdom, France, Belgium, the Netherlands, and Luxembourg), these countries did not have the military might to contain the Soviet Union. The North Atlantic Treaty was signed in 1949, under US leadership. Both the United States and the United Kingdom saw a thriving German market economy as necessary for the success of Soviet containment.

The US led postwar reconstruction financially and politically via the Marshall Plan, the Organization for European Economic Cooperation, the American Committee on United Europe (ACUE), and the Economic Cooperation Administration (ECA), all established in 1948. Several institutions rapidly followed, including the European Payments Union in 1950, the European Coal and Steel Community in 1951, and the European Economic

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Community or Common Market in 1957. Tariffs were removed within much of Western Europe, creating a large internal European mass market similar to that of the United States (Maddison 1987).

Under American and French leadership, the explicit goal of early European integration was to develop Fordist institutions, including Keynesian and corporatist institutions at the national level and, at the European level, more positive integration based on deep political integration around a model of regulated capitalism (Jessop 2012). Indeed, “fordism was actively promoted in Europe after World War II, with similar economic and social reforms: the Beveridge Reforms in Britain; the ‘social state’ enshrined in West Germany’s Basic Law; and the social security programme formulated by the French National Council of Resistance” (Ryner and Cafruny 2017: 34). Combined with the Bretton Woods system, the establishment of Fordist state and transnational institutions resulted in the consolidation of a regime of embedded liberal, Atlantic Fordism, balancing economic openness and state autonomy.

The Bretton Woods system and the Common Market undergirded a Fordist dynamic of domestic mass production and mass consumption in the United States and Western Europe. From 1950 to 1973, GDP growth rates in the top five OECD economies averaged a remarkable 5.4%, a level not seen before or after. Productivity averaged 4.9%, with rates before and after rarely approaching even half of that.

### 3.2 Fordist Accumulation Regimes in the United States, Germany, and the United Kingdom

The Fordist regime of accumulation was instituted in three distinct forms across the three countries. The American regime of *liberal Fordism* included a liberal welfare state and highly marketized relations between finance and industry. The German regime of *nonliberal Fordism* included a quasi-corporatist welfare state and industrial relations institutions along with deeply integrated, long-term relations between finance and industrial capital. The British regime of *blocked Fordism* failed to realize a national class compromise and lacked integration between finance and industry (Peck and Theodore 2007). Below we compare the three countries on six points.

First, the core sector of employment in all three countries in the 1950s and 1960s was manufacturing, and in each country this sector was oligopolistic. Second, all three growth regimes were based on a virtuous circle of domestic mass production and mass consumption—in Western Europe this included a combination of domestic markets and trade within the European Common Market. According to OECD data, the United States was effectively a self-contained economy, with total imports accounting for only 2.9% of GDP in 1962, and exports just 3.8%. Western Europe (including the United Kingdom and Turkey, as defined by the OECD) was nearly as self-contained. Total imports accounted for 7.2% and exports just 5.5% of GDP in 1962.<sup>2</sup> Through the late 1960s, trade between countries was complementary, with little head-to-head trade in competing product lines (Tolliday and Zeitlin 1992). Only after domestic/regional markets became saturated and

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overcapacity began to bite at the end of the 1960s did large producers begin to engage in direct international competition.

Third, producers were the most powerful firms in the economy. While there was a high degree of vertical integration during the Fordist period, it was still common for such companies to subcontract for many components. In these Fordist supply chains, giant producers exercised powerful control over both forward and backward linkages (Gereffi 1994). Over time, as Fordist producers began to vertically disintegrate and globalize production via complex supply chains, there was a shift in power away from manufacturers to large retailers, who began to exercise control over supply chains and often to dictate the terms of production.

Fourth, all keynesian states emphasized the use of fiscal and monetary policy to achieve demand management and full employment. The Keynesian welfare states in the United States and United Kingdom were heavily liberal (with the important exception of the British National Health Service). In contrast, the German keynesian welfare state is of a conservative-corporatist type, which plays a more interventionist role in the provision of social welfare with welfare rights attached to status and class.

Fifth, the United States and Germany realized institutionalized forms of class compromise, while the United Kingdom did not. In the United States this began with the National Labor Relations Act of 1935 and was fully realized in the Treaty of Detroit, the 1950 agreement between General Motors and the United Auto Workers, in which unions agreed to participate in productivity initiatives in exchange for wages being linked to productivity increases and with annual cost-of-living adjustments. The tTreaty established a pattern that was widely emulated across industry. In Germany, a class compromise was institutionalized through centralized, national-level bargaining, beginning with the 1956 Bremen Agreement in the metal industry (Herrigel 1996). In both countries the institutionalization of class compromise via collective bargaining dovetailed with oligopolistic domestic or regional markets to effectively take wages out of competition and realize a high-wage economy to drive demand.

By contrast, the United Kingdom never realized an institutionalized class compromise. Industry-level bargaining was the dominant form until the institutions supporting it began to collapse in the 1950s. Intensified workplace-level conflict under Fordist standardization was unsanctioned and uncontrolled by the national Trades Union Congress. This resulted in a shift to workplace bargaining to establish local mechanisms for negotiating change. Along with rising strikes came wage drift, as local contracts exceeded the industry-level minimums (Gospel 1992; Howell 2005).

Finally, the United States and Germany each realized a distinct form of integration of financial and industrial capital, while the United Kingdom failed to do so. In the United States, industry was financed from the late nineteenth century via large investment banks. In Germany, each industrial concern was typically in a long-term, collaborative relationship with a *Hausbank*, a universal bank providing comprehensive services. By contrast, in the nineteenth century, UK banks had a commercial rather than industrial

orientation. The City of London was engaged more in intermediation between investors and borrowers than long-term investment (Lash and Urry 1987). The long legacy of problematic integration between finance and industry contributed to capital underinvestment in British industry—between 1913 and 1950, average annual compound capital productivity growth rates averaged just 13% in the United Kingdom versus 56% in Germany and 96% in the United States (Maddison 1987).

In the US case, there is strong evidence that the Fordist regime effectively offset the capitalist crisis and stagnation tendencies for fifteen or so years. The profit rate in the Fordist period was high initially because it followed a massive decline in the value of fixed capital and the nominal value of financial assets during the Great Depression and World War II (Kliman 2012). A rise in the organic composition of capital was offset by a continuous rise in productivity (Wolff 2003) generated by Fordist methods and intensive growth (Aglietta [1976] 2000). Underconsumptionism was offset by rising real wages (Lipietz 1986) and overproduction moderated through nationally bound, oligopolistic competition, again with balanced growth via standardized mass production and institutional supports for mass consumption (Aglietta [1976] 2000). Similar conditions and outcomes obtained, to a greater or lesser degree, in Germany and the UK.

## 4. The Crisis of Fordism

The first measure of the crisis of fordism is the profit rate.<sup>3</sup> As shown in Figure 1, the US corporate profit rate was high from 1945 to 1965, averaging 21%. It began a steady decline from 1965 to a trough of 9% in 1982 (averaging 15% in the latter period), rising from that trough to a post-1970s peak of 16% in 1997 and 18% in 2006 (averaging 13% between 1983 and 2006).

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Figure 1. Profit rates, United States

Source: For corporate: US Bureau of Economic Analysis (NIPA Table 1.14, line 11); Fixed Assets (Table 6.3, line 2). For total economy: National Accounts of OECD Countries, Volume II, Detailed Tables, 1963-1969, print; OECD iLibrary, 1970-1996; Flows and Stocks of Fixed Capital, 1963-1996, print.



Figure 2. Profit rates, United Kingdom

Source: For corporate: Historical data on gross operating surplus, consumption of fixed capital, and net capital stock, all for private nonfinancial and financial corporations, provided by various members of the UK Office of National Statistics. For total economy: National Accounts of OECD Countries, Volume II, Detailed Tables, 1963-1969, print; OECD iLibrary, 1970-2009; Flows and Stocks of Fixed Capital, 1963-1993, print; UK ONS, 1994-2009.

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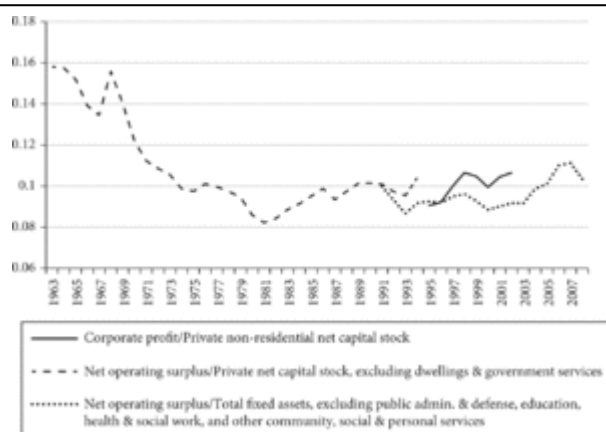


Figure 3. Profit rates, Germany

Source: For corporate: OECD iLibrary; Database on Capital Stocks in OECD Countries, Kiel Institute for the World Economy. For total economy: OECD iLibrary, 1963-2008; Flows and Stocks of Fixed Capital, 1963-1994, print; OECD iLibrary, 1991-2008.

Figure 2 presents profit rates for the United Kingdom. The corporate profit rate was 44% in 1950, artificially high due to the effects of the Great Depression and World War II on reducing the fixed capital stock. Following massive capital devaluation during the Depression, the German Blitz of 1940-1941 caused extensive destruction of infrastructure. Further, there was a sharp reduction of investment in fixed assets for consumer

goods production as war production was prioritized. Postwar reconversion to peacetime production was slow and rations were not eliminated until 1950, some remaining until 1954. The total economy profit rate in 1963 (the first year available) was 16%. Both measures fell more or less continuously in the postwar period until hitting a low of just 7% and 8%, respectively, in 1975. Both remained at or below 10% until 1981, after which both began a slight recovery with peaks of 16% and 20%, respectively, in 2007 as the global financial crisis began.

Figure 3 presents three different estimates for Germany. By the broad measure, it peaked at 16% in 1963 and again at 16% in 1968, then dropped steadily to a trough of 8% in 1981, thereafter recovering slightly to a peak of 10% in 1994, the last year for which there are data on these measures. Based on the same numerator and a similar denominator measuring private fixed capital, the German profit rate recovered slightly further to 11% in 2007.

In sum, the US profit rate began a steady drop from 1965 and the German rate from 1968. The UK profit rate began a continuous decline from the inflated postwar high in 1950.

Evidence demonstrates that the profit rate decline was driven in part by a rising organic composition of capital in the United States (Shaikh 1987), Germany, the United Kingdom, and France (Duménil and Lévy 2004). The evidence also indicates that a profit squeeze due to an increasing labor share of income also contributed to the profit rate decline in the United States (Wolff 2003), Germany, the United Kingdom, France, Italy, and Japan (Glyn et al. 2007).

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Following the profit rate declines across the OECD, 1973 was a watershed year in the crisis of Fordism. That year saw marked declines in output, productivity, profit rates, and export growth, along with increased export and GDP instability, across the OECD (Glyn et al. 2007). Stagflation, which hit the United Kingdom in the late 1960s and became a problem in many other OECD economies beginning in 1973 and lasting until 1982.

Further, the Bretton Woods system collapsed in 1973. By the early 1970s unilateral capital controls were unable to contain speculative flows. Following a massive round of capital flight from the United States to Europe in 1971, the former suspended gold convertibility, forcing Europe and Japan to temporarily float their currencies. The Europeans tightened their capital controls in an attempt to stop the revaluation of their currencies, but they failed, and in 1973 they permanently floated their exchange rates, signaling the end of the Bretton Woods system.

The 1970s thus began a long crisis of overaccumulation and the dismantling of fordist institutions.

## **5. The Construction of Atlantic Post-Fordism and the Geriatric Stage**

This section discusses organizational changes at the firm level and institutional changes at the international and national levels, all of which marked the transition from Fordism to post-Fordism.

### **5.1 Internationalization, Financialization, and Employment Externalization**

In response to the crisis of Fordism, capital engaged in widespread restructuring, accelerating the changing division of labor through global outsourcing of manufacturing and increased investment in the domestic service sector, resulting in a shift in power from manufacturing firms toward large retailers controlling global supply chains. In the United States, the top-ten largest employers in 1955 were all manufacturers, while the top twenty-five in 2011 included only two manufacturers, seven general merchandisers, and three restaurant companies (Vidal 2013a).

In theorizing this transition from Fordism to post-Fordism, Boyer (2000) has emphasized the changing articulation among institutional domains. The so-called standard model of employment—full-time, long-term employment with a single employer, including security and opportunities for training and promotion—was historically specific to the Fordist regime. This model was made possible because competition and finance were subordinated to work and employment relations, the former through oligopolistic competition in the core manufacturing sector, the latter because Fordism still provided—in the early years—opportunities for intensive growth and profit based on domestic mass consumption. Under post-Fordist restructuring and neoliberal deregulation, competition



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and finance have come to dominate employment relations. Most importantly, wages have been put back at the center of competition. Finance has shifted from playing an intermediary role to a more dominant—and parasitic—role focused on rent extraction (Jessop 2012).

In terms of employment, Fordism was characterized by a logic of internalized employment relations, meaning that best business practice was understood to include vertically integrated firms with internal labor markets, including job ladders with well-defined training and promotion opportunities, and administratively determined wages associated with positions rather than individuals. The internationalization of production and the rise of the shareholder value model of the firm (Lazonick and O'Sullivan 2000) combined to generate a new predominant logic of externalized employment relations: outsourcing and deunionization; reduced employment security, training and promotion opportunities; and market determination of wages (Vidal 2013a). The shareholder value model ensured that the externalization logic took hold even in core service sectors like retail sales, leisure, and hospitality that are ostensibly more shielded from international wage competition than jobs subject to offshoring.

Financialization took many forms, including the extraction of profit directly from wages via credit-financed consumption (Lapavistas 2011) and an astronomical rise in speculation (Foster and Magdoff 2009). But it was driven by the need to generate profits in response to overaccumulation. Total capacity utilization in the United States averaged 87.2% from 1967-69, 82.8% in the 1970s, 79.6% in the 1980s, 82.4% in the 1990s and 77.4% in the 2000, demonstrating increasing overcapacity.<sup>4</sup>

We will now discuss some systemic problems with the Atlantic post-Fordist accumulation regime before examining the macroeconomics of the national accumulation regimes.

### **5.2 Dysfunctional International Regimes**

The multilevel Fordist accumulation regime allowed state autonomy to pursue Keynesian demand-management and Beveridgean welfare state policies, and domestically oriented national production regimes with little head-to-head international competition in product markets. The collapse of the Bretton Woods system provided a structural impetus for the turn to neoliberalism, but the 1970s stagflation provided the political legitimacy for the hegemony of the finance fraction of capital, from the monetarist, deregulatory state to the financialization of the corporation (Davis 2009; Fligstein 1990; Krippner 2005). Within the state, the neoliberal turn was cemented in in 1979-1980 with the appointment of Paul Volcker to the Fed and the election of Thatcher in the United Kingdom and Reagan in the United States.

The ascendancy of neoliberalism had a profound effect on the European Union. During the 1980s EU integration shifted to a neoliberal orientation (Jessop 2012; Ryner and Cafruny 2017). The Single European Act (1992) established the Single European Market while the Maastricht Treaty (1992) established the European Union and Economic and Monetary Union. The latter specified an emphasis on price stability (at the expense of

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unemployment), further codified in the Stability and Growth Pact (1998–1999). The Lisbon Agenda (2000) emphasized financial liberalization and labor market flexibility. Finally, eastern enlargement provided pools of cheap labor.

The resulting system of governance is what Ryner and Cafruny (2017) refer to as asymmetrical regulation: supranational regulation of competition policy, finance policy, and corporate governance, with intergovernmentalism in fiscal and welfare policy (the latter two severely constrained by the former and by the more general internationalization of finance). Such asymmetrical regulation is incapable of managing the structural differences between Northern and Southern Europe and Western and Eastern Europe. The underlying core-periphery nature of the enlarged European Union—including distinct national accumulation regimes, state capacities, and roles in the international economy—is a structural problem exacerbated by negative integration, that is, a lack of common EU fiscal policy, welfare policy, and industrial policy (Jessop 2012; Ryner and Cafruny 2017). For instance, the need for deflationary bias to support the export-led strategies of Germany and Northern Europe precludes the kind of deficit spending necessary to stimulate growth and development in the Southern European economies.

At the global level, one of the central concerns is the dependence of the United States on cheap Chinese imports and the \$375 billion US-China trade deficit. The flood of cheap goods into the United States under its Waltonist (Walmartist) growth regime has allowed the continued production of relative surplus value in the United States by reducing the value of labor (Vidal 2012). That is, the provision of cheap goods based on global labor arbitrage has allowed the American working class to maintain its living standards despite three decades of wage stagnation. But China is developing rapidly, and the cost of consumer goods will rise accordingly. It is unclear whether other low-wage countries have the industrial capability and capacity to provide cheap consumer goods at the scale required to serve the American working class.

Further, the ability of the United States as global hegemon to make its currency the world currency allows it to run gigantic trade deficits. While mainstream economists generally do not see such large deficits as unsustainable, if US hegemony continues to decline—which the history of the world system suggests is not only inevitable but in progress as the economy financializes (Arrighi 1999)—its deficits (trade and fiscal) become more ominous. US hegemony is being maintained largely by its financial and military dominance, as it increasingly cedes its leadership in production via global outsourcing of production and political leadership under “the rise of political paralysis at home and unruly multipolarity abroad” (Jessop 2012: 107). There are thus serious questions about the long- or even mid-term sustainability of the current internationalized US regime of accumulation.

Finally, we turn to the macroeconomics of the national regimes. It should be emphasized that a central source of the dysfunctionality of these national regimes is the

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internationalized nature of competition and in particular the return of destructive, wage-based competition.

### 5.3 Dysfunctional National Regimes

In response to the declining profit rate, US capital began a sustained and multipronged assault on labor, attempting to recover profits out of wages (Lipietz 1982).<sup>5</sup> Figure 4 shows the wage share (total compensation) for the United States peaked at 68% in 1982 and fell to troughs of 64% in 1997 and 63% in 2010–2011. The wage share did bump up to 66% in 2001–2002, reflecting the hit to profits from the 2001 recession ending the decade-long 1990s boom, suggesting firms were not able to lay off workers fast enough to sustain profits. Importantly, however, nonwage forms of compensation—mainly health care—have risen more quickly than wages, meaning that the actual income received by employees has dropped even more sharply, from a peak of 60% in 1970 to 51% in 2005 (Kliman 2012).

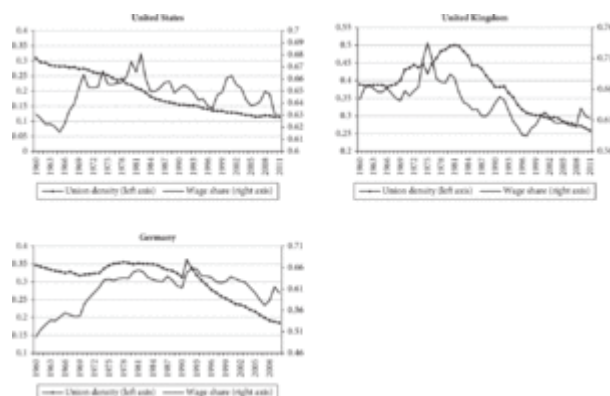


Figure 4. Labor's share of national income and union density, 1960–2011

Source: Union density: OECD. Wage share (Total employee compensation over Gross national income): AMECO database, European Commission.

In the United Kingdom, labor's share averaged 66% from 1960–1973, spiked briefly to 74% in 1975 before dropping to an average of 68% over 1977–1980 and then dropping to troughs of 58% in 1997 and 60% in 2008. The average for the period from 1960–1980 was 67% versus 62% for 1981–2011. The spike in labor's share from 1973–1975 reflects the hit on profits from the deep

recession beginning in 1973 and likewise the 1991 recession produced a brief bump in labor's share. The profit rate had a slight recovery after 1980, and the data suggest that a decline in labor's share helped drive the slight reversal of the long decline, although the UK private sector also failed to see a sustained recovery, its profit rate averaging just 12% over the 1981–2009 period.

In Germany labor's share rose steadily from a much lower point of 50% in 1960 to a peak of 65% in 1981 and another peak of 66% in 1993, falling after that to a trough of 57% in 2007. Germany has not seen a sustained recovery of the profit rate to Fordist levels, although an upward trend began in 1981 with a faster rise starting in 1993. The decline in German labor's wage share did not occur until later than the other countries, with a

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sharp decline in 1993, dropping 9 percentage points by 2007, providing a boost to the profit rate.

Figure 4 charts union density rates alongside the wage share. A visual inspection suggests that in all three countries the two trends are closely linked, particularly in the post-Fordist era. The simple correlation for union density and labor's share between 1975–2010 is .63 for the United States, .71 for the United Kingdom, and .72 for Germany. In terms of causality, these high correlations are consistent with the standard understanding of unions as organizations designed to bargain for increases in member wages. The higher correlations in the United Kingdom and Germany reflect the more powerful unions and multi-employer and sectoral bargaining, respectively, in these countries, as against the weaker US union movement and decentralized industrial relations system.

Figure 5 presents decennial GDP growth rates. By the mainstream standard of 3% as the normal level of annual growth, Fordist growth in the United States and the United Kingdom was well above normal (data were not available for Germany). The United States managed to maintain moderate levels around 3.2% over the 1970s, 1980s, and 1990s, but experienced a dismal 1.8% in the 2000s. The United Kingdom has come in below 3% in each of the decades since the 1960s with just 2.03% in the 2000s. Germany managed 3.08% in the 1970s but hovered around 2% in the 1980s and 1990s, dropping to just 1.15% in the 2000s. These data indicate that the United Kingdom and Germany have been stagnationist for the entirety of their post-Fordist regimes while the United States was able to achieve moderate growth for much the first two decades of the post-Fordist regime before it became fully stagnationist in its third decade. But as we now turn to see, US growth was debt led.

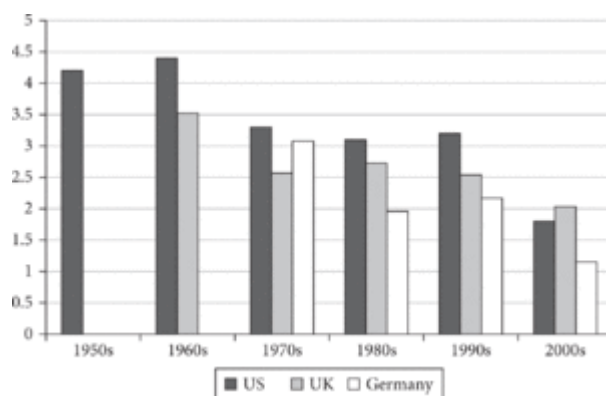


Figure 5. Average decennial GDP growth

Source: BEA (US), ONS (UK), World Bank (Germany).

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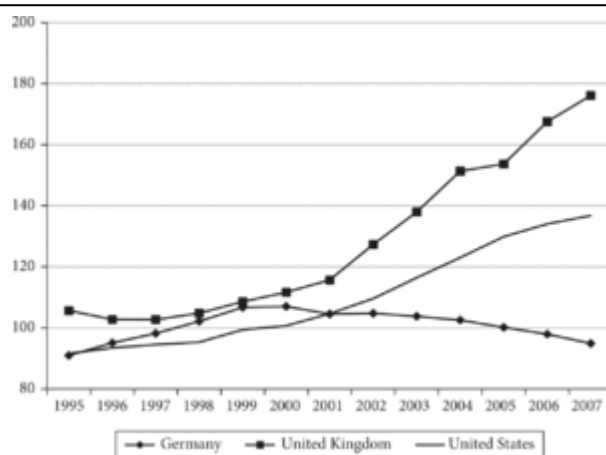


Figure 6. Household debt to income ratios, 1995–2007

Source: OECD; Eurostatf

As Figure 6 shows, between 1995 and 2007, the debt-to-income ratio rose by 49% in the United States and 70% in the United Kingdom. In contrast, the ratio has been essentially stable in Germany, rising only by 4%, reflecting its comparatively low homeownership rate of 43%, versus around 70% for the United Kingdom and United States before the housing bubble burst

and the financial crisis went global. In the United States, mortgages are the primary means of debt financing for most of the population, including home equity withdrawals, although low-income non-homeowners primarily turn to credit card debt. These data indicate that the higher growth rates in the United States were sustained in part by consumer debt. Macroeconomic demand-regime analysis provides further evidence that the United States is a debt-led regime, whereas Germany is an export-led regime (Onaran et al. 2010; Stockhammer 2012).

## Discussion

The post-Fordist regime in the United States has been and continues to be dysfunctional insofar as it has not experienced a sustained recovery in the profit rate (despite a declining wage share for labor) and because it has maintained moderate growth levels for two of its three decades via debt-led growth. Its stagnant growth in the 2000s despite rising household debt suggests more serious problems associated with overaccumulation.

The post-Fordist regime in the United Kingdom has been and continues to be dysfunctional because it has not experienced a sustained recovery in the profit rate (despite a declining wage share for labor), and it has experienced four decades of stagnant growth. Stagnation began in the 1970s while the decline in labor's share and the partial profit rate recovery both began in 1980, suggesting a shift in the cause of stagnation from the profit-rate decline and overaccumulation under Fordism to underconsumptionism in the post-Fordist regime. Household debt rose but has not been sufficient to boost growth out of stagnation, suggesting it may not be a debt-led regime, although it is possible that growth would be even more dismal without credit-driven consumption.

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Finally, the post-Fordist regime in Germany has been and continues to be dysfunctional because it has not experienced a sustained profit-rate recovery (although it did see a slight rise in the profit rate due to a declining wage share for labor) and because it has experienced three decades of stagnant growth. Its wage share did not begin a sustained decline until 1993, suggesting that the stagnant growth is not driven by underconsumptionism but largely by a consistently low profit rate, likely in combination with overaccumulation.

The macroeconomic analysis of dysfunctional post-Fordism is consistent with the crisis theory outlined above. Under Fordism the stagnationist tendencies were offset for nearly two decades. The crisis of Fordism, and in particular the declining profit rate, generated increased competition between capitals and struggle between classes. This, in turn, led to the manifestation of additional stagnationist tendencies along with a crisis of overaccumulation in the 1970s.

Stagnation and overaccumulation facilitated financialization, including the rise of new institutional logics such as the efficient market hypothesis and the Wall Street approach to mortgage lending (Vidal et al. 2015). The surplus of capital with a lack of sufficient outlets for productive investment in the United States led to rampant speculation through the development of esoteric financial instruments, a housing bubble, and predatory mortgage lending (Foster and Magdoff 2009). The global financial crisis that began in the United States in 2007 and spread across the globe is the form that a crisis of overaccumulation took under financialized capitalism and a confirmation of the limits of financialized, rent-oriented accumulation.

The foregoing analysis suggests that the dysfunctions of the post-Fordist accumulation regime—stagnation, overaccumulation, and financialized rent seeking; low profits and low, stagnating wages; debt-led growth; rising inequality—are structural problems of an ageing capitalist system. The golden years of Fordism were made possible by a unique conjuncture of multilateral agreement on capital controls and domestically oriented production, both of which fail facilitated domestic class compromise and high wages.

Neoliberalism is more a consequence than a cause of this malaise. Similarly, the liberalization of Europe is ultimately driven not by the EU as such but by the rise of finance following the crisis of Fordism. As Jessop (2012:100) has observed, the liberalization of Europe has been uneven—“radical neo-liberal regime shifts in some economies and neo-liberal policy adjustments in others.” The implications are double edged. On the one hand, there remains some scope for regulation at the national level and, indeed, international level. To a certain degree, then, the question is political. Possible reforms include more pro-union laws and a return to sectoral collective bargaining; nationalization of key industries; Keynesian fiscal policy, industrial policy; and universal welfare entitlements, even basic income grants.

On the other hand, the root cause of the malaise lies in the structural contradictions of mature capitalism. The problems of continuous, simultaneous downward pressure on profits and wages—and a zero-sum game between the two—are endemic to post-Fordist

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(service-dominated, internationalized, financialized) capitalism. Any progressive reforms must contend with the discipline of global financial markets. Only a systemic turn away from private profits and private property will make possible a more egalitarian economy that can balance moderate levels of growth, rising living standards, and ecological sustainability.

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### Notes:

(<sup>1</sup>) This section summarizes historical material presented in Vidal (2015).

(<sup>2</sup>) Europe is defined by the OECD for these statistics to include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom.

(<sup>3</sup>) For the United States and United Kingdom I use corporate profit as a proportion of net capital stock at historical costs. Because data specific to the corporate sector are not available for Germany, I present a broader measure of the profit rate using net operating surplus of the total economy as a proportion of private net stock, excluding dwellings and government services.

(<sup>4</sup>) *Economic Report of the President, 2012*, Table B-54.

(<sup>5</sup>) This section summarizes empirical findings presented in Vidal (2013b).

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## Oxford Handbooks Online

### **Sociopoiesis: Understanding Crisis in the Capitalist World-System through Complexity Sciences**

Paul Prew

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*Edited by Matt Vidal, Tony Smith, Tomás Rotta, and Paul Prew*

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### **Abstract and Keywords**

The beginning of the twenty-first century is characterized by instability in the world-system—ecological, economic, and political. Immanuel Wallerstein, based on Ilya Prigogine's concepts, argues the capitalist world-system is in its crisis phase and now faces its inevitable transition to a new state. This chapter introduces a new concept, sociopoiesis, to integrate the complexity sciences with Wallerstein's approach to crisis and Karl Marx's understanding of metabolism and metabolic rift. Based on these ideas, this article demonstrates that capitalism cannot be ecologically sustainable due to how it organizes its relationship with nature: its sociopoiesis. The ecological rifts created by the capitalist sociopoiesis will eventually put pressure on the crisis phase Wallerstein describes in the capitalist world-system.

Keywords: sociopoiesis, autopoiesis, Marx, metabolic rift, Wallerstein, world-system, entropy, Prigogine, crisis, environment

In mid-April in the community where I teach, a foot of snow lay on the ground, and the temperature hovered around 30 degrees, one of the coldest Aprils on record. Two weeks later, the temperature reached 85 degrees. By the end of May, my community had five record-breaking days in a row at 89 degrees or above, and one of those days reached 100. The temperature this spring oscillated between 25 degrees below normal in mid-April to 20 degrees above normal by the end of May. While snow is no rare occurrence in spring in my small Minnesota town, the wide oscillations of temperature and weather are consistent with a climate system pushed into regions of instability. I am not the only one to pay attention to changes in the weather. Over a decade ago, the Sarayaku of Ecuador told our study-abroad students that they have witnessed recent changes in the rainforest attributable to climate change. We do not need a climatologist to tell us there has been a change in the climate.

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Crisis is a word used to describe the changes in climate as well as economic and political challenges facing contemporary society. Crisis, like any other abstract term, needs to be understood historically. Marx is clear about the use of abstract terms in political economy. “The example of labour strikingly demonstrates that even the most abstract categories, despite their being valid—precisely because they are abstractions—for all epochs, are, in the determinateness of their abstraction, just as much a product of historical conditions and retain their full validity only for and within these conditions” (Marx [1857-1858] 1986 :42). To situate it historically, crisis will be tied to concepts in the complexity sciences and the operation of the capitalist world-economy.

To develop a comprehensive foundation to understand crisis, the following chapter will cover a wide swath of diverse literature focused on presenting a “new” concept, sociopoiesis. Although this is the first appearance of the term in publication, the idea is over a decade old.<sup>1</sup> While the chapter will present only a glancing blow of the research that is the overlap between social and complexity sciences, it will focus on sociopoiesis to analyze crisis as understood by Immanuel Wallerstein.

## **1. Complexity and Dialectical Thought**

The role of crisis in the world-system is intimately connected with complexity sciences. The study of complexity arises out of a variety of sources. While attempting to model weather patterns, Edward Lorenz (Capra 1996:134) contributed the notion of the “butterfly effect” where small changes can lead to dramatically different results. Benoit Mandelbrot introduced the world to self-similarity at various scales called fractals (Briggs and Peat 1990:90). In the discipline of physics, Ilya Prigogine and Isabelle Stengers (1984) argued that non-linearity and far-from-equilibrium systems were the norm, in contrast to linear, equilibrium models. Humberto Maturana and Francisco Varela (1980) began to investigate the notion of cognition and the definition of living organisms, developing the concept of “autopoietic” systems along the way.

Many of the fundamental ideas of complexity are not new, but the advent of computers and a renewal of previous research have germinated a relatively coherent body of literature recognized as “new sciences,” “chaos,” or “complexity” studies (Bird 2003; Briggs and Peat 1990; Gleick 1987; Nicolis and Prigogine 1989). Many complexity authors openly express a struggle against the mechanism of traditional science (Capra 1996:5; Lovelock 2006:5; Prigogine and Stengers 1984:7), but the debates are not new between the purported dichotomies of mechanism-complexity, reductionism-holism, and quantity-quality. Some early social philosophers contemplated the notion that we cannot understand the parts without understanding how they are situated in the complex interactions of the whole. While some authors such as Stuart Kauffman (1995:69) resonate with Immanuel Kant, one could hear an echo of Karl Marx ([1857-1858] 1986) from over 150 years ago.

If one were to start with population, it would be a chaotic conception of the whole, and through closer definition one would arrive analytically at increasingly simple concepts; from the imagined concrete, one would move to more and more tenuous abstractions until one arrived at the simplest determinations. From there it would be necessary to make a return journey until one finally arrived once more at population, which this time would be not a chaotic conception of a whole, but a rich totality of many determinations and relations. ([1857–1858] 1986:37)

This “dialectical” approach not only attempts to understand the parts and the relationship between the parts, it attempts to develop an understanding of the totality of the object being studied as a complex interaction of those parts. The relationship between the elements of the object of study must also be understood historically. Abstractions and concepts such as labor or crisis may have a generalized meaning, but to understand the rich totality, they must be analyzed in their specific historical context.

Intimately connected with this dialectical method is the understanding that society can only be comprehended in its interchange with nature. As Marx ([1887] 1977b:90) argues, people are conditioned by the environment they encounter, while at the same time they change their own environment. These socially mediated changes, and naturally shifting environmental circumstances, prompt social responses in a dialectical movement between nature and society, neither determining the other but intimately tied in mutually influencing relations.

Karl Marx’s contributions to the understanding of people’s relation with nature are both invaluable but also compromised by a long history of “persistent misunderstandings” (Saito 2017:12). Marx’s contribution to understanding ecological degradation has recently been reinvigorated (Burkett 1999; Foster 1997a; Foster 1997b; Foster 1999; Foster 2000; Foster, Clark and York 2010), and the integration of complexity sciences with social issues is also on the rise (Biel 2012; Kiel and Elliott 1997). Much of the existing complexity literature focuses on the symbolic nature of people’s social organization (Buchanan 2002; Byrne 1998; Capra 2002; Faber and Koppelaar 1994; Gregersen and Sailer 1993; Harvey and Reed 1994; Johnson 2001; Kiel and Elliott 1997; Loye and Eisler 1987; Luhmann [1984] 1995; Mavrofides et al. 2011; Reed and Harvey 1992) while others include the material-energetic exchange with nature (Biel 2012; Foster and Burkett 2008; Georgescu-Roegen 1971; Prew 2003; Straussfogel 1997; Worster 1997).

## **2. Concepts in Complexity Sciences**

Before applying the concepts of complexity sciences to the issue of crisis in the world-system, it is necessary to define the relevant terms. Immanuel Wallerstein was an early adopter of Prigogine’s work, and it informs his understanding of crisis in the world-system. To comprehend crisis in Wallerstein’s view, this chapter will review the pivotal

ideas in complexity sciences that overlap with Marx and Wallerstein's study of the capitalist world-system.

### **2.1 Entropy**

The first of these terms is entropy. According to the second law of thermodynamics, "any isolated, or 'closed,' physical system will proceed spontaneously in the direction of ever increasing disorder" (Capra 1996:47). The tendency toward disorder (i.e., entropy) suggests the amount of energy that can be put to use decreases over time. According to the first law of thermodynamics, the amount of energy and matter remains fixed, but according to the second law of thermodynamics, the amount of energy that can perform work is reduced when matter or energy is used. Entropy is simply an increase in matter and energy that is no longer useful (Altvater 1993:194).

Since the law of entropy demands that the physical world moves in the direction of ever-increasing disorder, another explanation is necessary for the complexity in physical and organic structures. Erwin Schrödinger wrestled with the question, *What Is Life?*, and concluded that life avoids the inevitable decay of entropy by feeding on the complexity around it. "What an organism feeds upon is negative entropy" (Schrödinger 1945:72). By metabolizing matter and energy from the environment, structures maintain and increase their complexity, but they do so at the consequence of producing more entropy in the surrounding environment (Capra 1996:189).

### **2.2 Dissipative Structures**

The ability to create order against the tendency toward entropy is accomplished through what Ilya Prigogine calls "dissipative structures" (Prigogine and Stengers 1984:12). The "increase in entropy is not an increase in disorder, for order and disorder are created simultaneously" (Prigogine 1989:398). Prigogine and colleague, Isabelle Stengers, provided a contrast to traditional Newtonian physics concerned with stable equilibrium systems by focusing on stable states in a system far from equilibrium. Like Schrödinger, Prigogine and Stengers argue that a complex system arises from the flow of matter and energy through the system, while creating increasing disorder externally. The flow of energy and matter may create greater complexity but at the expense of greater entropy in the surrounding environment.

In a far from equilibrium system, fluctuations play a critical role. As a dissipative system is pressed by fluctuations, bifurcations emerge that typify chaotic behavior. In other words, a far from equilibrium system is driven to branch into new unpredictable trajectories. Behavior induced by fluctuations in a far from equilibrium system is probabilistic and unpredictable. In this period of instability, "the system 'chooses' one of the possible branches" (Prigogine and Stengers 1997:68). A far from equilibrium system displays both stability and instability. "The temporal description of such systems involves both deterministic processes (between bifurcations) and probabilistic process (in the choice of branches)" (Prigogine and Stengers 1997:69).



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A far from equilibrium system can achieve new states as fluctuations are amplified within the systems. Prigogine and Stengers remark, "Certain fluctuations, instead of regressing, may be amplified and invade the entire system, compelling to evolve toward a new regime that may be qualitatively quite different from the stationary states corresponding to minimum entropy production" (Prigogine and Stengers 1984:140–141). As the system is pressed toward the new state, complexity of the system increases but also results in greater entropy production (Prigogine and Stengers 1997:64, 67). Frijof Capra summarizes the process: "According to Prigogine's theory, dissipative structures not only maintain themselves in a stable state far from equilibrium, but may even evolve. When the flow of energy and matter through them increases, they may go through new instabilities and transform themselves into new structures of increased complexity" (Capra 1996:89). It is precisely the crisis, or "chaos," produced by instabilities that is the moment of transition from one state to another. This, as Wallerstein (1983a:33) observes, is key to understanding crisis in the world-system and the transition to a different historical system. Crisis in capitalism, according to Wallerstein, is precisely the moment when the far from equilibrium system reaches a point of instability due to the growth of fluctuations within the system. The region of instability producing bifurcations to a new state is crisis.

### **2.3 Autopoiesis**

Autopoiesis is a term coined by Maturana and Varela (1980) to address the question, "What is life?" They attempted to outline what describes a living system. Gail Fleischaker has distilled the ideas of Maturana and Varela into three basic criteria. To be considered autopoietic, a system must be "self-bounded, self-generating, and self-perpetuating" (Capra 1996:208). Self-bounding refers to the existence of a boundary to the system that is integrally related to the network. Self-generation is the production, within the network itself, of all of the components necessary for the system's operation. To be self-perpetuating, the system must be capable of replacing and maintaining the components of the system. In Maturana and Varela's (1980) words:

An autopoietic system is defined as a unity by its autopoietic organization. The realization of this organization in a physical system requires components which are defined by their role in the autopoiesis and which can only be described in relation to this. Furthermore these components can only be realized by material elements which can exhibit the necessary properties under the conditions specified by the autopoietic organization, and must be produced in the proper topological relation within this organization, by the particular instance (structural realization) of the autopoietic system that they constitute. Accordingly, an autopoietic organization constitutes a closed domain of relations specified only with respect to the autopoietic organization that these relations constitute, and, thus, it defines a 'space' in which it can be realized as a concrete system. (1980: 88)

Another element crucial to autopoietic systems relates to their nature as dissipative structures. Lynn Margulis (1997:267–269) argues that an external supply of raw materials and energy is necessary for the functioning of the system through the process of metabolism. “Autopoietic systems metabolize, whereas nonautopoietic systems do not” (Margulis 1997:269). Autopoietic systems maintain and increase their complexity through dissipative flows.

### **3. Are Societies Autopoietic?**

Before defining the concept, sociopoiesis, it is helpful to first answer the question of whether social systems are autopoietic systems. To be considered autopoietic by the authors who coined the term, a number of criteria must be met. In addition, the notion of a social system being autopoietic must meet these criteria on the terms in which they were initially defined. Taking these criteria one by one, how do societies compare to autopoietic systems?

#### **3.1 Self-Bounding?**

The first question involving the issue of self-boundedness is probably the most challenging. What is the boundary to a society? Societies do not have truly *physical* boundaries. Maturana and Varela (1980) were speaking of boundaries such as a cell wall in a unicellular organism or the epidermis of a mammal. Self-bounding requires a regulation of the interchange between the organism and the surrounding environment that crosses a physical barrier. Societies simply lack a true physical boundary that demarcates and regulates the exchange between the society and the surrounding environment.

Raw material and energy are cycled through societies based on their organizing logic, but the boundaries of the society are not physical. Exchange may occur between two communities whether they are organized in the same manner or not, but the exchange does not occur across a physical barrier. Likewise, the productions of nature do not cross a physical barrier in order to be transformed by society into its necessary constituent parts. Even if materials are brought within a factory, the factory does not contain the society and is not integral to the functioning of the totality of the society. Another possible way to approach the boundary issue is to view all of the world’s human inhabitants as part of the same society. The boundaries of the world social system could be argued to include the earth and the atmosphere, but this would also be stretching the concept of boundary as defined by Maturana and Varela (1980). If societies had physical barriers that were integral parts of the societies, it would be easy to distinguish societies with similar unitary logics, but they do not, hence there exists a significant problem of applying the concept of autopoiesis to societies.

Niklas Luhmann’s ([1984] 1995:30–31) application of autopoiesis to society does not acknowledge the physical boundary condition in the original definition. Luhmann relies on the notion of “organizational closure” described by Varela (Capra 1996:212) but does

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not resolve the fundamental problem of physical boundaries. Luhmann refers to this idea as operational closure and sums it up thusly, “A living being, for instance, creates this difference simply by living, and continuing to live as long as it can. A social system creates the difference between system and environment through the occurrence of communication—that is, by establishing relations between independent living beings—and by the fact that this communication follows its own specific logic of connectivity, the continuation of communication, its own memory and so forth” (Luhmann [2002] 2013:64). In Luhmann’s conceptualization, boundaries are not necessarily material, and can be “analytically unclear” (Luhmann [1984] 1995:30). The previous arguments about society being an autopoietic system do not diminish the potential for looking at society in new ways, but it illustrates the problem with adapting material science terms whole-cloth to the social sciences.

### **3.2 Self-Generating?**

The second criterion addresses the issue of whether societies are capable of generating all of the components necessary for the system’s operation within the society. Self-generation of the elements necessary for a society may also pose a difficult question. What is meant by an element necessary for a society? Obviously this would depend greatly on the society in question. In capitalist society, there exist a number of structural elements necessary for the reproduction of its members including markets, transportation systems, production facilities, urban shelter, among others. What elements do we consider in a gather/hunter community that produces little beyond what is necessary to obtain food and temporary shelter? By definition, gather/hunter communities do not “produce” their own food but collect it from nature. Despite the simple nature of production in these communities, we can see that they develop and transform nature to meet their individual and social needs. Even in gather/hunter communities, labor and a number of tools are put to social use in order to transform nature’s produce into usable items. In this respect, societies do indeed generate the necessary elements for the operation of the society.

### **3.3 Self-Perpetuating?**

The next criterion deals with self-perpetuation. Societies are certainly capable of self-perpetuation and are continually remaking the elements necessary for the continuation of the society. In a capitalist system, society is able to (in theory at least) produce enough food for all members of society on a recurring seasonal basis. Likewise, shelter is also rebuilt to protect members from the vagaries of weather. Physical infrastructure is also constantly being transformed. In other ways, the social organization of production continues despite wars, natural disasters, and social upheaval. Societies are remarkably resilient but also evolve into different forms and structures. It could easily be argued that societies are capable of reproducing the deteriorated physical and social forms necessary for the continued existence of the society.

## 3.4 Maturana and Varela's Views On Society as Autopoietic

Of the three criteria outlined by Fleischaker, only two of the three can reasonably be applied to societies. On the issue of societies as autopoietic systems, Maturana and Varela (1980) had contemplated the possibility early in their formulations.

What about human societies, are they, as systems of coupled human beings, also biological systems? Or, in other words, to what extent do the relations which characterize a human society as a system constitutively depend on the autopoiesis of the individuals which integrate it? If human societies are biological systems the dynamics of a human society would be determined through the autopoiesis of its components. If human societies are not biological systems, the social dynamics would depend on laws and relations which are independent of the autopoiesis of the individuals which integrate them ... since we - Maturana and Varela - do not fully agree on an answer to the question posed by the biological character of human societies from the vantage point of this characterization of the biological organization, we have decided to postpone this discussion. (1980: 118)

Varela tended to be more definite in the application of autopoiesis to society, "Frankly, I do not see how the definition of autopoiesis can be *directly* transposed to a variety of other situations, social systems for example" (Varela 1981:38).

While Maturana and Varela were not able to resolve the question of society as autopoietic, it may be useful to include their contributions in an attempt to understand people's relationship with nature. Maturana and Varela's comments may actually point to the resolution of the problem. While they point to a dichotomy between biological systems and non-biological systems, societies are actually both. Human societies are both determined "through the autopoiesis of its components" and "laws and relations which are independent of the autopoiesis of the individuals" (Maturana and Varela 1980:118). The integrity of an individual autopoietic person is dependent on a metabolic interchange with nature determined by the social relations governing the society that the person is a part of. Survival of the individuals in society, and by extension the continued survival of society, requires a metabolic interchange with nature; however, this metabolic interchange occurs in a social context and is not bounded physically but socially. This brings us to the final element of autopoietic systems outlined by Margulis (1997:269), the requirement that autopoietic systems metabolize.

## 3.5 Do Societies Metabolize? Marx and Metabolism

Autopoietic systems require a dissipative flow of materials and energy that are metabolized in order to maintain the complexity of the system. Social systems are no different, and this is the brilliance of Marx's analysis of our relationship with nature. His analysis of capitalism is firmly rooted in society's relationship with nature. Marx studied the ecosystem, especially the nutrient cycles necessary for agriculture, to fully understand the consequences of capitalism. According to Marx, not only capitalism but all societies have a specific organization to their relationships with nature. Marx "employed

the concept of social metabolism to refer to ‘the complex, dynamic interchange between human beings and nature’ of matter and energy, which recognized how both ‘nature imposed conditions’ and human actions transform this process. Each mode of production creates a particular social metabolic order that determines the interchange between society and nature” (Foster, Clark and York 2010:75). Based on Marx’s discussion of metabolism and the concept of autopoiesis, the term “sociopoiesis” is another way to communicate the historically specific relationship a society has with nature.

### **4. Sociopoiesis**

The combination of Marx’s historical analysis of society with the concept of autopoiesis can overcome the problem of ahistoricizing social issues while attempting to understand them in terms of the complexity sciences. In order to avoid obfuscation of Maturana and Varela’s definition with an understanding of people’s relation with nature, the term “sociopoiesis” should be used. While autopoiesis means “self-making,” sociopoiesis is socially and historically made. Given the problem of boundary, societies are not truly autopoietic, but the relationship people have with the environment they exist in does conform to the same thermodynamic principles guiding the rest of life. The overlap of societies with natural systems does not mean that our interaction with nature is mechanical, unilinear, or predictable in the standard sense, but it must be admitted that people must live within the material and energetic bounds that they are given. This relationship changes over time and is dependent on the society people live in.

Under sociopoiesis, societies maintain the lives of the individual members through an interaction with nature. The reproduction of the components necessary for the continued reproduction of the individuals in a society is accomplished socially. The creation of the elements necessary for the existence of society takes place within the society itself. “Labor is, first of all, a process between [people] and nature, a process by which [people], through [their] own actions, mediate, regulate, and control the metabolism between [themselves] and Nature” (Marx [1887] 1977a:283). Each person does not grow all of their own food, nor do they produce their own shelter without the aid of others. Increasingly, people are not even producing their own entertainment and are reliant on socially produced means of psychic and emotional fulfillment. Thus, the external supply of raw materials and energy necessary for the functioning society’s components are taken in from the environment and metabolized by the society. Subsequently, the waste from the process is reintroduced into the environment. The “complexity” of society is a result of this dissipative flow of energy and elements from nature through the society and the consequent expelling of waste back into nature.

While the concept of social metabolism by Marx is a substantial starting point for understanding our relationship with nature, sociopoiesis should bridge the gap between social sciences and contemporary physical sciences to return to the political economy of the past. Sociopoiesis adds the concept of autopoiesis to Marx’s concept of metabolism. In effect, sociopoiesis overlaps with Marx’s concept of social metabolism but provides a

more direct tie to complexity sciences through the terminology used. By including Marx's concept of metabolism, the metabolism discussed by Margulis retains the historical and social context. The basis of society is the interaction with nature. Its sociopoiesis is not constant but varies by the organization of society. The concept of sociopoiesis can be thought of this way: as Marx argued that the system of production is the basis for our interaction with the environment, we can understand this relationship as *sociopoiesis, a living, social system that conditions the metabolism with nature necessary for the generation and self-perpetuation of society*. The metabolism with nature is necessarily a dissipative structure, meaning that the form, elements, and process of society is dependent on the flow of material and energy through the society and the subsequent generation of waste, or entropy, as a result. Thus, all of the elements of autopoiesis can be found in society except the boundary condition. Societies metabolize, produce all of their necessary elements within the society itself, and maintain and reproduce the elements necessary for their existence.

## **5. The Organization of Entropic Flows in the World-Economy**

Sociopoiesis, in its metabolism, requires flows of matter and energy, but they must take on a distinctive historical form. Other researchers have discussed entropic flows in the capitalist world-economy. Stephen Bunker discussed the effects of matter and energy flows from the periphery to the core of the world-system. Bunker argues there are flows of energy from extractive to productive economies that act differentially on the development of the various regions. The transfer of value in the form of natural raw materials from the extractive economy to the productive economy constrains the former's ability to develop while promoting the latter's economy (Bunker 1985:20). "The differences between the internal dynamics of modes of extraction and of modes of production create unequal exchange not only in terms of the labor value incorporated into products but also through the direct appropriation of rapidly depleted or nonrenewable resources" (Bunker 1985:22). Values are removed from the resource extraction (periphery) region to be consumed by the productive (core) region.

A more recent approach, Laura McKinney (2012) used the concept of entropy to analyze patterns in the nation's biocapacity (available ecological resources) compared to its ecological footprint (ecological resources necessary to support the nation). If the nation has greater biocapacity than its footprint, the nation has an ecological surplus. If a nation has a greater ecological footprint than its biocapacity, it has an ecological deficit, meaning that the nation must obtain ecological resources from outside of its nation. McKinney found a link between a nation's position in the world-system and ecological deficit, a measure of entropic disorder: the higher the position in the world-economy, the greater the contribution to entropic disorder (McKinney 2012:307).

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In the case of McKinney, entropic environmental degradation is linked to capitalist world-economy. One important point to keep in mind when applying entropy to social systems is that all societies are entropic. Environmental degradation is not simply because capitalism produces entropy but due to the specific organization of entropic flows under capitalist sociopoiesis. Robert Biel (2012:123), for example, cautions, “that socialism also needs to be aware of this issue.” Any future society must also take into account how it organizes its entropic flows.

## **6. Capitalism as a Sociopoietic Structure**

The reason capitalism can never be sustainable is traced to the specific nature of the logic of capital itself. As the organizing sociopoiesis, capital cannot exist without never-ending expansion of accumulation (Marx [1887] 1977b:591; Wallerstein 1983b:13–14; Wallerstein 2010:133). Wallerstein’s (1983b:18) definition of capitalism revolves around ceaseless accumulation. “Historical capitalism is thus, that concrete, time-bounded, space-bounded integrated locus of productive activities within which the endless accumulation of capital has been the economic objective or ‘law’ that has governed or prevailed in fundamental economic activity.”

This ceaseless accumulation has been responsible for the complexity and “progress” of the capitalist society, but must also, as the concept of dissipative structures suggests, produce entropy. As Marx and Engels ([1848] 1976) so famously described in the *Communist Manifesto*,

The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature’s forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of the rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labour? ([1848] 1976:489)

The purported contradiction of Marx’s apparent “Promethean” cheerleading for capitalism and his trenchant critique are better understood through the lens of dissipative structures. As Prigogine remarks, “Once we posit irreversibility and the arrow of time, we can study the effect of that arrow on other breaks in symmetry and the emergence of both order and disorder at the macroscopic level” (Prigogine 1996:5). The rapid development of society and its increasing complexity are matched by the barbarity of its entropy, documented in Marx’s critique of the working day and his analysis of capitalist agriculture. “Moreover, all progress in capitalist agriculture is a progress in the art, not only of robbing the labourer, but of robbing the soil; all progress in increasing the fertility of the soil for a given time, is a progress towards ruining the lasting sources of that fertility” Capitalism can produce advances at the same time it makes matter and energy unusable for the worker and environment because “order and disorder are

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created simultaneously” (Prigogine 1989:398). There are material and energetic consequences for the rapid accumulation and advancement of capital. Marx describes the physical degradation of laborers as their exertions produce profit for the capitalist. The entropic flows move from the worker to the production of commodities. The energy expended in wage labor reduces the energy available for the “healthy maintenance of the body” (Marx [1887] 1977b:270–271). Likewise, capitalist agricultural products diminish the fertility of the soil to fuel the workers’ labor.

### **6.1 Cycles and Crisis in Capitalist Sociopoiesis**

The accumulation of capital takes place in very historically specific ways. For Wallerstein (2004a:44–46), the process of accumulation occurs in cycles. The “historical social system” of capitalism oscillates in cyclical rhythms and secular trends, similar to a far from equilibrium dissipative structure. Cyclical rhythms tend to vary around a set point (equilibrium), but with fluctuations of varying duration. The cyclical rhythms also contain within them a trajectory as a result of the longer secular trends that causes the set point to move over time. The secular trend cannot continue indefinitely and reaches an asymptote due to internal constraints. When the secular trend reaches the point of its asymptote, it enters a region of instability characterized by unpredictable bifurcations, potentially leading to a new state. Cyclical rhythms are normal variations in a far from equilibrium system, but the region of instability when the cycle of capitalism reaches its asymptote is the point of crisis. Secular trends do not operate independently and are affected by other “vectors.” Among these vectors, the agents of capital actively intervene to press the system back toward the equilibrium point.

While these cycles follow patterns outlined by complexity sciences, the process of these cycles is to be understood historically.

The mechanism by which the capitalist system ultimately resolves its recurrent cyclical down-turns is expansion: outward spatially, and internally in terms of the ‘freeing’ of the market .... Both of these processes have logical limits. In the case of geographical expansion, these limits were largely reached by the beginning of the twentieth century. In the case of internal expansion, there is still much room. The world is probably halfway, more or less, in the process of freeing the factors of production. But here too the world eventually approaches an asymptote, at which point the possibility of resolving economic crises will largely disappear, and thereby we will enter into a true crisis of the system as such.

(Wallerstein 1976b:351)

Crisis in capitalism is when it reaches its asymptote in its secular trend because the attempts to resolve cyclical downturns are largely ineffective. Hopkins and Wallerstein (1987:769–771) outline a number of mechanisms capital uses to press the secular trends back toward the preferred equilibrium. To apply the concept of sociopoiesis, the focus



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for the remainder of the chapter will be on the incorporation and peripheralization of new zones of the world-economy.

To address cyclical downturns and facilitate accumulation, capital expands and deepens, first through incorporation and then through peripheralization. Incorporation is the process of bringing new zones into the orbit of the capitalist world-economy. Since there are very few regions of the world that are untouched by capitalist market relations and the accumulation imperative, the world is nearly completely incorporated (Hopkins and Wallerstein 1987:775). Once incorporated, the process of peripheralization extends and intensifies the relationship. The extensive peripheralization is the inclusion of areas previously exterior to the functioning of the world-economy. Intensive peripheralization is the deepening of the relationships between the core and the periphery to better advantage the core (Wallerstein 1982:99).

### **6.2 Extensive and Intensive Processes in Capitalist Sociopoiesis**

The process of extensive and intensive expansion of the capitalist world-system also assumes an ecological dimension. Due to its inherently expansionary logic, the sociopoiesis of capitalism must take natural elements and transform them at ever increasing rates. Marx argued that the inherently expansionary capitalist production process necessitates an ever-increasing use of nature's elements.

The greater the development of capitalist production, and, consequently, the greater the means of suddenly and permanently increasing that portion of constant capital consisting of machinery, etc., and the more rapid the accumulation (particularly in times of prosperity), so much greater the relative overproduction of machinery and other fixed capital, so much more frequent the relative underproduction of vegetable and animal raw materials

(Marx [1863–1883] 1998:120).

To deal with the natural limits of nature's productions, capitalists are left with three possible solutions: extract raw materials from greater distances, expand production of the raw material on a greater scale, and replace the natural elements with surrogates or more economical use of waste products (Marx [1863–1883] 1998:120). In this way, "The productively exploited natural materials—the soil, the seas, ores, forests, etc.—which do constitute elements of capital value, are more intensively or extensively exploited with a greater exertion of the same amount of labour power, without an increased advance of money capital" (Marx [1863–1878] 1998:353).

Like Wallerstein's incorporation and peripheralization, the metabolic interaction Marx described can be understood to have extensive and intensive components. Capitalist sociopoiesis assumes historically specific geographic (extensive) and temporal (intensive) dimensions. Geographic, extensive, means that capitalism expands the amount of nature's elements extracted to meet the ever-increasing drive for accumulation. To meet the needs of accumulation, ever-greater regions and materials are brought under capitalist

production. New fields are incorporated into agricultural production, more mineshafts are dug, more forests are cleared, etc. Simply put, production is expanded. Similarly, capitalist production attempts to increase the intensity of the metabolism with the environment (the speed at which nature's elements can be extracted and transformed) by altering the social relations and technology of production. In short, production is intensified.

### **6.3 Metabolic Rifts Resulting from Extensive and Intensive Capitalist Sociopoiesis**

The extensive and intensive needs of capital for ever-increasing expansion lead to “an irreparable rift in the interdependent process of social metabolism, a metabolism prescribed by the natural laws of life itself” (Marx [1863–1883] 1981:949). For further discussion of the metabolic rift, see Foster (1999; 2010). Marx specifically outlined the extensive expansion of capitalism as the division of town and country and the problem of capitalist agriculture (Marx [1863–1883] 1998:103,799–800; Marx [1887] 1977b:506–508). The concentration of people in cities and the agricultural production in rural areas “disturbs the metabolic interaction between [people] and the earth, i.e. it prevents the return to the soil of its constituent elements consumed by [people] in the form of food and clothing; hence it hinders the operation of eternal natural condition for the lasting fertility of the soil” (Marx [1887] 1977a:637). The expansion of capitalist production reaches out further and further geographically for the elements necessary for production, while the end products are concentrated in the regions of accumulation where the natural elements are not returned to their origin. Not only are the elements not returned, they become waste in the area where their consumption occurs. Marx states, “In London, for instance, they find no better use for the excretion produced of 4 ½ million human beings than to contaminate the Thames with it at heavy expense” (Marx [1863–1883] 1998:103). By geographic expansion, the natural metabolic cycles are broken as the elements are not reentered into the cycle, creating a metabolic rift.

Metabolic rifts may also develop from the increasing speed of the use of nature's elements in the capitalist production process. Capitalists attempt to increase their profits by reducing the amount of time necessary for the production of their products through the intensification of the use of nature in the production process. Marx discussed natural processes such as wine fermentation and the ripening of food plants. Little labor is necessary for the natural processes to occur, but the capital must lie idle while the processes take place. Capitalists seek to shorten these natural processes to limit the idle time of their capital (Marx [1863–1878] 1998:239–242). “The period of turnover can often be more or less shortened by an artificial reduction of the production time. Such instances are the introduction of chemical bleaching instead of bleaching on the green and more efficient drying apparatus” (Marx [1863–1878] 1998:241). Marx likewise was appalled by efforts to breed animals merely to speed up the time to maturity and increase the proportion of meat on their bodies (Saito 2017:209). The intensification of the use of

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nature disrupts natural metabolic processes by destabilizing the relationships within natural processes.

Researchers in the world-system perspective have also analyzed the extensive and intensive processes contributing to metabolic rifts. Wilma Dunaway's analysis of the incorporation of Cherokee and the Appalachian region of the United States can be understood as an extensive process. The depletion of nature's materials in Europe contributed to broader geographic incorporation in regions outside of Europe. Noted by Dunaway, the decimation of animals was necessary for the ongoing functioning of European capitalist industry. "By the fifteenth century, there was a shortage of fur-bearing animals in Europe" (Dunaway 1994:226). The geographic incorporation of nature was profound. "Europeans altered their ecosystems at a rate and scale that had not typified any previous mode of production" (Dunaway 1996:356). The extensive process of incorporation requires more of nature to be drawn into the circuit of capital. In the case of Appalachia, the depletion of fur bearing mammals continued to meet the expanding needs of capital (Dunaway 1996:363). Returning to the concept of sociopoiesis, the organization of capitalism through extensive expansion generated the metabolic throughput necessary to expand the complexity of Europe but by generating entropy in Appalachia through the depletion of available energy in the region, fur bearing mammals as one example. While depletion of environmental resources may be one factor encouraging extensive expansion, capital consistently seeks out extensive and intensive accumulation opportunities regardless of depletion pressures. I include discussion of depletion primarily to highlight ecological degradation.

In prior research (Prew 2010), I discussed the intensive expansion of the capitalist world-economy. In Wallerstein's conceptualization, the world-economy is divided into zones characterized by core or periphery processes. Core processes are those that include high technology (Wallerstein 1976a:462; Wallerstein 2004b:28). "Intensifying the processes of nature can be directly tied to the core processes described by Wallerstein. High technology processes in the core are designed specifically to increase the rate of profit to further economic expansion by increasing production efficiency" (Prew 2010:167). Because nations more central in the world-economy are characterized by core processes, they are more likely to use the environment more intensively. The research found that carbon dioxide emissions were associated with position in the world-economy. The more core the nation, the greater the reliance on carbon dioxide producing energy sources to intensify the production process. Intensive capitalist production maintains and expands the complexity in the core, but it also generates entropy in the form of greenhouse gases.

## **7. Crisis in the Climate and World-System**

The production of greenhouse gases is an example of destabilizing a system by driving an element of the system wildly out of proportion. Anthropogenic carbon dioxide emissions have increased dramatically (approximating a logarithmic curve) (Intergovernmental Panel on Climate Change 2015:45). The system is pushed into regions of instability where

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unpredictable transitions are characteristic. The logarithmic increase in carbon dioxide emissions due to capitalist sociopoiesis is a clear example a dissipative structure pushed to the point of bifurcation. We have pressed the climate system into regions of instability leading to unpredictable consequences. We are in a period of crisis ensuring many unpredictable bifurcation points with possible irreversible transitions to new states in various environmental systems. Increases in greenhouse gasses such as carbon dioxide have led to changes in the climate system. "Warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, and sea level has risen" (Intergovernmental Panel on Climate Change 2015:2). The accumulation logic of capitalism associated with the rise in greenhouse gases is directly contributing to the anthropogenic climate change we are experiencing and can push elements of the climate system into new states. The IPCC warns of tipping points as warming continues, "With increasing warming, some physical and ecological systems are at risk of abrupt and/or irreversible changes" (Intergovernmental Panel on Climate Change 2015:72). In other words, the system is approaching unpredictable and irreversible points of bifurcation caused by capitalist sociopoiesis.

### **7.1 Environmental Crisis and the Crisis of Capitalism**

Wallerstein has concluded that the attempts to address the cyclical downturns and prevent a systemic crisis are in their final phase. The capitalist world-system is in crisis and its region of instability (Wallerstein 1983a; Wallerstein 1990; Wallerstein 2004a; Wallerstein 2004b; Wallerstein 2010; Wallerstein 2013). While Wallerstein points to a number of vectors responsible for the ongoing world-system crisis, "destruction of the environment" (Wallerstein 2004a:50) is beginning to grow in prominence.<sup>2</sup> Environmental degradation brings with it economic consequences. "Direct and insured losses from weather-related disasters have increased substantially in recent decades, both globally and regionally" (Intergovernmental Panel on Climate Change 2015:53). However, individual capitalists within the capitalist world-system have largely been able to divert much of the economic and environmental consequences of their actions.

One of the fundamental problems of capitalism as a sociopoietic system is the entropic effects of capitalism's metabolism do not feed back directly into the system. Capitalist enterprises intentionally avoid the environmental costs of their production by displacing them on the politically weaker regions in the world-system (Wallerstein 1999:82). The costs of climate change are displaced from the North to the South (Frank 2007:306). In prior societies, local production altered the environment, but destruction of the local ecosystem could lead to the demise of the society. Only capitalism, as a social system, is able to divorce itself from the immediate feedbacks from the environment (Wallerstein 1999:82).

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If a capitalist enterprise destroys rainforest in Costa Rica and cannot continue to extract resources from the area, it can move to a Brazilian rainforest. Devastating the aquifer in the desert southwest while depleting coal reserves simply forces the company to move to another region such as Appalachia where tailings are dumped in the headwaters of the local watershed. The use of ecologically unsound practices of tar sand mining and “fracking” are all examples of capital shifting accumulation geographically to deal with extensive depletion of resources. While the local populations must deal with then negative consequences of the ecological degradation, capital receives little negative feedback to disrupt its logic of accumulation.

Since environmental consequences of capitalist sociopoiesis tend not to feedback into the accumulation behavior of individual capitalists, there is little pressure to change course. As past societies threatened their own existence if they degraded their environment, capital’s ability to displace the consequences of environmental degradation allows accumulation to continue apace. Our global ecological system is on a different timeline than the capitalist economy in terms of feedback loops signaling environmental crisis. By the time capitalism feels significant profitability pressures to signal stress in the economic system, the environment is already experiencing the wide fluctuations that signal crisis and promote bifurcations to new states. Highlighting that ecological degradation is becoming more visible, Wallerstein argues that we are running out of the space to transfer the ecological consequences to the periphery (Wallerstein 1999:82), however ecological rifts are already well underway. The totality of the capitalist sociopoiesis greatly exceeds the productive capacity of the biosphere by most accounts of matter/energy flow, for example Net Primary Productivity (Dukes 2003; Vitousek et al. 1986), Social Metabolism (Fischer-Kowalski 1998; Fischer-Kowalski 1999), and Ecological Footprint (Wackernagel et al. 1999; Wackernagel and Rees 1996; Wackernagel et al. 2002). It is clear that we cannot continue in the current trajectory. As Wallerstein (2004b: 77) argues, the capitalist world-system is in a process of bifurcating where the system will oscillate wildly. The transition may take time, but ultimately, a new trajectory will coalesce.

## **8. Conclusion**

It is precisely the accumulation logic, its sociopoiesis, that uses nature more extensively and intensively creating both the increased complexity of capitalism but also the increased entropy in the surrounding environment. To say that capitalism is dissipative or entropic is meaningless unless we understand the social metabolism of capitalism is fundamentally expansionary on a finite planet. All social systems, as in all dissipative structures and autopoietic systems, are entropic. What is important about capitalism is its inherently expansionary logic at its core that will produce the asymptote that Wallerstein describes in the secular trend of capitalism. Wallerstein argues we are in that moment of crisis. Capitalist sociopoiesis has also produced a related crisis for society through

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metabolic rifts driving various environmental systems into crisis that will ultimately feed back into capitalism's secular trend, furthering capitalist crisis.

Wallerstein concludes that the current crisis of the capitalist world economy gives us "at best a 50-50 chance of getting the kind of world-system we prefer. But 50-50 is a lot, not a little" (Wallerstein 2013:35). Our take here is slightly different. Given the trajectory of the capitalist world-system, we are facing twin-interrelated asymptotes, a crisis in the secular trend of the capitalist world-system and the environmental crisis prompted by capitalism's accumulation logic. We are locked in a cage with a tiger, and if the claws do not get us, the teeth will. The capitalist world-system is marching inexorably toward its asymptote, and if we cannot find a way to exit its cage, we are certain to be mauled in the process. In Wallerstein's predicted 50-50 bifurcation, it seems the unstable equilibrium favors the tiger, *this time*.

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## Notes:

(<sup>1</sup>) My large class sizes, teaching overload, and non-profit work have pushed my workweek to sixty-five hours or more (before I conduct research) for nearly the past decade. Although time constraints of this work schedule have prevented me from publishing the concept of "sociopoiesis," I have presented the idea multiple times at conferences beginning in 2006. I wish to thank Dr. Alder Fuller for passing along his wealth of knowledge and for allowing me to push him to debate the concept of autopoiesis as it relates to society. As a result of our discussion, I was able to see more clearly the original definition of the concept and the necessity to attempt integrate the ideas of complexity while retaining the original authors' intent and definition. Dr. Fuller's institute for complexity sciences, Ermah Ge, can be found at <https://ermahge.usefedora.com/>. In an online interview, I discuss the background of the idea and others who have influenced my thinking, but the website has subsequently been taken down. The interview is reproduced here: <http://krypton.mnsu.edu/~sy5879je/sociopoiesis.shtml>

(<sup>2</sup>) "This squeeze results from at least three separate vectors: the secular rise of real wages across the world-economy as a whole; the growing destruction of the environment resulting from the institutionalized externalization of costs; and the fiscal crises of the states, which has been caused by the democratization of the world-system that has led to raising significantly the minimum levels of demand on the states for education, health care, and lifetime minimum-income guarantees" (Wallerstein 2004a:50).

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## Oxford Handbooks Online

### Towards a Marxist Theory of Financialized Capitalism



Jeff Powell

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### Abstract and Keywords

In the rapid growth of the literature on financialization, the term risks becoming meaningless (“take x, add finance”). This article first reviews this literature, highlighting characteristic empirical features at the macroeconomic level and their variegation across different institutional contexts, then turning to meso- and micro-level multidisciplinary studies of how processes of financialization have manifest in the transformed behavior of firms, states, and households, as well as in the changing mode of provision of public services and the appropriation of the commons. Marxist attempts to theorize the essences of financialization are examined and found wanting. Two proposals are made in the spirit of advancing this project. First, financialization as cyclical process must be disentangled from financialized capitalism as secular stage. Second, it is argued that the emergence of financialized capitalism as a new stage within mature capitalism is linked with the central role played by finance in the internationalization of the circuit of production.

Keywords: financialization, financialized capitalism, internationalization, global production networks, Marxist theory

The objective is to deepen a Marxist understanding of financialization by bridging three strands of analysis: more (but, by no means exclusively) economic work that have privileged analysis of macroeconomic impact and, to a lesser extent, causality; sociological work that has examined the relationship of the phenomenon with shifting relations of production; and the work from a number of disciplines (including but not limited to) radical geography, critical accounting, and cultural studies, in placing particular instances of financialization under the microscope.<sup>1</sup>

We will begin by reviewing those aspects of a historical materialist methodology that should inform and render distinctive a Marxist approach to financialization. Taking its cue from this framework, the subsequent discussion will first highlight the appearances of financialization that emerge from the literature. The third section will turn to the analysis

of the underlying drivers and propagating mechanisms of financialization, the essences of the phenomenon. In the fourth section, a theory of financialized capitalism as a secular stage within the capitalist mode of production, distinct from cyclical processes of financialization, will be elaborated. The emergence of financialized capitalism is linked with the central role of finance in the internationalization of production. This marks a distinctively Marxist approach to both the understanding of financialization and to the question of its sustainability or, indeed, the likelihood of de-financialization. The final section will offer some concluding thoughts and point toward an agenda for future work.

# 1. Financialization and Historical Materialism

Marxist investigation of financialization has the considerable advantage of having a coherent methodology with which to approach the subject. A historical materialist approaches financialization as necessarily rooted in a particular temporal, spatial, and institutional context, not a transhistorical accident or mistaken policy project. While no investigation can be exhaustive, Marxist work must be attuned to factors such as shifting class configurations within and across borders; shifts in the size, demography, and distribution of the global labor pool; and revolutions in the application of technology and the organization of work, to name a few. In such contexts, causal explanations must consider the possibilities of both overdetermination and contingency, which should make us skeptical of any monolithic arguments.

A dialectical understanding should be embraced, rather than being rejected as a kind of intellectual prevarication. Of particular relevance to financialization is the need to see finance (financial agents, institutions, and finance capital broadly understood) as, at once, functional and dysfunctional for capitalist accumulation. This represents a sharp break with Keynesian exhortations to the “euthanasia of the *rentier*,” and avoids conflating moral judgments with assessments of the instrumental value of finance to capitalist accumulation. Dialectics also opens up our analysis to the importance of emergence: that is, the recognition that quantitative change in a preexisting relation may, at some point, emerge as systemic qualitative change.

Like ships passing in the night, much confusion and disagreement in the literature on financialization relates to the levels of abstraction on which the analysis operates. Most work on financialization focuses on the least abstract level, which is the influence of particular individuals / organizations / structures on concrete conjunctural relations. Famously Marx ([1867] 2004) in Volume I of *Capital* focuses on the most abstract level, a pure theory of capitalism beginning from the commodity. Important to consider, however, is the level mediating the two that is general to a phenomenon at the meso- or institutional level: so-called middle-range theory. This also points to the importance of differentiating and linking appearance and essence, whereas non-Marxist scholarship often limits itself, knowingly or otherwise, to the former.

Last, but certainly not least, Marxist scholarship necessarily emphasizes the role of changing class (and class faction) configurations and struggle. This is notably absent from much of the Marxist macroeconomic work but is central, for example, to sociological studies of changes in productive relations. It should go without saying that this implies a class-based understanding of the state, another feature that should differentiate Marxist scholarship from other schools that, explicitly or implicitly, posit a state as neutral arbiter. Marxist scholars should view capitalism as a totality—a global social relation—but often succumb to fetishism of the nation-state. This is reflected in the fact that there is no coherent *global* theory of financialization, Marxist or otherwise.

## 2. Appearances of Financialization

In this section, the work that captures the appearances of financialization is first outlined (whether it is understood as such or not). In the subsequent section, the focus will turn to explicit attempts to reveal the essences of the phenomenon.

An early (non-Marxist) definition of financialization as the “increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and the international economies” (Epstein 2005:3) is broadly cited in the literature. The appeal of such a descriptive definition is that it avoids the controversy of linking the appearances to underlying causal mechanisms. Krippner’s pioneering work, inspired in part by both the *Annales* and Regulationist schools, though not itself explicitly Marxist, zeroes in on the rise of financial profits in the United States, defining financialization as “a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production” (2005:174). She highlights the rising share of portfolio income in the revenue of non-financial firms, and the growing share of profits generated in the financial relative to the non-financial sector.

Attempts to summarize the manifestations of financialization permeate more explicitly Marxist scholarship. At the end of his participation in the five-year, multidisciplinary project on financialization known as FESSUD (Financialization, Economy, Society and Sustainable Development), Ben Fine (2017), offered eight defining characteristics:<sup>2</sup>

1. The expansion of financial markets, institutions and instruments;
2. Financial deregulation and liberalization;
3. Growth in financial “innovation”;
4. Increasing dominance of finance over manufacturing;
5. Increasing reliance of governments, firms and households on market coordination mechanisms;
6. The use of capital gains in housing for collateral;
7. Penetration of finance into a widening range of social spheres; and
8. A culture of reliance upon the market.

## Towards a Marxist Theory of Financialized Capitalism

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At the macroeconomic level, the “balance sheet view,” that is the view that agents—from financial firms to industrial firms, households, and governments—come to see themselves as a collection of assets and liabilities from which profits are maximized, has been empirically investigated using a range of indicators. Brown et al. (2017), surveying Europe, examine the growth of financial securities to GDP, the rising share of employment in FIRE (financial intermediation, insurance, and real estate), and the increasing contribution to GDP of the financial versus the manufacturing sector. In an earlier exercise, examining a range of OECD countries, Lapavistas and Powell (2013) examined sectoral transformations, assessing the changing modes of financing and investment of banks, firms, and households. In general, banks had become increasingly reliant on wholesale funding markets and were earning increasing revenues from fee-based activity and lending to the household sector; large international non-financial firms had turned toward market-based finance and were increasingly active themselves in financial markets; and households’ engagement with finance had risen as an increasing range of activities essential to social reproduction are brought into the sphere of capital accumulation. The conclusion of these studies is that while they share underlying essences, the specific forms taken by financialization vary according to historical, institutional, and political relations and norms.

Beyond the countries of the OECD, increasing attention is being paid to the emergence of financialization in middle- and even low-income countries (Bonizzi 2013). The concept of subordinate financialization (Powell 2013) has been developed to capture the experience of financialization as shaped by imperial relations and a peripheral location both in the world market and in relation to world money. In some cases, this has yielded transformations similar in nature to those in OECD countries, such as rapid relative growth in the profits of financial corporations; however, distinctive to emerging capitalist economies has been, for example, a greater reliance on international rather than domestic money and capital markets. Hanieh (2016) highlights the dangers of fetishizing the nation-state, revealing how financialized tendencies are emerging in the Arab world on a regional scale, emanating from capital groups based in the Gulf Cooperation Council.

Turning now to examine the picture of the firm in more detail, financialization involves a turn toward market-based financing and increased engagement in financial strategies of accumulation, through, for example, buybacks of firms’ own shares (Lazonick 2012), securitization of assets (Baud and Durand 2012), financial intermediation, or investment in external securities. This has translated into the growth of market capitalization ahead of both GDP growth and earning capacity (Andersson et al. 2014). The ensuing asset inflation allows holding gains to be extracted that can then form the basis for additional collateral and further leverage. Competitive pressures ensure that such strategies are not optional for firms. A corollary of this process of asset inflation has been the rapid growth in so-called intangible assets (Bryan, Rafferty, and Wigan 2017; Willmott 2010), a catch-all category capturing the difference between market and book value that emerges during processes of mergers and acquisitions.



A large post-Keynesian literature has argued that the firm's turn to an increasing array of financial activities has "crowded out" investment in fixed assets (Hein and Van Treeck 2010; Stockhammer 2004). Empirical evidence of the adverse effect of financial incomes and payments on physical investment has been presented for the United States (Orhangazi 2007), Western Europe (Tori and Onaran 2017), and even some developing countries (Demir 2007). In post-Keynesian models, declining fixed investment negatively impacts capacity utilization, profits, and capital accumulation. The relative impact of these effects is weighed against the positive impact of rising financial profits to determine whether an accumulation regime is "finance-led," or simply "finance-dominated" (Cordonnier and Van de Velde 2015; Hein 2010; Stockhammer 2010). Against the "crowding out" thesis is work that has argued that estimations of rising net financial payments have not sufficiently considered rising non-financial assets held internationally; profits have not been adjusted for foreign earnings; and falling investment by international multinational corporations (MNCs) in high-income countries may be the counterpart of rising investment in emerging economies spread across global production networks (Christophers 2015; Durand 2017; Fiebiger 2016).

Increasing attention is being paid to the question of the financialization of the state. Historically, concern has been over the level of public indebtedness and the question of who holds it, with implications for both fiscal and monetary policy. The rising concentration in ownership of public debt in large FIRE corporations in the United States and Western Europe has forced governments to prioritize debt repayment over the provision of social services (Hager 2015). New research relates financialization to the question of *how* governments are managing sovereign debt (Fastenrath, Schwan, and Trampusch 2017). In OECD countries, shares of both marketable debt in total debt and of marketable debt held by non-residents have risen dramatically. The list of market-based techniques employed by debt management offices has grown to include: bond auctions, index-linked bonds, securitized tax receipt bonds, accruals accounting, and derivatives (Lagna 2016; Livne and Yonay 2016; Massó 2016; Pacewicz 2013). Present throughout this literature is the question of whether states are playing markets or *being played by* markets: Davis and Walsh (2016) detail the role of the British government in propelling the decline of industry and rise of finance, while Wang (2015) argues that the Chinese state has become a "shareholder state."

Financialization has become a lens through which to view transformations in a range of areas of everyday life, with the common thread that the increasing penetration of finance has led to financial imperatives dominating considerations of the public good. Early work on the financialization of land draws from the theoretical foundations of Lefebvre ([1974] 1991) and Harvey ([1982] 2006), which sought to understand the processes of urbanization as "spatial fixes" to the crises of capitalist accumulation. As land becomes treated as a financial asset, exchange value is substituted for use value in land-use decisions (Haila 1988). This process has drawn in agricultural land across the Global North and South (Fairbairn 2014). Reflecting Harvey's characterization of the dialectical relationship between urbanization and crises of accumulation, urbanization is seen as both enabled by and itself enabling financialization (Moreno 2014). The role of the state

within this process is critical; Christophers (2017) highlights the role of the British state in selling the public estate to private investors driven by financial motives, often providing additional support in the form of planning-risk mitigation or even direct pecuniary subsidies.

A growing body of empirical work—from neoclassical to Marxist—has examined the co-movement of various commodity prices with financial indices (Bargawi and Newman 2017; Ederer, Heumesser, and Staritz 2016; for example, Tropeano 2016). The intersection of financial and commodity circuits is driven by the ability of futures to “provide a temporal and credit fix to crisis in capital accumulation” (Field 2016:8). The drivers of financialization in commodities markets include deregulation of agricultural markets, pressure for higher yields placed on agribusiness, and pressure on workers’ wages and time that has led to a prioritization of cheap, fast foods (Fuchs, Meyer-Eppler, and Hamenstadt 2013). Major agribusinesses have themselves become financialized, while financial firms have entered into all stages, including agricultural land investment (Salerno 2014; Williams 2014). The re-shaping of relations along the food chain, creating new opportunities for profit for both financial and non-financial actors, is described by Burch and Lawrence (2009) as a “third food regime,” succeeding that based on industrial agriculture and manufactured food. Meanwhile small farmers become increasingly vulnerable; even the provision of weather derivatives, ostensibly to reduce risk exposure, has instead exposed them to new risks and increased their overall vulnerability (Isakson 2015).

Financialization of the commons has extended to water, air and nature itself. Water privatization is argued to be driven by the needs of investors as much as any purported benefits to end users, raising questions about control, distribution, and affordability (Ahlers and Merme 2016; Allen and Pryke 2013; Bayliss 2014; March and Purcell 2014). The entry of finance into ecological management is being advanced under the guise of green capitalism. Finance allows the creation, commensuration, and pricing of nature as exchangeable products, as made evident in the creation of markets in carbon and biodiversity offsets (Sullivan 2013).

The study of household financialization has examined the extension of the “balance sheet worldview” to the individual. Analysis of the macroeconomic effects of household debt has focused on the United States, the United Kingdom, and the Anglo-Saxon countries, but similar trends are argued to exist across a range of high- and middle-income countries. In the face of rising inequality in the United States, Barba & Pivetti (2009) argue from a Keynesian under-consumptionist perspective that households have attempted to preserve relative standards of consumption, leading to rising levels of indebtedness as well as recourse to increased working hours. The inherent unsustainability of substituting debt for wages can be counteracted only by expanding the process to a larger share of the population and keeping interest rates below the rate of growth of household disposable income (or the increase in real wages).

## Towards a Marxist Theory of Financialized Capitalism

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Dos Santos (2009), from an explicitly Marxist approach, documents the increasing reliance of major international banks on consumer and mortgage lending as well as pension-related saving services. He characterizes this as a form of expropriation in the unequal relationship between a profit-maximizing bank and a satisficing household (see also Lapavistas 2011, 2013). In subsequent papers, dos Santos (2011, 2014) formally models this relationship, suggesting that economies that are more reliant on consumption credit experience both lower growth and higher levels of credit risk, and that consumption credit furthermore serves to increase profits relative to wages. That is, in contradiction to the Keynesian work wherein policy-induced inequality forces increases in consumer debt, the capitalists' decision to allocate credit to consumption serves to increase short-term profits and drive rising inequality.

Baragar and Chernomas (2012) argue that in the context of growing household indebtedness in the United States and Canada, where households are net borrowers while firms are net lenders, workers' claims on abstract social labor need to be considered ex-post of interest payments. This decreased value of labor power means that the rate of surplus value has risen, without alterations in the quantity of value created in the sphere of production. However, surplus value must be realized before it can assume the form of interest or profits. Workers become the conduits through which surplus value is transferred from its place of origin in production to the sphere of circulation. Higher profits for finance then lead to the expansion of the financial sector.

The microeconomic impacts of growing household indebtedness are the focus of a broad multidisciplinary literature. There has been a massive expansion in the forms of alternative consumer credit available to those on low to middle incomes in advanced capitalist economies (Appleyard, Rowlingson, and Gardner 2016; Dymski 2010). Accompanying this is an explosion in the growth of financial instruments that allows the default risk of consumer debt to be commodified and traded (Langley 2008). The list includes asset-backed securities, credit default swaps, and collateralized debt obligations (so-called structured finance), as well as techniques such as securitization, credit scoring, and debt consolidation. Foucault's category of governmentality has been invoked to capture the way in which "investor subjects" are assembled and their behavior disciplined. Not to leave out the poor from this assemblage, microcredit initiatives have attempted to constitute poor people as financial subjects bringing them into global capital markets (Aitken 2013; Schwittay 2014).

Housing has been used as an absorber of the "wall of money" of finance but, importantly, has also served as collateral for the rise in household debt (Aalbers 2008; Fernandez and Aalbers 2016). While different national models of housing provision remain, there is a common trajectory in integrating housing finance into global capital markets. Housing access and housing debt, as was argued previously in relation to debt more generally, are used as systems of discipline and control. Poorer neighborhoods are likely to carry higher debt burdens, while incomes in higher-income, low-debt neighborhoods are partially derived from the former (Walks 2014). Once on the "housing ladder," homeowners have a vested interest in maintaining the upward trajectory of housing prices, locking in

conservative voting preferences (Watson 2008). In the Global South, various high-level international initiatives attempt to introduce mortgage markets, and draw global capital into the returns to be gained from slum upgrading (Jones 2012).

A number of narratives are captured under the rubric of the financialization of education (Eaton et al. 2016). Student debt has been securitized in the United States and United Kingdom and is being traded in financial markets. Active endowment investment has become an increasingly critical part of the funding picture for elite universities, furthering stratification. Equally, universities are both issuing securities and aggressively managing their real estate assets, leading in the Netherlands to a power shift from teaching and research staff to financial professionals (Engelen, Fernandez, and Hendrikse 2014).

The financialization of pensions describes the process whereby households are increasingly dependent on market outcomes for their retirement income. This involves the increasing participation of asset management firms in the allocation of funds from defined contribution schemes, placing the risk and responsibility with the individual rather than either the capitalist or the state (Dixon and Sorsa 2009; Langley 2004). In some cases, this transition has been embraced by trade unions (Macheda 2012). In turn, this market-based approach has fueled demand for a range of new financial products. The combination of liability matching techniques that inveigh against (higher-yielding) equities and low yields on government bonds has led fund managers increasingly into hedge funds, private equity funds, commodities, infrastructure, and real estate (Bonizzi and Churchill 2017). Life insurers were some of the first institutional investors to invest in real estate, corporate bonds (“junk bonds”) and private equity; they have become important sources of demand for a range of debt-backed securities and interest rate swaps. Their contribution to the influx of new funds into the mortgage-backed securities market played a key role in the loosening of underwriting standards that catalyzed the US subprime crisis (Wissoker 2013).

### 3. Essences of Financialization

In an attempt to delve beneath appearances into the essences of financialization, skepticism about any monolithic explanations is warranted. In this section, existing Marxist theories of financialization will be assessed that focus on the so-called long cycle, the impact of monopoly, and the rate of profit. This will be followed by a foray into the literature focusing on the transformation in the structures and relations of production, an area that has received scant attention in relation to financialization.

Structural cycles of the *longue durée* mark the rise and fall of leading powers (Braudel 1981). The phase of decline, termed the “autumn” of the hegemon, is associated with an expansion in financial activity (Arrighi 1994, 2007). This expansion allows the transformation of capital from its fixed form into more liquid ones, facilitating its escape from confinement in increasingly less productive activity of the declining hegemon and allows it to flow into new regions and channels of surplus value creation.<sup>3</sup> The thesis,

however, immediately raises concerns about the generalization of phenomena across mercantilist and capitalist modes of production. Furthermore, the current period of the rise of finance in the leading power, the United States, has been accompanied not with an outflow of capital to new centers of power but an inflow to the United States from the rest of the world reinforcing its hegemonic position (Gowan 2003, 2010, Panitch and Gindin 2004, 2012).

Theories of the impact of monopoly on capitalist accumulation have a long history in Marxist (and Marxist-inspired) scholarship. Hilferding ([1910] 1981) advanced the argument that rising scale, capital intensity and centralization would allow the creation of cartels and the suppression of domestic competition. The ensuing problem of surplus absorption could be stabilized, he argued, through expansion to overseas markets with the support of the state. Kalecki (1932) rejected Hilferding's conclusion that cartelization could be stabilizing. He related the degree of monopoly to the forces of concentration, the role of sales promotion, and rising overheads but argued it was counteracted by trade union strength. Monopoly increases the relative share of profits (over wages) in gross income. Over time, however, the fall in wages will lead absolute profit levels to fall even though relative profit (dependent on past investment decisions) remains high. Falling output leads to falling capacity utilization, eventually leading to falling profits and what Kalecki termed "retarded growth." Steindl (1952), heavily influenced by Kalecki, argued that monopoly firms are able to prevent the elimination of excess capacity, with higher profits making up for the resulting increase in costs. However, the excess capacity dissuades capitalists from investing, leading to economic stagnation.

Drawing upon both Kalecki and Steindl, Baran and Sweezy (1968), argued that rising monopolization results in an increasing flow of profits, but falling demand for additional investment in ever more tightly controlled markets. The resulting surplus must be absorbed in unproductive consumption. One such method of surplus absorption is for profits to be diverted into financial activities rather than fixed capital formation (Baran and Sweezy 1968; Sweezy 1997; Sweezy and Magdoff 1987). Bellamy Foster (2015) continues the investigation of monopoly in the current period, compiling evidence of the rising share of a shrinking number of transnational corporations controlling assets, revenues and employment, both directly and indirectly via outsourcing.

Proponents of rising monopoly argue that the degree of monopoly in a given sector is determined by its deviation from the benchmark of perfect competition, that is, characterized by a large number of small, price-taking firms, identical in cost structure and profitability. Shaikh (2016:367–379) has argued that the neoclassical notion of perfect competition should be anathema to a Marxian understanding of competition, where price setting and cost cutting are intrinsic features, and new, lower-cost, price-cutting firms may enjoy higher profit rates than established larger firms. In addition to these possible empirical problems with the monopoly thesis, the treatment of finance as residual and speculative unnecessarily dichotomizes the relationship between industry

and finance, failing to account for the growth of finance in accommodating the internationalization of production and the expansion of accumulation.

Next are theories rooted in Marx's ([1894] 1991) tendency of the rate of profit to fall (TRPF). There is an assumption on the part of critics of Marxist scholarship that everything under the capitalist sun is attributed to falling profits, and that therefore, the origins of financialization must similarly be argued to lie there. However, the majority of Marxist studies into the TRPF claim a rise in the rate of profit during the neoliberal period (Duménil and Lévy 2004; Maito 2014; Mouatt 2013; Roberts 2015; Shaikh 2016), the latter stages of which coincide with the period associated with financialization. To be sure however, this conclusion is not without its dissenters (Carchedi 2017; Freeman 2013; Kliman 2011).<sup>4</sup>

For those who argue that the rate of profit is falling, financialization serves as a countervailing tendency. Faced with falling profitability in the productive sphere, capital shifts to higher profitability in the financial sphere. The increase in interest-bearing capital plays a functional role, providing credit to families to mitigate the consequences of lower wages; credit to firms deferring an overproduction crisis; and allowing valorization through speculation, at least for a time (Giacché 2011). Freeman's finding of a monotonically falling rate of profit in the United States and United Kingdom is precisely because of his inclusion of financial assets in the denominator (along with the usual fixed capital stock).<sup>5</sup> He argues that if capitalists had not invested in financial instruments, "there is no reason to suppose the profit rate [without the inclusion of financial assets] could thus recover" (2013:178).

But even if such empirical arguments are accepted, why do the symptoms of financialization (such as financial profits as a share of total profits) only accelerate after the 1990s? Falling profitability can, at best, be a contributing but far from a driving factor of financialization. Indeed, the overriding concern of the TRPF advocates themselves seems to be less about asserting that falling profits cause financialization than arguing *against* the diametrically opposed post-Keynesian narrative that financialization causes falling profits. Kliman (2014:89) surmises, "Whether financialization has played a causal role vis-à-vis the rest of the economy is less clear."

For Marxists who conclude that the rate of profit has stabilized or even rebounded during the neoliberal era, the roots of financialization must lie elsewhere. Some authors argue that *rising* profits have played a role in the emergence of financialization. Ivanova (2017: 2–3) contends that "rising corporate profits created an overhang of idle money, eager to lend itself to speculative ventures." Shaikh (2011) has argued that the attack on labor that was necessary to stem declining profitability in the postwar era, combined with low interest rates and financial innovation, has played a central role in the surge in consumer borrowing associated with financialization.

Turning now to scholarship that introduces changes in the relations of production to our understanding of financialization. Considering the Marxist focus on labor, class, and workplace relations, it is surprising that this facet of the discussion has not received more

attention. Labor process theory (LPT) examines the mechanisms of control, consent, and resistance that exist in the transformation of the capacity to work into actual work. The disjuncture between the study of these “shop floor” dynamics and structural political economy analysis, termed the “connectivity problem,” has led LPT theorists to engage with literatures on both financialization and global value chain analysis.

Initial work by LPT scholars on financialization took the appearances of the phenomenon as the given context in which changes to labor processes were to be understood. This transformation, documented in a rich diversity of case studies, involves an increasing squeeze on labor, increased work insecurity and intensification, strengthened punitive performance regimes, and reinforced market discipline and attitudes (Cushen and Thompson 2016). However, in terms of financialization theory, it is the other side of the labor process-financialization dialectic that is of particular interest, that is, what do changes in labor processes tell us about the emergence of financialization? This has begun to be addressed in recent LPT engagement with global value chain (GVC) analysis.<sup>6</sup>

Milberg and Winkler were the first to explicitly introduce this lens into an analysis of financialization (Milberg 2008; Milberg and Winkler 2010, 2013). They argued that US firms have generated an increasing share of their profits from high markups.<sup>7</sup> These markups were facilitated by their powerful position within global supply chains. A key component of corporate strategy has been to manage global production networks, through complex combinations of subsidiaries, outsourced partners, and offshore tax structures in order to capture rents from oligopolistic power. Rather than reinvesting these profits in core activities, Milberg and Winkler contend that firms pay higher dividends, buyback shares to drive up stock prices, and pursue mergers and acquisitions.<sup>8</sup>

In Marxist labor value terms, Chesnais (2016:166) argues that the additional profits emanate from the “trend towards a global homogenisation of productivity levels through the diffusion of equipment, technology and on-site management methods, while the socio-political context is that of strong or very strong national differences in necessary labor time.” While GVC analysis implies that additional value is created (“added”) and ultimately realized at each step in the chain, both Kaleckian and Marxian analysis highlight the fact that while nearly all of the value may be created in one location, it may be captured somewhere entirely different. However, while the Kaleckian analysis emphasizes core firms’ monopsony power vis-à-vis other firms in this process, the Marxian analysis identifies the central role of labor exploitation.<sup>9</sup>

Labor process theorists further argue that the expansion of GPNs allows lead firms to secure strategic assets including “technology, human resources, forms of production organization, intellectual property, and marketing and design” (Parker, Cox, and Thompson 2018:4). Capture of these assets allows the formation of barriers to entry and the extraction of technological and financial rents (Aguiar de Medeiros and Trebat 2017: 401). Lead global firms profit from management fees charged for the trading of intangible

services (Serfati 2011), and the use of branding, design, and marketing (Froud et al. 2012; Soener 2015). Those countries that host apex firms are able to capture a greater share of overall value added (Aguar de Medeiros and Trebat 2017:406). Critical to this story, though greatly complicating its empirical study, is the use by TNCs of tax havens (Zucman 2013). Shifting tax burdens to low-tax regimes, made possible by intra-firm transfer pricing across borders, has incentivized greater engagement by those same firms in financial activities.

## 4. Toward a Marxist Theory of Financialized Capitalism

We previously argued that a Marxist understanding of financialization should be consistent with historical materialist methodology. It should be mindful of the level of abstraction in analysis, separating appearance and essence. In its attempt to reveal the essences of the phenomenon, it should be able to accommodate overdetermination and contingency. As it tries to theorize these essences, there must be a prominent role for class struggle, as well as changes in the forces and relations of production. Finally, it must be an understanding that embraces dialectics and the concept of emergence.

Some of the confusion around the concept of financialization emanates from the conflation of distinct but related phenomena. As a cyclical process within the capitalist mode of production, financialization (broadly understood as an increase in interest-bearing and/or fictitious capital) ebbs and flows. In the twentieth century, financialization has characterized both the inter-bellum up until the Great Depression and the late neoliberal period. Within and around this longer cycle, there are numerous smaller financial epicycles whose spatial reach and impact are linked to context-specific changes in institutions such as land, housing, and securities markets and their regulation. These epi- and metacycle peaks (and valleys) are amplified by the speculative dynamics of the ceaseless attempt by finance to escape the constraints of the production and realization of surplus value, what Rotta and Teixeira (2016) describe as the “autonomization” of abstract wealth. As these constraints are ultimately inescapable, these processes of financialization will *necessarily* be followed by periods of de-financialization. The decline in household indebtedness in the United States from historically high levels is only one example of this retreat (Lapavistas and Mendieta-Munoz 2018).

However, underlying these cyclical processes there has been a secular shift in the role of finance in the period of late neoliberalism. This shift marks the emergence of a new stage of what can be called financialized capitalism, distinct (but intertwined with) processes of financialization. It is not the place here to engage in a long discussion of Marxist stage theory (for an overview see McDonough 1995). Finance has always played a role in capitalist accumulation, so any argument that financialized capitalism represents a distinct stage must answer the question: “What is different now?” One possible answer to this question builds upon the theory of the internationalization of the circuits of capital. The breakdown of the postwar model of accumulation was followed by a period of rapid



liberalization of trade and financial flows, inaugurating a new period in the development of the world market. Hymer described the evolving interlocking system of world capital and world labor into an integrated worldwide structure as one that “completely changes the system of national economies that has characterized world capitalism for the past three hundred years” (1972:92). Key in this transformation is the role of MNCs, pulled by opportunities for expanded markets and the prospects of cheaper labor, and pushed by oligopolistic competition. The financing needs of these large enterprises fed the expansion of international banking and the development of international capital markets.

As a result of these changes, it is increasingly the case that the passage of capital through its various forms—from money capital to productive capital to commodity capital, and back again—can not be realized within a single capitalist social formation, or nation-state. As argued by Palloix (1977:20), “the commodity can only be conceptualized, produced and realized at the level of the world market.” Whereas the process of the internationalization of capital had previously been limited to the circuits of commodity capital and money capital, it now for the first time includes the internationalization of production.

Palloix argued that there are two aspects to the internationalization of capital: a functional one and a structural one. The functional character of internationalization includes the purchase of cheap labor and means of production from around the globe and the realization of profits on a world level by the multinational firm. But Palloix cautions that the multinational firm is only the *form* that the internationalization of capital assumes. The structural character of the internationalization of capital relates to the fact that that these dynamics tend toward both an equalization of the conditions of production and exchange but at the same time to a differentiation of these same conditions in relation to the aim of the production process, which is the extraction of surplus value. An important implication of this differentiation is that international value is chaotic, constantly negated and reborn. From this arises the difficulty in standardizing international rates of profit, giving “free rein to the international differentiation of rates of profit among the more or less hegemonic strata of capital and to their engagement-disengagement in different industrial and financial branches” (1977:24).

The engagement of labor process theorists with global production network analysis has, some four decades later, picked up where Hymer and Palloix left off; shedding light upon precisely the processes by which hegemonic strata of capital have sought to exploit the internationalization of capital and the key role played by finance therein. These processes are not trans-historical or even less teleological abstract logics of a capitalist world system: they have been driven by and are contingent upon the specific actions of states and their capitalist classes. As summarized in the previous section, LPT theorists have begun to document the specific processes whereby MNCs have structured GPNs in such a way as to exploit differences in necessary labor time and erect barriers to entry through the capture of strategic assets.

Finance has both supported this process and exploited it. Financial institutions, instruments, and processes have supported: the *expansion* of the circuit of capital into new areas of social and economic life (Bellofiore 2011; Huws 2014); the spatial *extension* of the circuit of existing commodified relations; and the *intensification* of exploitation through temporal compression (Jessop 2016:191; Lysandrou 2016; Passarella and Baron 2015). In the context of a global system of complex production networks, price and counterparty risks have proliferated, and non-financial corporations have engaged in an increasing range of financial instruments and processes. While the speculative excesses of finance that have accompanied this transformation abound, the key point here is that those excesses are by their very nature short-lived, while the emergence of a qualitatively different role for finance represents a structural shift emblematic of a new stage. Finance is providing a system of discipline and control necessary for capital accumulation in an era of globalized production networks. There will be no easy way to put this genie back in the bottle.

## 5. Conclusion

Historical materialism provides the scaffolding upon which Marxist work on financialization must be built. This encourages an attempt to disentangle appearance and essence, seeks to avoid confusion over the level of abstraction of the analysis, and embraces the dialectical nature of finance. An understanding of labor as the source of value, the importance of class and the relations of production, and the need to understand the place of the particular in the totality flows from this approach.

The literature on financialization, Marxist and otherwise, has expanded rapidly in recent years. Characteristic empirical features of financialization at the macroeconomic level, and their variegation across different institutional contexts, have been documented. This work has been complemented by a rich and diverse literature at the meso and micro levels examining how processes of financialization have manifest in the transformed behavior of firms, states, and households, as well as in the changing mode of provision of erstwhile public services and the appropriation of the commons. But in the growing diversity of the literature there comes the risk that financialization will become a meaningless term (“take x, add finance”), used more to obfuscate than to illuminate.

It was argued that existing Marxist attempts to theorize the essences of the phenomena are unsatisfactory. Two suggestions were made in the spirit of advancing this project. First, financialization as cyclical process must be disentangled from financialized capitalism as secular stage. Much of the literature on the appearances of the phenomena is focused on the former. Empirical evidence of the retreat of those manifestations does not then invalidate *prima facie* the existence of the latter. Second, it was suggested that the emergence of financialized capitalism as a new stage within mature capitalism, is linked with the central role of finance in the internationalization of production. While superficially this bears some resemblance to orthodox narratives of financial deepening, it differs importantly in its dialectical understanding of the impact of the expansion,

extension, and intensification of capital accumulation. Moreover, unlike conventional narratives that attempt to justify the growth of finance and financial profits by the contribution of finance to value added, an understanding of financialized capitalism clarifies the role of finance in facilitating the exploitation of labor in global production networks where value is created and then realizing this value in the sphere of circulation.

This theory of financialized capitalism suggests a number of avenues for further research. The disentangling of cyclical processes and secular phenomena that have been necessarily conjoined and conflated during the upswing of financialization requires both theoretical argument and empirical observation. This needs to be carefully disaggregated by sector and within sectors, respecting institutional context and history. The particular contribution of the internationalization of production requires detailed study of the location and identification of the creation, transfer, and appropriation of surplus value in global production networks. The relationship of other appearances of financialization to this element requires advances in both theory and empirical work. While daunting, such an agenda is necessary if we are to make sense of the proliferation of work that goes under the heading of financialization; without it the term risks degenerating into incoherence.

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### Notes:

<sup>(1)</sup> The treatment herein privileges analyses emanating from Marxist traditions, but does not hesitate to draw insight from other schools of thought that can enrich a Marxist understanding.

<sup>(2)</sup> A rich resource of scholarship is available on the FESSUD website ([fessud.eu](http://fessud.eu)) with over 200 working papers gradually making their way into journals.

<sup>(3)</sup> Original credit for this concept should be given to Rosa Luxemburg (2003 [1913]).

<sup>(4)</sup> Though it is beyond the scope of this chapter to enter this debate in any detail, empirical disagreements include, but are not limited to, questions such as: should the unit of analysis be strictly non-financial corporations or both non-financial and financial corporations? Indeed, should so-called unproductive industries be excluded altogether financial or otherwise? Should capital stock be valued at historic or current cost? Should financial assets be included in the denominator, or financial incomes/expenses in the numerator? Should profits of corporations from production abroad be included? See Basu & Vasudevan (2013) for a good summary of the literature.

<sup>(5)</sup> See also Bakir (2015), who argues that the inclusion of financial incomes and expenses in the numerator leads to a falling "enhanced" rate of profit.

<sup>(6)</sup> While GVC studies have been criticized for a lack of understanding of the role of labor in the creation, capture and distribution of value (Newsome et al. 2015), Marxist-influenced global production network (GPN) analysis has an explicit focus on questions of value creation and power (Coe and Yeung 2015).

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(<sup>7</sup>) This is based on Kaleckian markup pricing theory (Kalecki [1965] 2009) that holds that the markup is a function of the degree of monopoly determined by such factors as industrial concentration, sales promotion, trade union strength, and technology.

(<sup>8</sup>) Milberg and Winkler's econometric evidence (2013:229) linking financialization (proxied by dividend payments, share buybacks and net interest payments of publicly listed companies in the United States) with offshoring (services and materials offshoring intensity by sector) is mixed. Auvray & Rabinovich (2017) find that US non-financial firms belonging to sectors with high levels of offshoring in non-core activities are more likely to be financialized, with the assumption that the higher profit levels resulting from entry into GVCs have funded a "downsize and distribute" strategy. Durand and Gueuder (2016) find that what they call the "globalization narrative," proxied by imports from developing countries as a share of GDP, has the most explanatory power over falling investment as a share of profit in a group of OECD countries. Case studies providing micro- or sectoral evidence are, to date, limited (Baud and Durand 2012; Montalban and Sakinç 2013).

(<sup>9</sup>) Smith (2011:35) argues that the rate of exploitation of workers in the global south is higher ("super-exploitation") because the value of labor power is depressed to a "small fraction" of that in advanced economies. He argues that financialization is "to a significant extent a materialization of surplus value extracted from super-exploited workers in low wage countries." (2016:299).

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## Oxford Handbooks Online

### **Metabolic Rifts and the Ecological Crisis**

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### **Abstract and Keywords**

In analyzing the relations between human societies and the larger biophysical world, Karl Marx employed a dialectical triadic scheme of “the universal metabolism of nature,” the “social metabolism,” and the metabolic rift. He incorporated this metabolic approach within his critique of political economy, allowing him to assess the historical interchanges and interpenetrations of society and ecological systems. Given its endless pursuit of accumulation, capitalism imposes its demands on nature, increasing pressures on ecological systems and the production of wastes. It generates distinct metabolic rifts (ruptures) in natural cycles and processes. Marx specifically developed this approach in his critique of capitalist agriculture, with regard to how this system created an ecological rift in the soil nutrient cycle. Contemporary scholarship has drawn upon this work to examine a broad array of ecological contradictions, which are culminating in an ecological crisis.

Keywords: Marx, ecology, environmental degradation, metabolism, nature

The Anthropocene is marked by a great acceleration in human impacts on the Earth System, undermining the conditions that have long supported life (Crutzen and Stoermer 2000). Climatologists warn that failure to reorganize human society and its interactions with the larger biophysical world will lead to runaway climate change, as the accumulation of carbon dioxide and other greenhouse gases from anthropogenic sources triggers feedbacks—such as the thawing of permafrost, the dieback of the Amazonian rainforest and Boreal forests, and the diminished capacity of carbon sinks—that will hasten warming, leading to “Hothouse Earth” (Steffen et al. 2018). In addition to climate change, the planetary boundaries are being transgressed on multiple fronts, including increasing ocean acidification, stratospheric ozone depletion, the rupture of the nitrogen and the phosphorus cycles, the degradation and pollution of global freshwater, and the amplification of biodiversity loss (Barlow et al. 2018; Rockström et al. 2009). Clive

Hamilton and Jacques Grinevald (2015:67) note that these factors signify a “anthropogenic rift in the natural history of planet earth.”

Karl Marx developed a sophisticated metabolic analysis for assessing socioecological relationships and conditions. His materialist conception of history was undergirded by a materialist conception of nature, serving as a basis for a unified socioecological critique of the capital system (Foster 2000). He embedded the socioeconomic system in the larger biophysical world and explicitly studied the interchange of matter and energy between the environment and society (Foster and Burkett 2016). Paying particular attention to scientific debates and discoveries, Marx (1975a:209; see also Marx [1861–1863] 1975b: 553) incorporated the concept of metabolism into his critique of political economy, explaining that it denoted “the ‘natural’ process of production as the material exchange [*Stoffwechsel*] between man and nature.” He explained that there is a necessary “metabolic interaction” between humans and the earth and that labor serves as “a process between man and nature, a process by which man, through his own actions, mediates, regulates and controls the metabolism between himself and nature” (Marx [1887] 1976:283). Marx’s groundbreaking analysis on this front involves a triadic scheme, consisting of “the universal metabolism of nature,” the “social metabolism,” and the metabolic rift (Foster and Clark 2016).

“The universal metabolism of nature” consists of specific cycles and processes within the broader biophysical world that produce and regenerate ecological conditions (Foster 2013; Marx [1861–1863] 1975b:54–66). Human societies and all life in general exist within, depend on, and interact with this earthly metabolism. Marx avoided subsuming society into nature, as well as vice versa, in order to avoid “the pitfalls of both absolute idealism and mechanistic science” (Foster 2013:8). Through their productive lives and activities, humans create a social metabolism between themselves and the rest of nature—both the macrocosm and the microcosm (e.g., the human microbiome)—which requires interchange of matter and energy (Friedman 2018). Thus, the social metabolism of humans takes place in relation to the universal metabolism of nature. This interaction is shaped by the historically specific political-economic organization of labor and production of society. Marxist philosopher István Mészáros (1995) explains that each mode of production generates a distinct social metabolic order that influences the interchange and interpenetration of society and ecological systems. Thus, the social metabolism under capitalism materializes in a manner unlike other previous socioecological systems (i.e., it takes an alienated form). The practical activities of life are shaped by the expansion and accumulation of capital. As Sweezy (2004:86–93) explained, in their “pursuit of profit ... capitalists are driven to accumulate ever more capital, and this becomes both their subjective goal and the motor force of the entire economic system.” The demands of capital are imposed on nature, increasing the pressures placed on ecological systems and the production of wastes, generating distinct metabolic rifts (or ruptures) within both the social metabolism itself and the wider universal metabolism, consisting of various natural cycles and processes.

# 1. Historical Development

In developing his metabolic analysis, Marx drew on a long scientific and intellectual history. In the early nineteenth century, physiologists introduced the concept of metabolism to examine the biochemical processes between a cell and its surroundings, as well as the interactions and exchanges between an organism and the biophysical world. The physician Roland Daniels, who was Marx's friend and comrade, extended the use of metabolism to whole complexes of organisms, foreshadowing its application in ecosystem analysis (Saito 2014). While his work was not published during his lifetime, he shared his ideas with Marx and others. His broad idea represented what would become the basis for examining the metabolic relations and processes at higher levels of organization and interdependency.

The German soil chemist Justus von Liebig (1859) also helped generalize the concept of metabolism, using it to examine the exchange of nutrients between Earth and humans. In order to produce crops, soil must contain essential nutrients—such as (but not limited to) nitrogen, phosphorus, and potassium. As plants grow, they take up these nutrients. Liebig determined that the long-term productivity of the soil demanded following the “law of compensation” or law of replacement, whereby the nutrients that are removed from the land must be restored (Liebig 1859:254-255, 1863:233). He pointed out that British high-farming techniques constituted a “robbery system,” stealing nutrients from the soil, contributing to despoliation of the earth (Foster and Clark 2018; Liebig 2018). Horrified by the scale of soil degradation, Liebig (1859:130-131) exclaimed, “Truly, if this soil could cry out like a cow or a horse which was tormented to give the maximum quantity of milk or work with the smallest expenditure of fodder, the earth would become to these agriculturalists more intolerable than Dante's infernal regions.”

Drawing on this work, Marx developed a broader metabolic analysis, which he demonstrated in his critique of capitalist agriculture. He recognized that soil fertility was influenced by the historical development of socioecological relations. For example, in many precapitalist societies, particularly in Europe, farm animals were directly incorporated into agricultural production. They were fed grains from farms, and the nutrients, in the form of manure, were actively reincorporated into the soil as fertilizer. Also, people who lived in the countryside or near production sources primarily consumed the food and fiber, and local nutrient cycling was a regular practice.

Marx explained how this particular metabolic interchange was reconfigured in large part by the enclosure movement, the division between town and country, the property rights associated with the capital system, the new industrial systems, the drive to maximize profits, and the application of novel agricultural techniques and practices. Food and fiber were increasingly shipped to distant markets, transferring the nutrients of the soil from the country to distant cities, where they accumulated as waste rather than being returned to the soil (Angus 2018; Clark and Longo 2018). The application of industrial power increased the scale of operations, transforming and intensifying the social metabolism while exacerbating the depletion of the soil nutrients. Marx ([1887] 1976:637-638)



explained that capitalist agriculture progressively “disturbs the metabolic interaction between man and the earth,” preventing the “return to the soil of its constituent elements consumed by man in the form of food and clothing; hence it hinders the operation of the eternal natural condition for the lasting fertility of the soil.... All progress in capitalist agriculture is a progress in the art, not only of robbing the worker, but of robbing the soil; all progress in increasing the fertility of the soil for a given time is progress towards ruining the more long-lasting sources of that fertility.... Capitalist production, therefore, only develops the technique and the degree of combination of the social process of production by simultaneously undermining the original sources of all wealth—the soil and the worker.”

In other words, the social metabolic order of capital progressively violated the earthly metabolism—in this case the law of compensation—creating a metabolic rift in the soil nutrient cycle (Foster 2000).

This ecological rift impoverished rural lands, creating an environmental problem for European societies in the 1800s. The nutrients were washed to sea, as it was not profitable to capture and return them to the countryside. Thus, other means were sought to replenish the land with needed nutrients. Bones from battlefields across Europe and from the catacombs in Sicily were ground up and spread across agricultural land (Mårald 2002:74). Between 1840 and 1880, millions of tons of guano and nitrates from Peru and Chile were shipped to Great Britain and other countries in the Global North. During these decades, Peruvian guano was the most prized fertilizer, given the concentration of nutrients and its ability to enrich fields (Clark and Foster 2009). In 1890, Egyptian mummified cats, which were pulverized into powder, were used as fertilizer for English farms in an attempt to compensate for some of the loss nutrients (Kahn 2015; Strange History.net 2013). Just prior to World War I, the process for producing nitrates by fixing nitrogen from the air was developed, allowing for the large-scale production of synthetic fertilizer. However, given the growth imperative of capital, the failure to recycle nutrients, and the ongoing intensification of agricultural practices, the metabolic rift in the soil nutrient cycle remains a persistent problem (Magdoff 2011; Mancus 2007).

## 2. Contemporary Influence

Del Weston (2014:66), in *The Political Economy of Global Warming*, proposes that the “metabolic rift is at the crux of Marx’s ecological critique of capitalism, denoting the disjuncture between social systems and the rest of nature.” Marx’s triadic scheme of “the universal metabolism of nature,” the “social metabolism,” and the metabolic rift has served as the foundation for important ecosocialist scholarship over the last two decades, addressing both historical and contemporary environmental problems. Research on food production highlights how the social metabolic order of capital has further intensified the social metabolism—often through technological development to enhance economic efficiency—exacerbating existing and creating additional ecological rifts. Growth hormones in animal feed are used to accelerate the development of cows and chickens

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(Heffernan 2000; Longo, Clausen, and Clark 2015; Weis 2007). Concentrated animal feeding operations separate animals from pasture, as well as fish from marine systems. Feed is grown on distant land, or captured at sea, and transferred to animal production sites. Animal wastes, including important soil nutrients, accumulate in cesspools, polluting water systems (Clausen and Clark 2005; Edwards and Driscoll 2009; Longo, Clausen, and Clark 2014; Weis 2013). These operations enhance the ability of corporate enterprises to control the entire life cycle of animals in an attempt to decrease the time between birth and slaughter. At the same time, these enterprises increase commodity production but, more importantly, increase value. Factory farms require massive amounts of animal feed, growth hormones, and antibiotics. They also generate enormous quantities of waste not readily reincorporated into ecosystems (Gunderson 2011). Essentially the life cycles of plants and animals are increasingly geared to market cycles. Production practices such as these increase the amount of matter and energy required to maintain this food system.

Marxist metabolic research has examined how the social metabolism of capitalism is associated with specific environmental problems, including climate, oceanic, hydraulic, and forest systems (Austin and Clark 2012; Clark and York 2005; Longo 2012; Longo and Clark 2016). For example, capitalist growth has been dependent on burning massive quantities of coal, natural gas, and oil (Clark and York 2005; Foster and Clark 2012). This process has resulted in breaking the solar-income budget, releasing enormous quantities of carbon that had been sequestered. At the same time, consequent growth-driven, ecological degradation (e.g., deforestation) substantially reduces carbon sinks, further contributing to the accumulation of atmospheric carbon dioxide, resulting in a carbon rift that exacerbates human-caused climate change. As the growth imperative of capitalism intensifies the social metabolism, without any regard for natural limits, socioecological rifts are created within specific natural cycles and systems. Even in overlooked realms, such as marine systems, the social metabolism of capitalism is altering ecosystem dynamics and life cycles. For instance, capital accumulation processes have been demonstrated to play a primary role in the structure and function of the fishing industry on a global scale. Capitalist economic forces have led to fish being harvested at a rate faster than they can reproduce and, at times, to the collapse of fisheries (Longo 2012; Longo, Clausen, and Clark 2015).

The intensification of the social metabolic order of capital demands more energy and raw materials, generating an array of ecological contradictions and rifts (Burkett 2006; Foster, Clark, and York 2010). Technological innovation plays a crucial role in capitalist development as it helps rationalize the labor process and reduce costs via automation. New technologies often make energy and raw material usage more efficient, but this innovation does not necessarily lower the overall demands placed on the biophysical world. In fact, more efficient resource usage often increases aggregate consumption of that particular resource—creating a socioeconomic dynamic known as the Jevons paradox, named after the nineteenth-century economist William Stanley Jevons (Clark and Foster 2001; Jevons [1865] 1906; Polimeni et al. 2008). In *The Coal Question*, Jevons noted this paradoxical relationship, whereby increased consumption outstrips gains made

in energy efficiency. Ecosocialist scholars explain that efficient operations produce savings, which are used to expand investment in production and thereby promote increased production and consumption, and accordingly total energy consumed, raw materials used, and carbon dioxide produced (Foster, Clark, and York 2010; York 2010). The Jevons paradox is a product of capitalist social relations. It illustrates that purely technological means cannot solve ecological problems.

As a dynamic system, capitalism confronts environmental obstacles—such as a shortage or exhaustion of particular resources—through a series of shifts and technological fixes to maintain its expansion. Here environmental constraints are addressed by incorporating new resources into the production process, changing the location of production, or developing new technologies to increase efficiency. Rather than solving ecological rifts, such shifts generally create new cumulative problems, generating additional disruptions in the conditions of life, often on a larger scale (Foster, Clark, and York 2010). Currently, the drive for capital accumulation is disrupting the planetary metabolism at cumulatively higher levels, creating a collapse in biodiversity, and propelling the earth into a “Hothouse” state. In this, the alienated social metabolism of capital is creating potentially irreversible, catastrophic impacts, which are undermining the conditions of life.

It is dramatically clear that revolutionary transformation in the socioeconomic relationships that govern our productive lives is necessary. Associated producers must regulate the social metabolism in accord with the requirements of the universal metabolism of nature, while fulfilling human needs in a sustainable fashion. Here socioeconomic relations and production can be directed toward metabolic restoration—and the creation of an unalienated world of sustainable human development.

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## Oxford Handbooks Online

### Global Capital Accumulation and the Specificity of Latin America

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### Abstract and Keywords

This chapter addresses the theme of Latin America and its relationship with the works and ideas of Karl Marx from three different angles. First, it offers an overview of the textual evidence of the scattered passages in which Marx comments on the realities of Latin American countries. In the second place, it provides a critical review of the major controversies around Marx's direct references to this region's societies among Latin American Marxist scholars. Lastly, it discusses the original and creative work by Latin American authors that, taking Marx's mature critique of political economy as presented in the *Grundrisse*, the 1859 *Contribution* and *Capital* as point of departure, have attempted to develop it further in order to provide a rigorous account of the specificity of capital accumulation in Latin America through the systematic categorial unfolding of the determinations of the value-form (i.e., through the worldwide uneven development of the "law of value").

Keywords: Karl Marx, Latin America, global capital, law of value, uneven development

The theme of Latin America and its relationship with the works and ideas of Karl Marx has been broadly approached from four different angles. First, there has been philological research and textual analysis of the scattered passages in which Marx comments on the realities of Latin American countries and the controversies around them among Marxist scholars. Secondly, one can find historiographic debates over the *problématique* of the mode of production that gave shape to colonial Latin America. Thirdly, some Marxist scholars developed radical critiques of mainstream theories of development that attempted to account for the phenomenon of the so-called underdevelopment of capitalism in Latin America, mostly associated with "sociological" versions of dependency theory. Lastly, there has been original and creative work by Latin American authors that, taking Marx's mature *critique of political economy* as presented in the *Grundrisse*, the 1859 *Contribution* and *Capital* as point of departure, have attempted to develop it further in order to provide a rigorous account of the specificity of capital accumulation in Latin

America through the systematic categorial development of the determinations of the value-form (i.e., through the worldwide unfolding of the “law of value.”)<sup>1</sup>

This chapter offers a critical overview that focuses on the controversies surrounding Marx’s texts on Latin America and “value-theoretic” analyses of uneven development in the region, with only brief reference to the other two literatures. Length constraints aside, the main reason for this is that the former are the works that draw *direct* inspiration from Marx’s own writings. By contrast, the other two approaches have a more indirect and derivative connection to Marx’s own works; as a matter of fact, their more immediate intellectual influence can be tracked down to the works of later Marxists, whether the Marxist orthodoxy crystallized out of the Second International, the Althusserian critical reaction to the latter, or “classical” theories of imperialism (e.g., Lenin, Luxemburg, Bukharin).

### 1. Brief Overview of Marx’s Texts on Latin America

Until the early 1970s the prevailing assumption among scholars was that there were very few texts in which Marx directly referred to the realities of Latin American societies. This was sometimes interpreted as an expression of what Regis Debray (1975) bluntly characterized as an “outright indifference” on Marx’s part to the world-historical significance of the region. This view started to change with the publication of a collection of materials on Latin America from Marx’s writings by the radical publisher *Pasado y Presente*, under the editorship of Pedro Scaron (Marx and Engels 1972).<sup>2</sup> As Scaron (1972 :5) puts it in the introductory essay, Marx (and/or Engels) made numerous comments on Latin American realities, although he acknowledges that even if more abundant than usually assumed, they nonetheless represent a very minor proportion of their complete works. In fact, they are relatively scarce even in comparison with Marx’s engagement with the realities of other “peripheral” countries such as India, Russia, or Spain (García Linera 2009b:53). Moreover, these passages tend to be unsystematic or scattered, and a large number of them appear in journalistic writings or in personal correspondence, rather than in Marx’s major theoretical works. Still, they do form a “critical mass” that, for better or worse, provided sufficient material from which many Latin American Marxist scholars have drawn inspiration to inquire into the societies of this region and their historical dynamics.

Following Scaron’s organization of these texts, Marx’s references to Latin America can be *thematically* grouped as follows. A first set of fragments refer to “Indigenous America,” and they can all be found in the different “mature” versions of the critique of political economy (the *Grundrisse*, the *Contribution to the Critique of Political Economy*, and *Capital*). However, they mostly consist of brief, in-passing references that do not form the focus of Marx’s analysis. In general, they usually revolve around the contrast between modern capitalistic society and pre-capitalist forms of the human social reproduction process, in order to throw the former’s historicity into relief. Thus, Marx tends to note the



absence or marginal and rudimentary development of the commodity and money forms (Marx [1867] 1976b:182; Marx [1885] 1978:196, 226; Marx [1858] 1987b:464; Marx [1859] 1987c:299; Marx [1857/1858] 1993:102, 168, 237, 239, 473, 490, 833, 837). Although not included in Scaron's edited volume, one could also include under this heading Marx's discussion of communal property forms in pre-Columbian Latin America from his notes on Kovalevsky's *Communal Landownership* contained in his 1879–1882 excerpt notebooks (Anderson 2010; García Linera 2009b).<sup>3</sup>

A second set of texts revolves around the “Discovery and Conquest” of the American continent and, relatedly, around “Gold and Silver.” These passages tend to bring to light the role of Latin America's colonization (particularly by virtue of the local availability of vast auriferous and argentiferous resources) as a powerful spur in the formation of the world market and the primitive accumulation of capital—and hence in the dissolution of feudal social relations across the globe (Marx [1867] 1976b:915; Marx and Engels [1845] 1976a:69–70; Marx and Engels [1848] 1976b:485; Marx [1858] 1987b:435–436, 439–440; Marx [1859] 1987c:388; Marx [1894] 1991:450).

In the third place, there are Marx's comments on “Slavery in the Americas” and on “Peonage and work in the mines.” In actual fact, the former passages tend to address the question of plantation slavery in the United States and the Caribbean, usually emphasizing the “intrinsic connection” between the consolidation of slavery in the New World and the development of modern industry in England (Marx [1858] 1968:191–196; Marx [1846] 1975:95; Marx [1847] 1976a:167–168; [1867] Marx 1976b:571, 924; Marx and Engels [1850] 1978a:501; Marx [1857–1858] 1993:98, 513). The implications for Latin America are self-evident. As for Marx's very brief and scarce fragments on debt peonage and work in the mines, they include a letter to Kugelmann (Marx [1867] 1987a:442) and a couple of passages from Volume I of *Capital* (Marx [1867] 1976b:271, 718). Again, however, there are a number of references to the concrete forms taken by Spanish colonialism in the New World in the 1879–1882 excerpt notebooks, in which Marx generally stresses the brutality of the forms of exploitation of Amerindians, for instance, through the *encomiendas* system (Anderson 2010:220–222).

Finally, Marx's most extensive engagement with Latin America can be found in a series of texts which deal with the topics of “Independence,” on the one hand, and with the “Mexican War” with the United States (between 1846 and 1848) and the “Intervention of ‘Juarist’ Mexico” by Spain, France and England (between 1861 and 1867), on the other. Regarding the texts on national independence in Latin American countries, they mostly consist either in passages from journalistic articles on “The Revolutionary Spain” published in the *New York Daily Tribune* in 1854 (Marx [1854] 2009), or in entries that Marx and Engels contributed to the *New American Cyclopaedia* that appeared between 1857 and 1858. Among the latter, a biographical article on Simón Bolívar stands out, both for its more detailed and substantive engagement with the realities of Latin America and for the subsequent controversies to which it gave rise among Marxists (Marx [1858] 2014:103–115).<sup>4</sup> For its part, Marx and Engels's engagement with the American intervention in Mexico mainly appears in journalistic articles that were published in the *Deutsche*

*Brüsseler Zeitung* in 1848 (Engels [1848] 1976), in the *Neue Rheinische Zeitung* between 1849 and 1850 (Engels [1849] 2010b; Marx and Engels [1850] 1978a; Marx and Engels [1850] 1978b), in the *New York Daily Tribune* in the early 1850s (Engels [1851–1852] 1979) and in *Die Presse* in 1861 (Marx [1861] 2010a). As for the writings dealing with the joint Spanish-English-French intervention of Mexico in the 1860s, they chiefly comprise a comparatively important number of pieces dating from 1861 and 1862, which were published in *Die Presse* and *New York Daily Tribune*, and in which Marx offers extensive commentary on the armed conflict unleashed by the military campaign in Mexico undertaken by the aforementioned three European countries (Marx [1861] 2010b, Marx [1861] 2010d). Now, since these latter texts on “Independence,” “The Mexican War,” and “The Intervention in Mexico” have been at the heart of the debates generated around Marx’s comments on Latin America, they shall now be examined a little closer.

As previously stated, the fundamental primary source on Marx’s engagement with the attainment of independence by Latin American countries is a biography of Simon Bolívar that appeared in *The New American Cyclopaedia* in 1858. At first sight, the content of the text itself seems quite unremarkable and of little scientific value. It is a rather descriptive account of Bolívar’s political and military endeavors throughout his lifetime as “liberator” of Venezuela (and South America more broadly) “from the Spanish yoke.” However, the text is written with undoubtedly hostile overtones, through which Marx seems to be willing to unmask and overthrow the mythical figure of Bolívar as regional hero and political-military leader (for instance, by pointing to the cowardice that he tended to display in battle). More specifically and, as we shall see, of special significance for the subsequent debates that this biography would trigger among later Marxist scholars, at one juncture Marx refers to Bolívar as “the Napoleon of the retreat” (Marx [1858] 2014: 109).<sup>5</sup>

Even if found in journalistic articles or letters, Marx’s commentary on the two foreign interventions in Mexico involves a relatively more direct and substantial analysis of the social realities of Latin American nations. Concerning the American intervention of Mexico, which would end up in the annexation of Texas to the former’s national territory, the main source for Marx’s views of the subject is actually an article signed by Engels on “The Movements of 1847” which appeared in the *Deutsche Brüsseler Zeitung* (Engels [1848] 1976). However, as Veraza (2012:440) points out, the text’s authorship has been persuasively attributed to Marx (or, at any rate, even if it were Engels’s, it seems uncontroversial that Marx would have agreed with its content). In that article, Engels (and/or Marx) states, with reference to the American invasion of Mexico, not only that they “have rejoiced at it,” but that, from an objective world-historical viewpoint, it meant “an advance when a country ... perpetually rent with civil wars, and completely hindered in its development ... whose best prospect had been to become industrially subject to Britain ... is forcibly drawn into historical process. It is to the interest of its own development that Mexico will in the future be placed under the tutelage of the United States” (Engels [1848] 1976:527).<sup>6</sup>

Marx's assessment of the later military intervention of Mexico by Spain, France, and England was altogether different. Right from the outset in the 1861 article in the *New York Daily Tribune*, he considers the prospects of invasion of Mexico by the three European countries as "one of the most monstrous enterprises ever chronicled in the annals of international history" (Marx [1861] 2010d:71). Moreover, in a companion piece that appeared in *Die Presse* around the same time, he depicts the whole expansionist expedition as an attempt to apply to "the states of America through a new Holy Alliance the principle according to which the Holy Alliance held itself called on to interfere in the internal governmental affairs of the countries of Europe" (Marx [1861] 2010b:69). As for its underlying true objective, Marx further submits that the invasion aimed at taking advantage of the favorable political conjuncture associated with the American Civil War, so that European monarchies would set a juridical precedence against the continued validity of the Monroe Doctrine in international law. And with regard to the prospects in Mexico as a result of the European intervention, Marx states that it will most likely mean the restoration of anarchy in the Latin American country, precisely at a time when it had been actually receding. Still, despite this overall political denunciation of, an opposition to, the intervention in Mexico, it is rather clear that Marx's main concern and focus in all these writings is not the analysis of the economic and political situation in this country, but geopolitical international relations among European powers and between the latter (primarily England) and the United States. As Larrain succinctly observes, "the fate of Mexico itself seemed to be a secondary consideration" vis-à-vis Marx's "main concern to condemn the policies of Palmerton" (Larrain 1991:234).

In sum, even if unsystematic and scattered, there are various occasions in Marx's writings in which he reflects upon, or pays attention to, the realities of Latin American societies. However, it is also fair to conclude, as García Linera puts it, that those texts are for the most part descriptive or informative of concrete historical events and that there is no full article or significant piece of writing in which Marx critically examined the specificity of the economic structure and political forms prevailing in the region, with their particular contradictory foundations and historical modes of motion and development (García Linera 2009b:54). It is this "lacuna" which opened the space for the most disparate interpretations of the unity and implications of Marx's implicit perspective on the particularities of Latin America.

## 2. Controversies over Marx's Views of Latin America

Although the more heated debate would emerge after the publication of José María Aricó's in-depth study of the question in 1980 (Aricó [1980] 2010), Scaron's brief introduction to *Materials for the History of Latin America* (and also some of the extensive endnotes), already provided a critical reading of those seemingly unconnected and incidental passages in order to make sense of their overall underlying meaning (Scaron 1972:6–13).<sup>7</sup> In fact, even if no more than brief and tentative reflections, Scaron's

interpretation undoubtedly constituted a forceful influence on Aricó's more extensive and comprehensive study (Crespo 2014:xxiii), whose provocative reading can be encapsulated in the term that he used to describe what he saw as the difficult relationship between Marx and Latin America, namely, "disconnection" (*desencuentro* in Spanish) (Aricó [1980] 2014:chapter 7).<sup>8</sup>

According to Aricó, this *desencuentro* underlying Marx's (and Engels's) relative neglect of Latin America ("an evaded reality," as he puts it in the title of the opening chapter of his book) cannot be convincingly attributed to a supposed "Eurocentrism" on their part (Aricó [1980] 2014, chapters 2 and 3). Briefly, the alternative explanation offered by Aricó of Marx's inability to properly understand the peculiarities of Latin American reality and its historical potentialities revolves around two main arguments, one theoretical and one political (Veraza 2012:450–451). In the first place, Aricó blames what he sees as Marx's incomplete break with Hegel's view of the state; or rather, that he somehow remained trapped within the terms of Hegel's philosophy of right. This allegedly made Marx fall prey to an "inverted Hegelianism" (i.e., a mirror image of Hegel's "statist" perspective), according to which it is simply impossible for the state to act as demiurge or producer of civil society. Thus, in being at pains to reject Hegel's hypostatized conception of the state, Marx would have been left unarmed to understand the specificity of Latin American societies that, according to Aricó, consists precisely of the fact that in this part of the world social reality itself is "Hegelian." In other words, in this region of the globe civil society does not engender the state; it is the other way around: the state comes "first" and civil society (hence, implicitly, capital and social classes as its personifications) is a derivative phenomenon. In the second place, Aricó sees a political reason behind Marx's failure to come to grips with Latin America reality. More concretely, Marx's trenchant anti-Bonapartism would have led him to be suspicious of processes of national independence one-sidedly led by oligarchic elites, in the context of an incapacity of domestic popular classes to take active part in a project of "social regeneration" (i.e., of nation-building "from below") (Aricó [1980] 2014:45). In turn, according to Aricó, in order to explain this apparent weakness of "popular" classes in Latin America, an additional element comes into play: Marx's implicit recovery of Hegel's notion of "non-historic peoples," which would have been unearthed for the Latin American case despite the fact that it had been left behind for other "peripheral" societies after the 1850s (Aricó [1980] 2014:47–48).

Aricó's thesis would not go undisputed for very long. Already in the introduction to the first edition of *Marx and Latin America*, Franco (2014:XLV–XLVI) warns the reader that the charge of Eurocentrism against Marx and Engels cannot be so easily dismissed in the case of Latin America. More recently, García Linera has noted that Aricó's reading overlooks that Marx considered that the key element and "decisive factor" in an autonomous nation-building process was the "vitality of the masses," "the people in motion" (García Linera 2009b:60). And if Marx did not find this feature in the case of Latin American societies it was not because of his Hegel-infused "blindness" but because,

in actual objective reality, “empirically,” this “mass energy” did not exist as a generalised social movement (García Linera 2009b:61).

The most trenchant but also the most rigorous and sharp critical discussion of Aricó’s (and Scaron’s) reading of the connection between Marx and Latin America is that by the Mexican scholar Jorge Veraza (2012). Among the numerous other forceful criticisms developed by this author, Veraza challenges Aricó’s claims about Marx’s inability to come to grips with the “Hegelian” nature of Latin American social reality, according to which in this part of the world the state would be “prior” to, and hence producer of, a modern civil society. Against this view, Veraza argues that those “Bonapartist” political forms do not constitute the *essence* of Latin American reality but its *inverted form of appearance*, which Aricó, unlike Marx and from a clearly “politicist” and “culturalist” perspective (Veraza 2012:461), uncritically takes at face value (Veraza 2012:456). The state-form, Veraza continues, is for Marx the “transfigured political form of capital” (Veraza 2012: 458); a materialist approach should therefore actually search for its content in the concrete forms taken by the essentially global process of capitalist development in Latin America, and explain on that basis why they take an apparently Bonapartist political form. But this means that in order to shed light on Marx’s fragmented and incidental engagement with Latin American realities in those journalistic writings, letters, etc., the latter should be read in light of his systematic work in the critique of political economy (i.e., from the categorial and methodological perspective of *Capital*).

While I concur with the “spirit” of Veraza’s critique of Aricó, and also with his alternative strategy of trying to make sense of the underlying meaning and unity of Marx’s writings on Latin America on the basis of his mature work in critique of political economy, I think that he overstates the extent to which Marx himself developed in *Capital* all the more concrete mediations that would have allowed him to fully and consistently explain the specific economic and political forms taken by global uneven development in this region of the capitalist world market. The further systematic unfolding of the Marxian “law of value” for the comprehension of the specificity of capitalist has been nonetheless creatively done by later Latin American scholars. In the next section, I therefore turn to this later strand of Marxist literature that, albeit on the basis of the *general* categorial content and method of *Capital*, have moved beyond it in order to shed light on the *specific* forms taken by Latin American societies.

### 3. Uneven Global Capital Accumulation, the International Division of Labor and the Specificity of Latin America

In his overview of theories of imperialism, unequal exchange and dependency, Dussel ([1988] 2001:205–214) perceptively notes that most Latin American attempts to account for the phenomenon of global uneven development and its specific manifestation in the this part of the globe, whether debates on the mode of production prevailing in (or since)

colonial times (Frank 1969, Laclau 1971, Sampat Assadourian et al. 1986) or sociological critiques of mainstream development theories (Bambirra 1978, Cardoso [1977] 1979, Dos Santos 1978), have ultimately failed to go beyond explanations that either focus on the historical genesis of the “*differentia specifica*” of the region. At most, they simply provide descriptions of the outward “empirical appearances” of the mechanisms that reproduce the limited potentialities of capitalist development in these countries, without inquiring into its *fundamental determinants*.<sup>9</sup> In other words, Dussel’s argument goes, those approaches choose to follow a “phenomenal road” in which “not a single one of the essential categories of Marx’s critical political economic discourse is used” ([1988] 2001:211). By contrast, he claims, the critical-scientific explanation of the qualitative specificity of Latin American societies must be based on a methodologically rigorous systematic development of the form-determinations that shape the unfolding of the law of value on a global scale (Dussel [1988] 2001:209).

Among the few notable exceptions that do follow this latter road, Dussel mentions Ruy Mauro Marini’s pioneering and influential *Dialectics of Dependency* (Marini 1973), based on the essentiality of “super-exploitation” of labour as the distinguishing mark of Latin American national societies, and Kalmanovitz’s critique of dependency theory (Kalmanovitz 1986). Dussel himself puts forward his own idiosyncratic take on unequal exchange based on differences in the organic compositions of capital in the “centre” and “periphery” (an approach that he traces back to non-Latin American scholars such as Grossmann, Battleheim and Palloix) (Dussel [1988] 2001:207–209). The list could be expanded to include the work of Osorio (2016), Caputo Leiva (1981) and Astarita (2010), among others.

Space constraints do not allow me to critically assess each of these perspectives, a task, however, that has been done elsewhere (Fitzsimons and Starosta 2018; Iñigo Carrera 2017; Kornblihtt 2017). Instead, in the rest of this section, I would like to offer an alternative approach that builds on innovative theoretical scholarship that has emerged in the last twenty to twenty-five years under the auspices of the Centre for Research as Practical Criticism (CICP), based in Buenos Aires, Argentina, and especially the work of the independent scholar Juan Iñigo Carrera. This work, which is only just recently beginning to appear in Anglophone literatures—in part, because it has been developed outside of formal academic structures and networks—represents a thorough reexamination of Marx’s critique of political economy and its dialectical-methodical foundations (Iñigo Carrera 2013; Iñigo Carrera 2014a; Iñigo Carrera 2014b). While drawing upon Marx’s fundamental insight into the determination of capital as a *materialized* social relation that becomes the immediate alienated subject of the organization of the process of social life in its immanent unity, it also moves some way beyond it so as to cast fresh light on global transformation and uneven development in Latin America.

The historicity of capitalist production derives from the private and independent form taken by human labor. In this form of the human-life process, the social character of labor becomes fetishistically inverted into an objective attribute of its product, namely, the

value-form, which determines useful objects as commodities (Marx [1867] 1976b:132). Social relations thus take the alienated form of powers of the product of labor, and human beings become determined as personifications of those objectified forms of social mediation; in its simplest form, as “representatives of ... commodities” (Marx [1867] 1976b:178–179). This indirect form in which the unity of social labor is established is fully developed when it becomes capital. Subsumed under the capital-form, the production of surplus value—in short, the formally boundless quantitative progression of the reified “social nexus”—becomes the content of social life (Marx [1867] 1976b:251–257). In this more concrete form as self-valorizing value, the materialized social relation does not simply formally mediate the material life-process of human beings but actually becomes inverted into the very alienated subject of the process of social reproduction and its expansion *in its unity*: the material metabolism of society takes the inverted form of the accumulation of the *total social capital* (Marx [1867] 1976b:763). In other words, in capitalist society the process of human metabolism is characterized by an automatism subject to laws, whose motion obviously takes shape through the conscious action of individuals but whose general unity is unconsciously established “behind their backs.” The “law of value” is the succinct term that refers to the unity of the determinate forms of movement assumed by this alienated mode of existence of social life in all its concrete complexity.

In the process of renewal of the conditions for its self-valorization, the total social capital produces and reproduces commodity owners as members of antagonistic social classes (Marx [1867] 1976b:723–724; Marx [1885] 1978:185). In its simplest determination, the class struggle is thus the most general *direct* social relation between collective personifications of commodities (thereby determined as a political form of social relations), which mediates the reproduction of the *indirect* relations of capitalist production through the generalized commodity-form (thereby determined as the economic form of social relations) (Starosta 2015, chapter 7). Although a necessary form taken by the reproduction of the total social capital, the antagonistic character of the class relation disrupts the fluidity of the former’s valorization. The establishment of the general unity of social labor must therefore take shape through a further objectified form of social mediation, the state, which confronts commodity-owners (the personifications of money-as-capital and of the commodity labor-power), as an apparently external power with the authority and capacity to establish the overall direct regulation of their antagonistic social relations (Iñigo Carrera 2012; Marx [1867] 1976b, chapter 10; (Starosta and Caligaris 2017, chapter 5). The state thus develops as the most concrete political form that embodies the direct organization of the unity of the conditions of social reproduction in its alienated capital-form (Marx [1867] 1976b:719ff). That is, the state is the concrete form taken by the essentially indirect social relations through the valorization of capital. By virtue of this content, the state becomes the *general political representative of the total social capital*. In brief, capitalist social relations exist as differentiated into economic forms (the autonomised movement of capital-commodities on the market) and political forms (class struggle and the state). The latter, far from enjoying “autonomy” (relative or otherwise), are the necessary mode of realization of the

contradictory content of the economic mode of existence of capitalist social relations. In other words, class struggle and state policies are not to be conceived of as independent, self-subsisting factors that externally modify or influence the workings of the law of value. Instead, they need to be grasped as necessary modes of motion through which the law of value further unfolds beyond the strictly economic forms immediately springing from the indirect nature of the social relations of capitalist production.

As an expression of its inherently self-expansive nature, this fetishized social relation is global in *content* and national only in *form* (Clarke 2001; Iñigo Carrera 2016; Marx [1857–8] 1993:277–278, 280). This means that it is the self-valorisation of value on a global scale, or global accumulation on the level of total social capital, that constitutes the immanent end in the world market (Smith 2006:193). It follows from this that neither class antagonism nor its expression in the concrete form of state policies or “domestic institutions” *determine* the modality and course of capitalist development within each national space of valorization. Instead, those nationally differentiated political and institutional forms mediate the unfolding of the underlying formal and material unity of the inherently contradictory dynamics of the accumulation of the total social capital at the global scale. Moreover, the immanent *content* of these global dynamics is not one of “imperialism” or “dependency” (i.e., a *direct political relation* between states, another mediating *form*), but determined by the worldwide production of (relative) surplus value.

This eminently unconscious and crisis-ridden social process gives rise to changing constellations of the international division of labor and, as a consequence, to evolving developmental potentialities for each national space that mediates the production of relative surplus value by the total social capital across the globe. The latter is, in sum, the general economic content that is realized in the political form of state policies (domestic and foreign) and class conflict, albeit “behind the backs” of the antagonistic actions of the personifications involved (i.e., social classes and their diverse political organizations, political elites, and/or state managers).

Now, as is recognised by virtually all accounts of the history of capitalist development in Latin America, the original subsumption of these territories to the global accumulation of capital was based on the production of agricultural and/or mining commodities for the world market.<sup>10</sup> As Marx remarks in *Capital*, the establishment of this “classic” modality of the international division of labor (that he labels “new”), which “converts one part of the globe into a chiefly agricultural field of production for supplying the other part, which remains a pre-eminently industrial field” (Marx [1867] 1976b:580), was determined by the production of relative surplus through the system of machinery of large-scale industry.<sup>11</sup>

In effect, the exceptional natural conditions prevailing in many of these territories allowed for a greater productivity of agricultural or mining labor, thereby resulting in the cheapening of means of subsistence and a lower value of labor power. However, this form of subsumption of Latin American territories into the global circuits of accumulation was ridden with a contradiction: if, on the one hand, the total social capital enhanced its



valorization by reducing the value of labor-power, on the other this was partly offset by the drain of surplus value, otherwise available for capital's appropriation, flowing into the pockets of domestic landowners in the form of ground rent.<sup>12</sup> Moreover, to the extent that primary commodities produced in the region have been exported and consumed overseas, ground rent has constituted a continuous *extraordinary* international *inflow* of social wealth (as opposed to the aforementioned *normal outflows* in the process of *equalisation* of the worldwide rate of profit overly emphasized by *dependentistas*).

Capital was thus driven to overcome this barrier to its accumulation capacity by reshaping those spaces of valorization in order to recover part of that surplus value, through the establishment of an "antagonistic association" with local landowners over the appropriation of ground rent. From being simply a source of cheap raw materials and means of subsistence, those territories became also determined as sources of ground rent recovery for global industrial capital. The developmental trajectory of these countries has been determined by the historical course of this modality of capital accumulation, not only throughout the so-called agro-export stage but also during the so-called Import Substituting Industrialisation (ISI) phase and, in South America, until contemporary times (Iñigo Carrera 2016:34–47).

As Caligaris (2016:66) points out, insofar as "the political representation of the global total social capital by the state is mediated by the national form taken by the accumulation process" the total social capital's recovery of ground rent "must take shape, first of all, in the appropriation of ground-rent by the national total social capital of 'resource rich' countries through its own national state." This political mediation has been necessary to block the "spontaneous" course of ground rent toward landowners through a wide array of state policies that intervene in the circulation of ground rent-bearing commodities and divert its flow towards industrial capital. Thus, the transfer of ground rent has been achieved through different policy mechanisms (overvalued exchange rates, export and import taxes, direct state regulation of staple food and raw material prices, etc.), which resulted in the establishment of specific domestic conditions for the circulation of capital within those national territories.<sup>13</sup> Consequently, its appropriation could only be done by industrial capitals operating within those countries and whose circuit realized its final phase (i.e., the sale of commodities) almost exclusively on protected domestic markets of a very limited size vis-à-vis world market norms (Grinberg and Starosta 2009:769). Although this has meant that individual capitals could not reach the scale needed for profitably utilizing advanced technologies, they have compensated for the resulting higher production costs by appropriating a portion of ground rent. In this way, they have valorized at the average rate of profit despite their restricted magnitude and backward technologies. This abundant extraordinary mass of social wealth has systematically complemented the surplus value extracted from the domestic working class to the point of marking the very specificity of the accumulation process in those national spaces.

The modality of the accumulation of capital based on the appropriation of ground rent in Latin American protected markets has been attractive for domestic capitals that, with the exception of those producing ground rent-bearing commodities, were not competitive enough to sustain their expanded reproduction by producing for the world market. But additionally and fundamentally, those markets have proved especially profitable for industrial capitals of foreign origin (i.e., TNCs), which were established there from the mid-to-late-1950s onward. Unlike the internationalization strategy of TNCs in East Asia (the establishment of “world market” factories, whether directly or through OEM arrangements), foreign capitals in Latin America operated on the smaller scale that those domestic markets required and, given their protected nature, actually made possible. In this way, TNCs in Latin America managed to valorize obsolete fixed capital and accumulate without spending a portion of surplus value in the active development of the productive forces of social labor. However, the other side of this same coin is that the scale of Latin American processes of capital accumulation continued to be structurally dependent on the highly cyclical evolution of the magnitude of ground rent available for appropriation (hence the widespread “political and institutional instability” that has historically characterised most Latin American countries, with sharp oscillations between nationalistic populist and/or developmentalist regimes and neo-liberal ones).

This also explains the noticeable lack of dynamism of capital accumulation in the region since the mid-to-late-1970s, which was momentarily and only partially reversed during the recent “primary commodities boom” that seems to be just coming to an end (politically expressed in the current shift to the right in, for instance, Argentina, Brazil, and Chile):<sup>14</sup> in effect, the mass of ground rent, especially of agrarian origin, has been, on average, growing at a slower pace than is required by industrial capital in Latin American national spaces of accumulation. As a consequence, the process of capital accumulation in the Latin American countries slowed down or entered into deep crisis. In this context, and in order to compensate for the slowly growing ground rent in sustaining industrial capital’s profitability, these national processes of capital accumulation have resorted to other sources of extraordinary social wealth, such as the payment of labor power below its value and the massive inflow of global fictitious capital in the form of mounting foreign debts (the latter made available as a result of the expansion of international liquidity deriving from the long-standing crisis of global overproduction).

Now, since at least the late 1950s, the planetary production of relative surplus value by the total social capital has led to the emergence and gradual development and expansion of a novel configuration of the international division of labor, which has not simply displaced but co-exists alongside the “classic” modality just sketched out. Premised on the concrete material forms taken by the further automation of the capitalist labor process and advances in means of transport and communication, the so-called New International Division of Labour (NIDL) has revolved around the *international fragmentation of the collective productive subjectivity of the working class* (Fröbel, Heinrichs, and Kreye [1977] 1980; Iñigo Carrera 2013:66; Starosta 2016:84–96). Moreover, as a result of its own immanent tendencies, the simplest original form of the NIDL has evolved into a more complex constellation, whereby capital searches worldwide

for the most profitable combinations of relative cost and qualities/disciplines resulting from the variegated past histories of the different national fragments of the working class. Each national sphere of accumulation that actively participates in the NIDL therefore tends to concentrate on a certain type of labor power of distinctive “material and moral” productive attributes of a determinate complexity. While spatially dispersed from each other, they are all collectively exploited by capital as a whole in the least costly possible manner.<sup>15</sup>

Although this more recent global restructuring of the international of labour had its most emblematic expression in the “late industrialisation” experience of East Asia since the 1960s (Grinberg 2016), it also had a profound impact in Latin America; paradigmatically in Mexico after the “debt crisis” of the early 1980s and more recently in Central America and the Caribbean Basin. Thus, despite the similar developmental trajectory of Mexico vis-à-vis Argentina and Brazil until the 1980s, in the past three decades the former country has transformed the specificity of its capital accumulation process. More concretely, it has become a source of relatively cheap and disciplined simple labor power for industrial capital in general, which exploits it in the material conditions (of scale and technology) needed for competitive world market production (whether directly in Mexico through the *maquilas* regime, or mediatedly through the international migration of workers into the United States). Hence the contrast with Argentina and Brazil, where capital continued to find it more profitable to valorize on the basis of the appropriation of a portion of ground rent: this happened either because the specific kind of labor power it needed was not there or was not cheap enough and/or because the mass of ground rent was large enough to offset the benefits of a “structural transformation” in the other direction by providing the source of extraordinary social wealth sustaining those profitable protected domestic markets.

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### Notes:

(<sup>1</sup>) One could add here Latin American contributions to value-form theory and method as such. Hoff (2017) provides a useful literature survey in English.

(<sup>2</sup>) Pedro Scaron was the translator of one of the two main editions of *Capital* available in the Spanish language (that of Siglo XXI and dating from 1975, the other being that by Wenceslao Roces and published by Fondo de Cultura Económica).

(<sup>3</sup>) At the moment of the publication of Scaron's compilation, there was no Spanish translation available of those excerpt notebooks (García Linera 2009b:31–32). According to García Linera (2009a:23), the works on the history of the colonization of the Americas that Marx consulted included: William Prescott's *History of Conquest of Mexico* (1850), Herman Merivale's *Lectures on Colonization and the Colonies* (1841–1842), Felix Wakefield's *Colonial Surveying with a View to the Disposal of Waste Land* (1849), and Thomas Hodgskin's *Inquiry into the Merits of the American Colonization Society* (1833).

(<sup>4</sup>) However, it must be noted that in a letter to Hermann Schlüter dating from 1891, Engels made a deliberate warning against the attempt to make a great deal out of those *Cyclopaedia* articles and explicitly downplayed their intellectual significance (Engels [1891] 2010a:113). Whether the *late* Marx would have shared Engels's judgment is an open question (as mentioned in note 5, he did defend his biography of Simón Bolívar back in 1858).

(<sup>5</sup>) This hostility toward the figure of the Latin American “liberator” was so apparent in the article that it did not go unnoticed already at the time of its submission. As a matter of fact, Charles Dana, one of the editors of the *Cyclopaedia*, objected to the article's “partisan style,” to which Marx critically reacted in a letter to Engels (Marx [1858] 2010c:266).

(<sup>6</sup>) In another remark in the context of the critique of Bakunin's moralistic “democratic Pan-Slavism,” Engels ([1849] 2010b:365–366) elaborates on the question.

(<sup>7</sup>) There is a recent English translation of *Marx and Latin America* (Aricó [1980] 2014).

(<sup>8</sup>) “Disconnection” is the term adopted by Aricó's English translator. A more literal translation, but also one that would probably be closer to Aricó's intended meaning, would be the neologism “misencounter.” Along similar lines, Bosteels (2012:5) speaks of “missed encounter.”

(<sup>9</sup>) The first part of this section draws partly on Grinberg and Starosta (2014). Further elaboration of the arguments can be found in the essays collected in Charnock and Starosta (2016).

(<sup>10</sup>) Notably in the original colonial forms of subsumption, the production of the money commodity would be a key determining element in the specificity of the valorization of capital in the region.

<sup>(11)</sup> Note, importantly, that at that stage of Marx's systematic presentation it is clear that the (alienated) subject of the underlying *unity* of that material and social process is the (*global*) total social capital and not any particular national "aliquot part" of it. In this sense, it is noteworthy that Fowkes's translation, which posits that this was "suited to the requirements of the main industrial *countries*" (Marx [1867] 1976b:580, emphasis added), grossly distorts the German original, which speaks of the "requirements of the main sites of machine-based production" ("den Hauptsitzen des Maschinenbetriebs entsprechende"). Incidentally, Scaron's Spanish translation is more faithful to Marx's German text.

<sup>(12)</sup> Ground rent is surplus value potentially appropriated by landowners due to their differential and absolute *monopoly* over non-reproducible natural conditions of production that, respectively, increase labor productivity in the primary sector or allow production altogether (Marx [1894] 1991:779–823, 882–907).

<sup>(13)</sup> See Iñigo Carrera (2007) and Caligaris (2016) for a detailed account of those policies and their role in transferring ground rent to industrial capital (and the former bibliographical source, in particular, for statistical evidence supporting this argument for the case of Argentina).

<sup>(14)</sup> For the so-called Pink Tide in South America, see Grinberg and Starosta (2014) for Argentina and Brazil, and Purcell (2016) and Dachevsky and Kornblihtt (2017), for Ecuador and Venezuela.

<sup>(15)</sup> Note, additionally, that this point applies to intellectual labor as well (Huws 2014).

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## Oxford Handbooks Online

### **The Unresolved Agrarian Question in South Asia**

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### **Abstract and Keywords**

This entry analyzes the historical evolution of the agrarian economy in South Asia and its present day predicament. Our focus is on the biggest country of the region, India. We start with a discussion of the Marxist theory of rent. Subsequently an agrarian economy dominated by petty peasants is examined through the lens of this theory. We probe the details of the South Asian agrarian economy which we argue is stuck in a state of lack of accumulation. We argue that asymmetry of market power in the agrarian produce market and state policies are the key factors in explaining why the agrarian question remains unresolved in South Asia.

Keywords: Marxism, South Asia, agrarian transition, absolute rent, organic composition of capital

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A possible democratic revolution in the South Asian region would have to confront its agrarian economy. As long as the agrarian economy does not undergo transformation to the capitalist mode of production, it is unlikely that the rest of the economy would be able to make any major headway. This is not only because agriculture is the largest source of livelihood (therefore, the sheer weight of it has a bearing) but also because the agricultural sector is linked with the rest of the economy through various channels. Putting it differently, can it be conceived that capitalism, which is more entrenched in the industries, would revolutionize agriculture through those links? Was Kautsky correct when he asserted, "Where shall we look for the motor force behind the transformation of [the] mode of production [of agriculture]? The answer is implicit in the whole of our analysis above. Industry forms the motor force, not only of its own development, but also of the development of agriculture"? (Djurfeldt 1981:181)

By most accounts, the transformation of agriculture has not occurred. Capitalist relations of production do not appear to be the dominant feature of Indian agriculture (Basu and Das 2013; Das 2016). An overwhelming majority of farms are petty farms depending on family labor rather than hired labor. Accumulation of capital is considered a necessary feature of the capitalist mode of production. If capital accumulation had proceeded apace,

a thoroughgoing process of class differentiation and proletarianization would have taken place. To be sure, signs of capitalist accumulation are not altogether absent. But not many would argue that they *define* agrarian South Asia. The non-transformation of agriculture into a fast-accumulating system is related to a general state of underdevelopment. Byres (1995) looked at the economic backwardness of poor countries through the lens of the unresolved *agrarian question*, a phrase first articulated by Kautsky. Byres (1995:509) interpreted it as:

The continuing existence in the countryside of poor countries of substantive obstacles to an unleashing of the forces capable of generating economic development, both inside and outside agriculture. It represents a failure of accumulation to proceed adequately in the countryside ... an intimately related failure of class formation in the countryside, appropriate to that accumulation; and a failure of the state to mediate successfully those transitions, which we may encapsulate as the agrarian transition.

Why has accumulation not gathered momentum that could have resolved the agrarian question? This query occupies a central place of the present discussion. In order to approach the lack of accumulation of capital it is important to understand how surplus value is channeled from the agricultural sector. For this a review of the Marxist rent theory is necessary. The next section of the article, Marx's Theory of Rent, deals with this.

A related aim here is to view the lack of accumulation from a value theoretic framework. A number of studies have been published over the years that examine the lack of robust accumulation in Indian agriculture (Thorner [1956] 1976; Bhaduri 1973; Prasad 1973, 1974; Chandra 1974; Patnaik 1983, 2006; Das 2007, 2009). But to the best of our knowledge, a value theoretic formulation of the problem of accumulation has not been attempted. Using the framework of Marxist rent theory, the present discussion tries to fill this gap.<sup>1</sup> Here we review the relevant literature and make a contribution by situating South Asian agriculture within the Marxist value theoretic framework.

The rest of the article is organized in seven sections. The first section is the analytical part where Marx's theory of rent is reviewed. It will be argued that Marx's theory of absolute ground rent has been often misinterpreted as to have arisen out of monopoly alone.<sup>2</sup> The following three sections contain a brief description of South Asia, especially its colonial history—which is important in understanding its contemporary agriculture. In the fifth section, an application of Marxist theory in 21st-century South Asia is considered. Since Marx's treatment of rent is for a condition where the trinity of landlord-capitalist farmer-wage labor is in place, it cannot be deployed in the South Asian context without qualification. At the same time, insights from Marxist literature can be applied to understand South Asian agriculture. In the seventh section we argue that the condition of low accumulation is driven by two reasons: first, the lack of market power of petty producers vis-à-vis the traders, and secondly, state policies. Both these factors depress market price and contribute to low accumulation. The last section concludes the chapter.

# 1. Marx's Theory of Rent

In his theory of rent Marx was considering an agrarian economy where capitalist production relations are all-pervasive.<sup>3</sup> What were the sources of “capitalist ground-rent” according to Marx? He identified two main sources of rent: differential rent and absolute rent. Henceforth they shall be referred to as *DR* and *AR*. Within *DR* two types of differential rent are identified, *DR I* and *DR II*. *DR I* corresponds to Ricardo's extensive margin. Marx critiqued and extended Ricardo's analysis while giving it a historical dimension.

Consider two plots of land of the same size, *A* and *B*. *A* is more fertile (or better located) than *B*. Investing the same amount of capital and labor on both *A* and *B*, more corn can be produced in *A* than in *B*. If *B* is under cultivation, it follows there is an acceptable margin of revenue over the cost of production generated in plot *B*. This margin is termed as “net produce” by Ricardo and is similar to surplus value. *A* will be earning a higher net produce than *B* as it is more fertile. This extra goes to the landlord of *A* in the form of *DR I*. The landlords reduce profit in *A* by taking out *DR I* from surplus value. This renders the profit level of *A* at par with *B*. Hence no movement of capital takes place. Landed property blocks the erosion of extra profit of the more fertile land (Marx termed the extra profit as “surplus profit”).

To be sure, landed property did not create this higher fertility. But without the existence of landed property the transformation of this part of surplus value into rent would not have been possible. In chapter 38, “Differential Rent in General,” Marx ([1894] 1981:786) was categorical:

This surplus profit exists even if there is no landed property ... Thus landed property does not create the portion of value that is transformed into surplus profit; rather it simply enables the landowner ... to entice this surplus profit out of the manufacturer's [capitalist farmer in our example] pocket and into his own.

That land plots are owned by the landlords is a historical condition. It is hard to imagine that landlords would offer the land *gratis*.<sup>4</sup> Hence the payment that the landlord extracts as rent is interlinked with the fact that landed property as an institution exists. Rent cannot be solely attributed to “the original and indestructible powers of the soil.”<sup>5</sup>

At the same time, Marx's insistence that “this surplus profit would also exist if landed property did not exist” must be heeded. What is being underlined here is the objective grounds of the existence of surplus profit, namely, higher fertility of soil, which gets transformed into rent. Marx called these grounds of surplus profit its “natural basis.”

In contrast to *DR I*, *DR II* arises not due to varying soil quality but because the quantity of capital invested on them varies. Consider the above-mentioned example of plots *A* and *B*. Suppose that an additional dose of capital of the same magnitude is applied in *A*, and that this additional capital yields less output than is produced in *B*. Since the second dose in *A* is the marginal capital yielding no rent, *B* now yields rent. This rent is *DR II*. Plot *A*'s rent

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has also gone up because the net produce of the first dose in *A* is higher now. The increment is the same as the rent of *B*. Marx ([1894] 1981:873) thus remarked, "As soon as differential rent II comes into play, by way of successive capital investments, the limits to the rising production price can be governed by better land, and the worst land, the basis for differential rent I, can then also bear rent."

With few critical differences beyond the scope of the present discussion, *DR II* corresponds to the intensive margin of Ricardo. Like *DR I*, landed property plays a role in the formation of *DR II*. What about absolute rent?

Marx's introduction of absolute rent, *AR*, was in a way a critique of the Ricardian rent theory. The basis for *AR* is the lower organic composition of capital in the agricultural sector. Compared to industries, in agriculture capital sets in motion more living labor per unit of dead labor. The generation of surplus value depends on the magnitude of living labor, represented by variable capital. Assuming that the same rate of surplus value *SV* prevails across sectors, the rate of profit in agriculture will be higher than in industry. Competition between capitals of different sectors tends to equalize the rate of profit. Let us call this common profit rate the average rate of profit. If the average rate of profit is imputed on the capital outlays of different sectors, production prices are obtained. In agriculture, due to the lower organic composition of capital, production prices are lower than value. We show this in a schematic way in Figure 1.<sup>6</sup>

In Figure 1 the rate of surplus value (*SV*) is assumed to be 1 (one) in both sectors. The height of the rectangles represents the value of the good produced in each sector. The value is lower in the industrial sector because it has a higher organic composition, whereas the total amount of capital needed for producing a unit of output is the same in both sectors. As shown, prices of production (*PP*)—in this case a single price since each sector has the same amount of capital outlay—is the average of two different levels of value. *PP* lies between the values of agricultural output and industrial output. In the agricultural sector the excess of value over *PP* is the surplus profit. Depending on where the market price is, a part of this surplus profit is appropriated by the landlord as *AR*. If the market price is below value but above *PP*, then the landlords pump out as absolute rent the difference between the market price and *PP*. If the market price happens to be above value, then the difference between value and *PP* accrues to him as absolute rent.<sup>7</sup> This can put in terms of the following formula:

$$\begin{aligned} AR &= \text{Min (value, market price)} - PP, \text{ if Min (value, market price)} > PP \\ &= 0, \text{ otherwise.} \end{aligned}$$

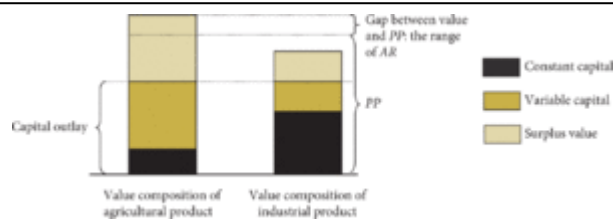


Figure 1. Prices of production (PP) and absolute rent (AR)

Rents are appropriated by the landlord because landed property as an institution exists. Landed property did not create these surplus profits. Without landed property the surplus profit would have accrued to the

capitalist farmer. The basis of surplus profit lies in the factors mentioned above, namely, fertility (*DR I*), capital (*DR II*), and the organic composition of capital (*AR*).

There has been a misplaced tendency to attribute absolute rent solely to the monopoly power enjoyed by the landlord.<sup>8</sup> But *AR* cannot exist if agriculture does not have an organic composition lower than industry. This makes the lower organic composition a necessary condition of *AR*.<sup>9</sup> Landed property alone is not a sufficient condition. There are critics who hold that Marx put misplaced emphasis on the lower organic composition to explain absolute rent, Djurfeldt (1982), for example. Such rejoinders do recognize Marx's actual position on absolute rent and do not attribute *AR* to monopoly alone. A major contribution of Marx was the idea of absolute rent, which fits nicely into the Marxist theory of value.

The rest of the chapter considers the South Asian region and the application of Marxist theory in understanding its agriculture.

## 2. South Asia: A Brief Description

The South Asian region comprises eight countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Most of these countries were threaded together by British colonialism. A large portion of the South Asian landmass formed the British India. In Table 1 we present a brief profile of the countries of South Asia using data from 2016 in comparison with some developed countries.

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Table 1. *Countries of South Asia and Their Comparison*

Countries	Area (thousand sq. km.)	Population (million)	Density of population (pop./sq. km.)	GDP per capita, PPP (current international \$)	Employment in agriculture as percentage of total employment (2010)	Agricultural value added as percentage of GDP	Agricultural value added per worker (constant 2010 US\$)	Percentage of irrigated land of total agricultural land	Agricultural machinery, tractors, million (2000) #	Agricultural machinery, tractors per capita (2000)
Afghanistan	653	35	53	1877	NA	22	633	NA	110	5.5
Bangladesh	148	169	1252	3581	47	15	769	52.6 (2006)	1000	7.6
Bhutan	38	0.8	21	8744	60	16	877	NA	117	195.0
India	3287 (64%)	1324 (75%)	445	6572	51	17	1202	36.8 (2013)	2091000	1985.8
Maldives	0.3	0.4	1392	13199	15	3	4971	NA	NA	NA



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Nepal	147	29	202	2468	74 (2008)	33	445	29.7 (2010)	26300	1095.8
Pakistan	796	193	251	5249	45(2008)	25	1741	51.9 (2011)	326595	2349.6
Sri Lanka	66	21	338	12316	33	8	1416	NA	NA	NA
SOUTH ASIA	5135(3.8%)	1766(23.8%)	370	6064	50	18	1168	NA	2445122	1762.9
WORLD	134325	7442	57	16143	30	NA	2024	NA	25054140	4095.2
UK					1	0.6				
USA					2	0.3 (2011)			4503625	15970.3
Germany					2	0.6			989488	12066.9
France					3	1.5			1264000	20721.3

*Source:* World Bank, NA: Not Available

(\*) Sources: Basu and Das (2016)

(#) Agricultural machinery refers to the number of wheel and crawler tractors (excluding garden tractors) in use in agriculture at the end of the calendar year specified or during the first quarter of the following year.

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South Asia is a quintessential poor and developing region. Comprising 3.8% of the world's surface area, it houses nearly 25% of the world population. The density of population in South Asia is six-and-a-half times the world average. This huge human labor resource has not translated into commensurate output production. The per capita income in South Asia is close to 38% of the world average. A reason behind the low income is that nearly 50% of the workers are employed in agriculture, compared to a global average of 30% and to 1% in the United Kingdom and 3% in France. Employing nearly half of all workers, agriculture produces only 18% of the South Asian GDP. Not only are agricultural workers less productive compared to the fellow workers of the region, their value added is only about a half of the global average of agricultural workers.

The backward state of agriculture has many contributing factors. Low levels of capital accumulation is one reason. Only a small portion of the agricultural land is under irrigation (38% in India). This often proves fatal in a tropical semi-arid region. Another sign of low investment is the low amount of machinery and tractors per capita.

India is the largest country of the region. With its big landmass and population, 64% and 75% of South Asia respectively, India has a telling effect on the average South Asian economic parameters. This is the main reason why our discussion will be mostly focused on India. To understand contemporary agriculture it is important to gain some idea of how recent history has affected the region. The next section takes this up.

### 3. British Rule in South Asia

By 400 AD land-tenure systems resembling serfdom made appearance in South Asia (Habib 1974). With the establishment of the Delhi Sultanate (1206–1526) land revenue administration became more uniform and systematic. The Sultan would grant *iqtas* (land grants) to his commanders (*muqtis*), who would have the right to levy taxes on the territory in order to support their troops. Muqtis were also the governors of the regions. Unlike European feudalism, *iqtas* would be transferred from one person to another. Weaker monarchs who faced dissidence made *iqta* grants hereditary. But this was more of an exception than the rule.

The Mughals, who dominated the scene from 1526 to 1707, made land-revenue collection more centralized. Mughal *jagirdars*, who were like *muqtis*, were less powerful. They could levy taxes only in accordance with the rules laid down by the emperor (Habib 1974).

Land revenue was important to the British as well. The British East India Company made entry into South Asia in 1608. Its operation was guided by the mercantilist principles. The permission to operate in the territory was often an issue of discordance the local rulers had with the company ("company" and "company raj" were the colloquial terms used for the British East India Company and its rule).

From the early eighteenth century the Mughal Empire started to disintegrate. This set off a century of wars, skirmishes, and subterfuges, in which (besides the local rulers) the

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British and the French got involved, often as adversaries. By the early nineteenth century the British emerged as the strongest power. A decisive victory was won in the Battle of Plassey in 1757. The immediate provocation was that the Nawab of Bengal sought to extract trade duties from the company, whereas the company had obtained a tax-immunity *firman* from the Mughal emperor in 1717. The company soldiers, most of whom were recruited locally, defeated the native army, which was far superior in number. With Plassey the company became the de facto ruler of the eastern part of South Asia. According to one strand of historians it “roused their ambition for territorial acquisition of the whole of the rich subcontinent” (Mukherjee 2009, p.XIII).

Eight years after Plassey, in 1765, the company obtained the grant of *Diwani* (right to collect taxes) of Bengal from the Mughal emperor in exchange of payment of 2.4 million rupees annually. Colonial extraction went on in right earnest, through land taxes mostly.<sup>10</sup> A massive famine followed in 1769-70 wiping out nearly 10 million people, one-third of the population of the province (Basu and Das, 2018b). Due to widespread depopulation wrought by the famine, large swathes of land were left fallow for years (Das 2013). This did not deter annexation of new territories.

An uprising, the “Sepoy Mutiny,” broke out against the British rule across northern and central India in 1857 (native soldiers in the company army were called the sepoys). Subsequently in 1858 the British government took over the rule of India from the company. By then most of South Asia was under colonial rule.

Not everyone was convinced that it was a mutiny by sepoys. The facts would convince John Bull, but Marx (1857) commented in an article published in the *New-York Daily Tribune* on August 14, 1857, that what “he [John Bull] considers a military mutiny is in truth a national revolt.” The uprising was a formidable challenge that the British Empire faced in an era when Britannia ruled the waves. It was put down with exemplary ruthlessness. Engels (1858) castigated the brutal suppression:

For twelve-days and nights there was no British army at Lucknow – nothing but a lawless, drunken, brutal rabble, dissolved into bands of robbers, far more lawless, violent and greedy than the Sepoys who had just been driven out of the place. The sack of Lucknow in 1858 will remain an everlasting disgrace to the British military service.

The changes that the British Empire wrought on the subcontinent, which may have played a role in the Mutiny, were clear. Marx (1853b) had observed:

They [the British] destroyed it [the Hindoo civilisation] by breaking up the native communities, by uprooting the native industry, and by levelling all that was great and elevated in the native society. The historic pages of their rule in India report hardly anything beyond that destruction. The work of regeneration hardly transpires through a heap of ruins. Nevertheless it has begun.

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Thus Marx was mindful of the dialectic underway. A process of regeneration was coursing through beneath the turmoil brought about by colonialism. He further remarked that “England has to fulfil a double mission in India: one destructive, the other regenerating—the annihilation of old Asiatic society, and laying the material foundations of Western society in Asia” (Marx 1853b).<sup>11</sup>

Collecting land revenue was a major goal of the Raj. In the late eighteenth century they resorted to a land tenure system where an intermediary, the landlord, had the responsibility of paying revenue to the government. It was at the landlord’s (*zamindar*) discretion as to how he collected revenue from peasants. Later, facing peasant unrest, laws were passed to protect tenurial rights of peasants. The system of *zamindari* prevailed mostly in the eastern and central parts. By creating the class of *zamindars*, who were functionally different from the Mughal feudal lords, the British sought to replicate the landlord-tenant farmer-agricultural worker complex, which was behind the agricultural revolution in England (Das 2008). But instead of revolution the *Zamindari* system spawned layers of intermediaries without significant improvements to productivity. Marx ([1894] 1981:451) did not use kind words to describe the land tenure systems of British India:

More than that of any other nation, the history of English economic management in India is a history of futile and actually stupid (in practice, infamous) economic experiments. In Bengal they created a caricature of English large-scale landed property; in the south-east they created a caricature of peasant smallholdings. In the north-west they did all they could to transform the Indian economic community with common property in the soil into a caricature of itself.

By “a caricature of large-scale English landed estates” Marx alluded to *zamindari*. By “a caricature of peasant smallholdings” the land-tenure system of *raiyyatwari* was alluded to, and by a caricature of “common ownership of the soil” he meant *mahalwari*. In general, *raiyyatwari* and *mahalwari* were adopted in regions that came late under British domination. Under *raiyyatwari* the peasants paid their land dues directly to the state. It prevailed in most parts of southern and western India, plus the Brahmaputra Valley in the northeast of India (Das and Saikia 2011). Under *mahalwari*, a village body would be responsible for collecting land revenue. This system prevailed mostly in the northern and northwestern part of South Asia.

## 4. Land in Postcolonial South Asia

British India dissolved in 1947 with the birth of India and Pakistan. In 1971 Bangladesh was born out of the eastern wing of Pakistan. In 1948 Sri Lanka got its political independence from the British rule (1796–1948). It had seen Portuguese (1505–1658) and Dutch (1658–1796) colonial rules. Successive colonial regimes “transformed Sri Lanka into an exchange economy integrated into the international market at an early stage of its economic evolution” (Abeyratne and Rodrigo 2006:353).

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A major source of exploitation was unequal distribution of land. The postcolonial states took up land reforms during the early decades. "Poverty reduction" was the principle that propelled land reform acts in India. Most of these legislations were passed in the first two decades after independence. These legislations can be categorized under four headings. First, there were the laws that sought to reform tenancy. These laws stipulated the transfer rights and ownership rights of the tenant, as well as the terms and conditions of tenancy contracts. Second, there were the laws that set an upper limit to the size of land that can be owned, called the land ceiling. The aim was to distribute the ceiling-surplus land among the landless. Third, there was the abolition of the intermediaries. This included declaring the *zamindari* system null and void, for it gave unconscionable powers in the hands of *zamindars*. Fourth, there were the laws to consolidate disparate landholdings in order to increase productivity (Besley and Burgess 2000).

These measures met with varying degrees of success. State governments had the responsibility to legislate and implement the laws. The appetite of state governments to take on the landlords varied as many state legislatures were controlled by landed interests. The Fifth Five Year Plan (1974-1979) document admits that

a broad assessment of the programme of land reform adopted since Independence is that the laws for the abolition of intermediary tenures have been implemented fairly efficiently whilst in the fields of tenancy reforms and ceilings on holdings, legislation has fallen short of the desired objectives, and implementation of the enacted laws has been inadequate.

(Besley and Burgess 2000:394)

Bardhan (1974) noted that by the end of 1970 only 0.3% of the total cultivated land was redistributed. He further observed that

these laws were executed by a local bureaucracy largely indifferent, occasionally corrupt, and biased in favor of the rural oligarchy; they were enforced by an enormously costly and excruciatingly slow judicial process.

(Bardhan 1974:256)

The experience in the rest of South Asia was not very different. In Pakistan in the early 1960s land reforms acts were sought to be implemented. Land ceiling limits were kept at a higher level compared to India. Land reforms measures prescribed "ceilings on landholdings at 500 acres of irrigated land and 1000 acres of non-irrigated land. But owing to political and administrative constraints, and a variety of loopholes and exemptions, these reforms resulted in only modest amounts of land being transferred to small farmers and landless labourers" (Kemal et al. 2006:299). There would be another attempt to take on the rural oligarchs in 1972. Yet, due to flawed implementation the results did not differ. Big landlords evaded the laws using loopholes. Inequalities did not change (Kemal et al. 2006).

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In Nepal land reforms were attempted in a half-hearted manner. “[I]n the absence of a clear-cut strategy, both distributional and production aspects of land reform could not become effective and hence, neither production relationship nor agricultural productivity displayed any improvement” (Sharma et al. 2006:252).

## 5. South Asia Today

Over the decades, gradual changes have taken place in the rural economy of South Asia:

[T]he reforms since the 1950s in the structure of agrarian property, even though gradual and piecemeal, have meant that except in isolated areas, for the first time in centuries, small peasants possessing land no longer directly confront an exploiting class within the village, as under feudal or semi-feudal conditions.

(Chatterjee 2008:54)

It is possible that factors other than top-down land reforms have been instrumental in checking the dominance of rural oligarchy. These include political and social movements from below, as well as rising population pressure on land that broke up large holdings. Over the years the share of large landholdings has eroded, and the share of land under small and marginal landholdings has risen. The incidence of tenancy has fallen as well. All this is testified by data—both of the aggregative nature as well as those collected by field surveys (Basole and Basu 2011; Basu and Das 2013). Petty peasant proprietors dominate at large the contemporary Indian and South Asian agricultures. Table 2 provides data of the distribution of landholdings in Bangladesh, India, and Pakistan—the three major countries of the region. Small and large holdings are defined differently in each country. But the preponderance of petty holdings in each country is unmistakable.

Table 2. *Distribution of Land in Three Major Countries of South Asia*

Country		Small and Marginal Farms	Large Farms
Bangladesh	Percentage of all farms	84	2
	Percentage of total area under cultivation	51	12
India <sup>@</sup>	Percentage of all farms	92	0.003
	Percentage of total area under cultivation	53.3	5.8
Pakistan <sup>\$</sup>	Percentage of all farms	86	6

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	Percentage of total area under cultivation	39	45
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(\*) Data pertain to 2008; small farms: less than 2.5 acre (about 1 hectare), large farms: more than 7.5 acre (about 3 hectare). Calculated from Government of Bangladesh (2010).

(@) Data pertain to 2013; small and marginal holdings: less than 2 hectare, large farms: more than 10 hectare. Average landholding per household 0.59 hectares. Calculated from Government of India (2015).

(\$) Data pertain to 2000; small farms: less than 5 hectares, large farms: more than 10 hectares (Khan et al. 2011).

It is not being suggested that since most land plots are small, the mode of production is therefore not capitalist. Small farms can hire wage labor and can go on accumulating on capitalist lines, whereas large farms can run on non-capitalist basis with family labor. But it is difficult to conceive that households that own about half a hectare of land run capitalist farms. According to Table 2 the average size of land owned by an agricultural household in India is 0.59 hectare. These small farms can barely make ends meet let alone save and accumulate capital, a necessary feature of capitalism. Basole (2017) cited the official data from India that income of an agricultural household exceeds its consumption expenditure only if the household owns more than 2.5-acre land (about 1 hectare). This deficit of income vis-à-vis consumption occurs even after households have sold their labor power in the market to make ends meet.<sup>12</sup> Although capitalist production and accumulation are not absent, they do not appear to define South Asian agriculture. On the other hand, neither do feudal or semi-feudal production relations play a key role. Then how does one understand the nature of surplus value extraction in agrarian South Asia?<sup>13</sup> The answer to this question, we argue, is connected to the question we started with: why has the agrarian question remained unresolved?

One route of extraction has been noted by Chatterjee (2008): through primitive accumulation. This appears to be a plausible formulation.<sup>14</sup> However, it needs to be qualified. This is a primitive or primary accumulation without the promise of any robust “secondary accumulation”—a secondary accumulation that would follow the primary accumulation has run its course, absorbing the petty peasants and artisans torn asunder from their means of production by the force of primary accumulation.

The accumulation underway in the 21st century leaves the dispossessed in limbo. It holds out no promise to them of a transition to industrial workers. This primitive accumulation does not proletarianize, it merely pauperizes. Levien’s (2011) interpretation of “accumulation by dispossession,” a phrase borrowed from Harvey (2003) but made precise, comes close to the sense in which we wish to deploy the term “primitive accumulation.” Levien (2011:457) associated accumulation by dispossession with “the use of extra-economic coercion to expropriate means of subsistence, production or common

social wealth for capital accumulation.” We point to a less dramatic but more ubiquitous channel through which agricultural surplus value is appropriated. The rest of the article is devoted to this elaboration.

## 6. Transfer of Surplus Value Through the Market

Agriculture in South Asia is characterized by peasant proprietorship cultivation. The peasant owns the land and supplies most of the labor and capital required for production. He or she may hire labor, temporarily, during the peak seasons. The peasant may borrow—mostly from informal sources such as friends, relatives, moneylenders, traders—to meet credit requirements. But the amount of crops that the peasant produces is insufficient for subsistence and procreation. To supplement her income, the peasant sells their own labor power. This labor power may be sold in other agricultural sites, usually in regions where shortage of labor is present. The peasant’s labor power may also be sold to non-agricultural sectors.

Let us first examine if the theoretical schema described in Figure 1 is valid under peasant proprietorship. Under peasant proprietorship there is no explicit surplus value. The capital provider and the labor supplier are the same person: the peasant. There is production of value, as there is commodity production. But the division between surplus labor and necessary labor is not as neat as in capitalist production. The division is only notional. Thus, the surplus value the peasant gets is also notional. As if, the peasant, being the one who controls the conditions of production like a capitalist, pays their own labor the wage prevailing in capitalist farms. The balance is the surplus value, or the sum of profit and rent (both of which go to the peasant since she is both the capitalist and the landowner), plus the consumption of constant capital. She earns surplus value through self-exploitation. Figure 1 is still valid in peasant proprietorship farming, albeit one has to be careful in interpreting it.

If peasant proprietorship is prevalent, landlordism is no longer a barrier. Then why doesn’t capitalist development sweep away the fetters on the forces of production?<sup>15</sup>

In Figure 1, at the price of production *PP* the rates of profit in agriculture and in industry are equal. The level of prices depends on the market conditions. Marx identified demand and supply forces as the factors determining market prices. In developing countries the non-competitive nature of the crop market often depresses market prices. The weak financial condition of the petty producer compels the peasant to dispose of the produce in distress sales immediately after the harvest. Dearth of infrastructure to store or transport crops limits the peasant’s options even further. Monopsonistic powers exerted by traders’ cartels also contribute to the reduction of crop prices (Kabra 2007; Banerji and Meenakshi 2004). Market prices end up below the level that would prevail had there been symmetry of market powers between sellers and buyers. Market prices may even end up



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below values, thus enabling the extraction and transfer of surplus value to buyers. Liberal import policies pursued by the state can further decrease the price of agricultural goods.

State actions influence agricultural prices in several other ways. In India, close to one-third of food production is purchased by the state (Basu 2011).<sup>16</sup> Crop procurement is driven by a number of factors such as ensuring remunerative prices to the farmers and food security to the consumers. Without crop procurement the market price would be so depressed that the peasants would find it hard to sustain themselves. It follows that if procurement prices are kept low, or they do not rise in tandem with input costs, peasants would be forced to part with a greater portion of surplus value.

The exploitation of the petty peasantry is carried out via the market with state policies playing a facilitating role. Consider three possible scenarios for agricultural goods.<sup>17</sup>

Case I: Value ( $V$ ) > Market price ( $MP$ ) > Price of production ( $PP$ )

Case II:  $V > PP > MP > \text{value of capital } (c + v)$

Case III:  $V > PP > c + v > MP$

In case I a part of the value is transferred, termed  $TV$ , which in this instance is equal to  $V - MP$ . A margin equal to  $MP - PP$  of the surplus profit is realized by the peasant. This may be utilized for subsistence, procreation, or to embark on a path of expanded reproduction.<sup>18</sup>

In case II the price in the market lies below the production price. The transfer of value happens through market as before, but cultivation now becomes less profitable than the rest of the economy.  $TV$  has gone up compared to case I.  $TV$  is larger than the volume of surplus profit as it eats into the average profit.  $PP - MP$  is the gap of agricultural profits relative to the average profit. Case II, we believe, describes large parts of contemporary South Asian agriculture.

Finally, in case III,  $TV$  is larger than surplus value. The extraction eats into variable capital. A part of the subsistence requirement of the peasant is taken away through adverse terms of trade.

In cases II and III the peasant is immiserized through market exchange. In case II her profit rate is lower compared to other sectors. In case III the amount of profit has turned negative. And, hence, capital flows are unlikely to enter the agricultural sector spontaneously.<sup>19</sup> Landholdings are kept fragmented and this agriculture dominated by petty peasant proprietors becomes a stable equilibrium reproduced over time. The agrarian question thus remains unresolved.<sup>20</sup>

The argument presented above resonates with Kautsky's earlier comments on the consequences of a fall in the ground rent on the farms where the landowner is also the farmer. The fall in ground rents, Kautsky contended, led to:

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[A] crisis in agriculture which ... is chronic in character, especially in those areas where, as in most countries, the landowner and farmer are one and same individual, so that a loss to the landowner is also a loss to the farmer.

(Kautsky [1899] 2007:218)<sup>21</sup>

The presence of low agricultural prices and low profitability is crucial to our argument. We offer three pieces of empirical evidence in support of it.

First, an all-India survey from 2003 revealed that 40% of the farmers did not like farming, and if given a choice they would prefer another source of livelihood; 67% of those who reported that they did not like farming cited unprofitability as the main reason. Peasants with smaller farms cited unprofitability as the reason for the desire to quit farming more often (Agarwal and Agarwal 2017). The rate of profit in the organized manufacturing sector was around 25% during 2009–2011 (Basu and Das 2018a), whereas the return on cereal crops, the mainstay of Indian agriculture, was not more than 12% (Government of India 2014). The evidence of low profitability could be an indication that agricultural prices are below the prices of production, as in case II above.

Second, agricultural terms of trade are defined as the (weighted) price index of the goods the agricultural sector sells vis-à-vis the (weighted) price index of the goods it purchases. Rising terms of trade would indicate that the prices of agricultural goods are rising relatively to non-agricultural goods. Data from the government of India on the terms of trade between agricultural and non-agricultural sectors are presented in Figure 2.



Figure 2. Terms of trade of the agricultural sector vis-à-vis the rest of the economy (base = triennium ending 1990-91, \* = provisional, source: Government of India, Undated)

The agricultural terms of trade were rising gradually in the 1980s but flattened after 1991. The index was even lower in 2009–2010 when compared to 1991–1992. This may have had a bearing on the unprofitability of farming. From the early 1990s the Indian state initiated a set of “economic reforms” that marked a distinct shift of

policies in the direction of neoliberalism. This shift is likely to have exacerbated the siphoning of surplus value away from agriculture.

Third, between 1995 and 2014 more than 300,000 owner farmers and agricultural laborers have committed suicide in India (Basu et al 2016). Comparable data of the period prior to 1990s does not exist, hence the link between the neoliberal turn of the economy and the number of farmers’ suicides is not immediate. Evidence of curtailment in the procurement of crops by the government or on un-remunerative procurement

prices is available (Sanhati Collective 2012). These factors have added to the crisis in farming.

## 7. Conclusion

Marx's formulations on land rents and agrarian economies have not attracted as much attention as his other works have. Marx's writings pertained to a condition where capitalism is the mode of production in agriculture and landlords own the land, a possibility that is not immediate in South Asia. At the same time, the importance of understanding agrarian (non)transition in these societies is obvious in the face of the high share of the labor force and national output that agriculture commands.

In this chapter, Marx's thoughts on rent have been reviewed. In order to understand South Asian agriculture a brief account of its evolution through the colonial and postcolonial periods has been presented. Massive subdivision and fragmentation of landholdings characterize contemporary South Asia. Extraction of (notional) surplus value from the agricultural sector is being achieved in the sphere of exchange. The petty nature of agricultural production and state policies have together depressed agricultural prices and thus have perpetuated the condition of low capital accumulation in a petty peasant economy.

Resonance of the argument presented here can be found in Marx's writings. Listing the factors that restrict absolute rent, Marx commented that *AR* is "limited by ... competition from foreign agricultural producers (assuming their free import), ... by the need of the consumers and their ability to pay." (Marx [1894] 1981:892). Demand and supply forces, through the market price, influence the extraction of surplus value in the form of absolute rent and the realization of value in general. The argument in the present chapter is similar. The possibility of realization of value is circumscribed by the prevailing market prices. Low market prices attributed to the petty nature of agricultural production and state policies have enabled the transfer of surplus value away from agriculture.

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### Notes:

(<sup>1</sup>) Patnaik (1983) made an attempt, but her ambit was limited to tenancy.

(<sup>2</sup>) This confusion is not surprising, as Mandel (1990) observed: “Marx’s theory of rent is the most difficult part of his economic theory, the one which has witnessed fewer comments and developments, by followers and critics alike, than other major parts of his ‘system’.” Marx’s theory of rent is subject to conflicting interpretations as well (Fine 1979).

(<sup>3</sup>) Chapter 37, *Capital III* (Marx [1894] 1981:751), the first chapter on rent, started with the disclaimer: “We assume therefore that agriculture, just like manufacturing, is dominated by the capitalist mode of production.”

(<sup>4</sup>) Marx ([1894] 1981:884) thus remarked, “The fact that the farmer could valorize his capital at the customary profit if he paid no rent is in no way a reason for the landlord to lease out his land to the farmer for nothing ... This assumption would mean abstracting from landed property, it would mean abolishing landed property.”

(<sup>5</sup>) In the *Theories of Surplus-Value* Marx (1863) took the formulation of Ricardo to task. He further observed that Ricardo’s ideas were shaped by the English experience in the colonies where capitalism did not confront landlordism as a barrier. See also Patnaik (1983).

(<sup>6</sup>) We are abstracting from differential rents for the sake of exposition. We assume that constant capital lasts for a single period and that both sectors have equal capital outlays.

(<sup>7</sup>) “Even if a portion of surplus value not expressed in the price of the commodity is omitted from the price formation process, the sum of average profit plus rent can in its normal form never be greater than the total surplus-value, though it can be less.” (Marx [1894] 1981:971)

(<sup>8</sup>) For instance, “Landed property is both a necessary *and sufficient condition* for rent to exist” (Patnaik 2007, emphasis added).

(<sup>9</sup>) Marx ([1894] 1981:894) is unequivocal on this: “Where this hypothesis [the composition of agricultural capital is less than the social average] is inapplicable, the form of rent [absolute rent] corresponding to it disappears”; further, “if the average composition of agricultural capital were the same as that of the average social capital ... the result would be the disappearance of absolute rent in the sense developed above” (Marx [1894] 1981:899).

(<sup>10</sup>) Extraction through trade became important later. The volume of colonial extraction, termed as the “drain of wealth,” was 4.18 percent of Indian national income in 1882–1883 (Habib 1984).

(<sup>11</sup>) Marx’s description of the British rule as an agent of change attracted criticism in the subsequent historiography: “In this latest Marxist version the reproduction of Western bourgeois society, thought by Marx as colonialism’s historic mission, is seen to be necessarily stultified” (Stokes 1978:37).



(<sup>12</sup>) Thirty-two percent of all income of agricultural households comes from wages and salaries (Basole 2017).

(<sup>13</sup>) The centrality of this question can be appreciated from the following observation: “The specific economic form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude ... It is in each case the direct relationship of the owners of the conditions of production to the immediate producers ... in which we find the innermost secret, the hidden basis of the entire social edifice, and hence also the political form of the relationship of sovereignty and dependence, in short, the specific form of state in each case” (Marx [1894] 1981:927).

(<sup>14</sup>) Refer to Basu and Das (2009).

(<sup>15</sup>) Kautsky ([1899] 2007) and Winter (1982) have attempted to fit Marx’s rent theory in a condition of peasant proprietorship. Such reasoning appears tenuous in the South Asia context.

(<sup>16</sup>) See Patnaik et al. (1976), Dasgupta (1989), Nair and Eapen (2012) on the impact of government procurement. Relatedly, Mitra (1977) examined deployment of terms to trade by the state to further class interests.

(<sup>17</sup>) By market price we mean the price that prevails in the market after the state policies take their effect.

(<sup>18</sup>) “The really revolutionary way” of the emergence of capitalist production, Marx ([1894] 1981:452) contended, is of peasants transforming into capitalists, in contrast to the route where moneyed men take hold of the means of production.

(<sup>19</sup>) For simplicity, the yield differences of lands have been ignored.

(<sup>20</sup>) For this condition to persist the peasants must have few alternative livelihood options. See Basu and Das (2013) and Das (2016).

(<sup>21</sup>) The slump in crop prices, as considered above, affects land rents adversely.

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## Oxford Handbooks Online

### **Asia and the Shift in Marx's Conception of Revolution and History**

Lin Chun

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### **Abstract and Keywords**

Through a revisit of the evolution of Marx's ideas about Oriental society and the village community, this chapter explores the methodological meaning of Asia for the Marxist conception of history and demonstrates its contemporary relevance. Following Marx's original cases of India, China, and Russia, the chapter traces how eventually in his analysis national liberation and class struggle became mutually indispensable and why the oldest forms of social organization could be transformed into the newest as the communist project. This textual study of a remarkable intellectual trajectory begins with a critical examination of Marx's Asiatic mode of production and then looks into the major twists and leaps in his later reflections, and concludes with a tentative appraisal of the significance of his eastward turn. Marx's non-deterministic history with a strong agential as well as ecological consciousness is shown to be an indispensable source for contemporary Marxist rethinking of historical and global transformations.

Keywords: Marx, Asia, history, revolution, village community, communism

This chapter tackles the evolution of Marx's bifurcated conception of the Orient and his thoughts on the village community. Seeking a clarification of the evolving Marxian approach to the East, the discussion follows Marx's original perspective that Japan was more feudal than European feudalism ([1867]1971: 741) and focuses on India, China, and Russia. Still understudied, these ideas and debates can be a great source for contemporary Marxist rethinking of regional and global transformations. We begin with Marx's elucidation of oriental society and then look into the twists and leaps in his reflections on the Asian responses to capitalist encroachments. We conclude with a tentative appraisal of Marx's eastward turn and its methodological breakthrough in achieving a non-deterministic and non-teleological conception of history with a strong agential as well as ecological consciousness.

# 1. Marx's Interpretation of Oriental Society

Marx's thought was a product of the European Enlightenment and rooted in the modern configuration of a global market. Major events and intellectual developments involving leading thinkers among his contemporaries greatly impacted him. But above all, he was an active participant in (and close observer of) current history, from the Chartist movement in England and the 1848 revolutions across Continental Europe to the Paris Commune of 1871 and non-European insurgencies in faraway places. Contributing to the *New York Daily Tribune* from 1853 to 1861 allowed him an exceptional opportunity to observe the subcontinent and Far East among other "pre-capitalist" societies. Earlier in 1845–1846, no longer a rebellious young Hegelian, he formed a clear view on the relationship between economic development and social relations for the first time, articulating it in terms of modes of production in an evolutionary sequence ([1846]1982: 96–103). Such a mode thus had a dual signification: socioeconomic formation and marker in historical periodization. Yet Hegel's philosophy of history also left an impression on Marx: in particular the distinction between the "historical nation" and peoples without history, along with the contrastive categories between a liberal, rational, and progressive Occident and a despotic, servile, and vegetative Orient in the Western mind (Dawson 1964; Lowe 1966: 1–6; Clarke 1997: Part II; Wolf 1982: chapters 3, 4, and 8).

## 1.1 The Asiatic Mode of Production (AMP)

The AMP was theoretically constructed in addition to the more typical modes of production (Anderson 1974b: 462–549; Krader 1975). Marx and Engels originally identified four forms of property ownership in *The German Ideology*: tribal/primitive, ancient, feudal, and capitalist ([1846]1975: 28–37). In the *Grundrisse* (1857–1858), an Asiatic mode was added to the pre-capitalist formations: "Asiatic, Slavonic, ancient Classical, Germanic" and feudal ([1857–1858]1973: 495). Their common bearing was the lack of free wage labor detached from the land and thereby of hidden surplus value exploited by private capital. Contrasts between property-based European regimes of accumulation and an Asiatic one of simple self-reproduction were attributed to the latter's absence of intermediate institutions between rulers and subjects, especially an adequate legal recognition of private property. Marx's best-known formulation appeared in the preface to *A Contribution to the Critique of Political Economy*: "In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society" ([1859]1987: 263). These are "composite systems" as none could ever exist in a pure state. Even in England, "middle and transitional levels always conceal the boundaries" of the mode of production (Marx [1894]1976: 1025; Anderson 1974a: 154, 165).

Among the structural flaws of AMP, Marx pinned down two basic features: First, as the state was simultaneously also the sole landlord, its revenue, drawn mostly by extra-economic means, was undifferentiated between ground rent and taxation. And it was the state that alone commanded surplus value for either palace consumption in magnificent

display or public works rather than industrial investment ([1867]1871: 350–351, 610; [1894]1976: 927). Centrally administered infrastructural projects were prone to despotism. Second, a closed and cyclic village economy combined household farming and handicraft. Without private property and class divisions and struggle, any impetus for change was missing. Marx looked into the “self-sustaining unity of manufacture and agriculture” and found that as each village of an agglomeration was “with its own distinct organization and each forming its own small world,” the rationale for such a self-reproducing circle without independent individuals “necessarily hangs on most tenaciously and for the longest time.” Nothing can be conceivable as “a more solid basis for Asiatic despotism and stagnation” ([1857–1858]1973: 486; [1857–1858]1986: 410; [1853]1983: 346–347).

This sketch was elaborated in Marx's other writings, especially *Capital*. For example, he compared unity of town and country in the Asian empires, where cities were “royal camps” or “an artificial excrescence on the actual economic structure,” with autonomous towns in Europe where legally enhanced institutions of private property, markets, and guilds nurtured a rising bourgeoisie ([1853]1983: 332; [1857–1858]1986: 401–409, 479). Observing an overdeveloped state, Marx regarded the village system as “the key to the secret of the unchangeableness of Asiatic societies ... in such striking contrast with the constant dissolution and refounding of Asiatic State.” Despite dynastic alterations, the “stationary character” of economic structure “remains untouched by the storm-clouds of the political sky” ([1867]1971: 352).

Where to position AMP in Marx's conception of history in terms of its relational connection with the other modes of production, then? In *Capital*, Marx returned to “the ancient Roman, the ancient Greek, or the Eastern forms which ... together form a series in historic development.” Not specifying “Eastern forms,” his point was on communal property and labor being common at the dawn of all civilizations as a source of future negation of capitalist production ([1867]1971: 496). In this sense, AMP and primitive society overlap. However, in various places Marx also described AMP as constituting one of the “epochs marking progress in the economic development,” implying the parallel between AMP and ancient society. They end in the same manner—conversion of products and labor into commodities “in the ancient Asiatic and other ancient modes of production” ([1867]1971: 51). Difficulties in conceptualizing AMP were measured by such analytical inconsistencies.

Once the defining feature of AMP is confined to the idyllic, self-sustained village system and decoupled from the state-landlord and state organized construction works, it became identifiable anywhere without geographic specifications. Marx did find the Germanic, Russian, and Slavic phenomena all with “the Asiatic or Indian” traces resembled also in Mexico, Peru, Egypt, Turkey, and indeed among the Teutons, Celts, and Scandinavians as well, even just next door to Marx's hometown area around Trier ([1859]1986: 413–421; [1868]1987: 557–558). Certain affinity was also echoed in his analogy of “the idiocy of rural life” in France, where a vast mass of smallholding peasants “is formed by the simple addition of homonymous magnitudes, much as potatoes in a sack form a sack of

potatoes." Their inability of representing themselves explained absolutism and Louis Bonaparte's coup ([1852]1979: 187). The connotations of the signifier "Asiatic" turned out to be temporal rather than spatial.

### 1.2 Empirical Objections

Marx seemed to have dropped AMP after 1859 (Stedman Jones 2012: 196, 210–211) while continuing to analyze village communities with even greater attention. Abandoning the notion of "Oriental despotism" as compared with the higher Occidental civilizations was indicative of his awareness of its susceptibility. Seeing the "subjugated" Orientals as incapable of self-elevating into the sovereign of their circumstances was after all imaginary and ideological. Even if AMP paved the way for conceiving a multilinear history, as argued by some, its vulnerabilities have compelled searches for an alternative after Marx.

The "tributary mode of production," originally proposed by Samir Amin in the 1970s, applies to the Roman and Ottoman center-periphery interactions as well as tribute-paying regional order of East Asia. The draining of transparent surplus to the imperial centers in such a mode was a contrast to the capitalist accumulation through hidden surplus value. The tributary system denotes an owner state over the land and labor with unlimited disposal of the total surplus of an agriculture-based economy. Feudalism was peripheral to it; and civilizations in the East may have blended elements of both tributary and feudal modes of production (Amin 2009: 105–148; Wolf 1982: ch.3; Banaji 2010: 94–102). What theoretically matters here is also the designation of a feudal society being pre-capitalist or destined to a transition to capitalism; an expansive application of feudalism would have unintended implications. A more cautious approach must distinguish between non- and pre-capitalism. While Japan may have disturbed a feeble East-West dichotomy by fulfilling that transition, the Chinese once borrowed the term to simply denote landlordism without inferring any capitalist prospect.

Empirically, AMP was constructed on thin and shaky evidence. It was before serious ethnographic research emerged, and Marx's information came mainly from travel accounts quoted in Adam Smith and Richard Jones, among others. Both Jones and James Mill studied *raiyyat* rent in India and concluded that the Asian sovereigns owned all the land. Mill further used bureaucratic management of hydraulic projects to explain Oriental despotism. Francois Bernier's 1699 report also informed Marx's view on the absence of private land as "the real key" to "the basic form of all phenomena in the East." Although he became aware of the complexities of land tenure systems in Asia where state monopoly over land titling could be a mere legal fiction, any individual owner for him was still not a proprietor of something with exchange value in a modern sense. His impression persisted that the conflation of private, communal, and state property, as shown in an underdeveloped credit system, was a root cause of Asian inadequacies ([1853]1983: 333–334; [1858a]1986: 546–547; [1894]1976: 927, 772).

In reality, both Mughal India and imperial China had private land and a landed aristocracy, hence widespread rural stratification. Villages had been variously integrated in the larger networks of production and circulation, and blooming markets of short and long distance trade partially commercialized the economy. As amply recorded, China, India and part of the Arab world had for centuries been economically more advanced than Europe. Marx noticed how Hindustan had dominated finished textile products, which ended only with cheap imports of cotton cloth from a recently upgraded Britain. This Asian advantage had probably contributed to the pressure on Britain to launch its industrial revolution. Foreign merchants also had a hard time competing with the Chinese. Contemporary historical sociologists and economic historians observed Smithian growth more than Malthusian traps of an Asia before Europe, using vibrant exports and heavy silver imports as evidence of the sophisticated productive and mercantile systems in Asia (Arrighi 2007: Part 1; Nolan 2016: chapter 1).

Concerning the notion of untrammelled Asian rulers, Oriental empires were rather ruled loosely given their vast, fluid, and diverse sociocultural topographies. Traditional autonomy at the grassroots was a necessity in coexistence with what Weber depicts as a patrimonial bureaucracy in resemblance to AMP. The concept of despotism based on giant water projects that alerted Engels first was short-lived in Marx. And irrigation was only among the three state functions he once delineated in the East anyway: finance, war, and public works ([1853a]1979: 127). The twentieth-century ideologically driven thesis of “hydraulic despotism” (Wittfogel 1957) has been roundly criticized with empirical data from the subcontinent and Eurasia. Side by side with state schemes, small dams, wells, and channels were built with family, tribal, and cooperative labor in India as elsewhere. Even in China where waterworks were indeed grander, defense was a primary budgetary and organizational demand due to persistent nomadic threats. A more interesting question would address the nature of the state as a developmental vehicle in explaining the nineteenth-century divergence between the European and Asian paths. If the economic functionality of an interfering government was hardly unique to Asia and economic nationalism required for capitalist accumulation, how might this be compatible with Marx's mode of production and methodological globalism?

### 1.3 Conceptual Fallacies of an Ideology

Not only has AMP been negated by our enriched knowledge about Asian histories since Marx's time, abundantly vitiated are also its diagnostic and prescriptive flaws. Theoretically, two objections stand out. First, the abstract binary between the historical subject of a dynamic capitalism and an outcast social formation without internal dynamism is self-contradictory. It also leaves little room for indigenous, non-Western development of either a capitalist or non- and even post-capitalist character—the capitalist end of history is still a preoccupation of every version of the modernization theory. And it also understates capitalist erosion (other than predicted cycles of crisis) with lasting, catastrophic consequences. The absence of a notional distinction between pre- and non-capitalism bestows Marx's worldview a deterministic overtone. Depending on how “universal history” is understood, AMP represents either a spectacular failure of

## Asia and the Shift in Marx's Conception of Revolution and History

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Marxism (because it prevents a linear succession of the modes of production from being coherently conceptualized) or a remarkable break with the teleological strand in Marxism (Lowe 1966: 5–6, 27; Ahmad 2008: 241).

The other objection is concerned with the schematized sequence of modes of production. If each of the successive modes before communism is in a predetermined relationship with the next one at a higher stage, the Asiatic mode in its characterization is missing a potential contradiction between the forces and relations of production leading to any revolutionary upward transition. While typical primitive societies dissolve gradually through commodification, in Asia this is mostly contingent on external intervention and therefore a deviation from the regular track of evolution. That is, AMP undermines the conceptual logic of the same framework in which all the pre-communist modes of production evolve and sequentially replaceable. If the dialectics of historical development are not operative in Asia, Marx's theory of history is diluted by logical inconsistency (Avineri 1969: 5–6, 13; Hindess and Hirst 1977: 178–182, 192; Turner 1978: 32–34).

In defense of Marx, Eric Hobsbawm argues that pre-capitalist modes of production are less theoretical than observational, and “perhaps not in any particular predetermined order.” Marx did not subscribe mechanical views on the breakdown of any old social formations or their passage to new ones (Hobsbawm 2011: 136, 151–156, 171). For example, feudalism originated in a Romano-Germanic conjuncture of military invasion and conquered agrarian organizations, receiving no stimulus from the conflict generated within the system of slavery. In his concrete discussions of the case, Marx showed that the ancient and feudal formations were only contingently connected. The plebeians of ancient Rome as “free men, stripped of everything except their labor power” did not become wage laborers but mobs in “a mode of production which was not capitalist but dependent upon slavery.” His pre-capitalist formations as “presuppositions” were not sequentially fixed; and “an understanding of feudal, ancient, oriental economies” was attainable “only after the self-criticism of bourgeois society had begun” ([1877]1989: 199–200; [1857/8]1973: 105–107, 471–472). These formations have an illustrative value for the genesis of capitalism; otherwise without a causal linkage to the modern bourgeois world, the Oriental (as any other socioeconomic formation dominated by land and nature) was theoretically insignificant.

However misconstrued, AMP continued to spark political and intellectual fascination in the former Eastern bloc long after Marx himself discarded it. And neither revolutionary nor colonial modernity, Communist China nor democratic India, could fully escape its projected images entangled with the Cold War ideology. The re-articulation of China's official discourse of backtracking development to fulfill economic prerequisites for socialism, or “making up a skipped stage” (*buke*) of capitalism is ironically legitimized on Marxist terms.



## 2. The Great Reversal: Colonial Predicament and Revolutions in the East

After the failed 1848 revolutions, by November 1852, following the notorious Cologne Communist Trial, the Communist League formally dissolved. Pursued by the police and spies, Marx had reassembled his team and activities in London (intended as a short stay) from May 1850. Dire family financial difficulties did not stop him from editing the monthly *Neue Rheinische Zeitung*, working on his critiques of political economy, and analyzing Britain's overseas trade relations since the 1830s. The Asian market had been vital for overstretched British imperial expenditure and European as well as world capitalism. Colonial repercussions in Asia debated in Westminster concerning balance of payments and foreign policy became a regular theme of Marx's (and Engels's) writings for his own papers and the *New York Daily Tribune* (NYDT) in the 1850s. The last of this cluster of commentaries, titled "Chinese Affairs," was published in *Die Press* in 1862.

In his political journalism, Marx viewed colonial extraction of raw materials and labor value as intrinsic to the primitive accumulation of capital through a world market. Notwithstanding his moral dilemma between condemning and rationalizing colonialism, Marx was sensitive to popular unrests in Asia, while eyeing the future return of workers' movements in Europe. This vista of a pioneering Asia sparking transnational revolutions in the capitalist heartlands signaled a recast of his Orientalist baggage. The episode also prepared Marx's turn to Russia, "semi-Asiatic in her condition, manners, traditions, and institutions" (Engels [1853]1979: 23). Treating the reactionary Czarist regime as an Eastern fortress of the European bourgeoisie, Marx in his last years became enticed by the Russian *Narodnik*'s challenge to the doctrine of capitalist inevitability. It remains unresolved as to what extent Marx's Asia had been transformed when he carried on referring to China as "that living fossil" or India as immune to change ([1862]1984: 216). Gareth Stedman Jones, a leading Marx biographer, maintains that Marx's attitude towards extra-European societies "did not change significantly" prior to the "late Marx" around 1877–1882 (2012: 195–197). Even Kevin Anderson, who interprets "Marx at the margins" by conflating national liberation and class struggle, stops short of claiming anything beyond the multilinear thesis for Marx's history (2010: 2–4).

While news from the East was precarious and mixed, Marx was deeply moved by a revolting landscape of people bullied and injured by Britain and its imperialist allies. Permitting tensions often inevitable in original thinking, one could argue that without closely following struggles in Asia, and taking intellectual steps in reconsidering the relationship between Europe and Asia in terms of capitalist global expansion and local resistance, Marx would not have ultimately arrived where he did. His theorization of the Russian alternative resulted from his intense attention to the questions of land, community, and the agency of direct producers in the non-Western world. This nuanced reversal of his conception of the Orient merits recognition for its important theoretical and practical implications.

### 2.1 Criticizing Colonial Trade and Wars

Discussing capitalist imperialism most pointedly in his NYDT dispatches, Marx wrote many pages on Britain's opium trade involving "the compulsory opium cultivation in India and the armed opium propaganda to China." He detailed the historical context of that "hazardous operation" of poison, its production and smuggling processes from Bengal to Calcutta to Whampoa, and was absolutely appalled. Opium became an essential source of British revenue and a tool of balancing its trade deficit ([1858]1980: 13, 15–20; [1853b]1979: 94–96). After having destroyed Chinese towns and slaughtered the locals, the British imposed on the Qing court the Treaty of Nanking (1842), forcing China to pay a mammoth indemnity, open its ports, cede Hong Kong, and give extraterritorial privileges to the foreigners. The Treaty of Tientsin (1858) forced China to further yield its territorial and financial interests to foreign powers. Marx singled out the catastrophic effect of a trade on China backed by the fleet of gunboats from a "flagrant self-contradiction of the Christianity-canting and civilization-mongering British Government." Its illegitimacy marked "the general relations of the Eastern and Western worlds, stand[ing] solitary on record in the annals of mankind" ([1859]1980: 510–511; [1858]1980: 15).

Meanwhile, as Marx observed, the scale of direct exploitation of India by the British oligarchs was just as colossal, and the Indian administration "depends for full one seventh of its revenue" on opium. Hailing "free trade," the East India Company's monopoly was over something worse than slave trade. The import of English goods by India and China (as well as Asia Minor and Persia) had risen to a much greater scale since 1840, tearing apart native economies. The notion of Europe relying on its overseas colonies or the colonial logic of capitalist market was indeed an unrelenting message in Marx's writings. The "supreme rule of capital" as an independent power, and its centralization, had a globally destructive influence as "in the most gigantic dimensions, the inherent organic laws of political economy now at work" ([1853c]1979: 222). In *Capital* he meticulously explained how by ruining the handicraft sectors of agrarian nations with dumped commodities, such nations were forcibly converted into the supply sites of raw produces to form "a new and international division of labor" ([1867]1971: 453–454).

Marx did also emphatically detect the blowback of imperial ambition. The two opium wars would precipitate and aggravate shocks. With a falling rate of profit, an ever-expanding world market was required to maintain capital returns. Mass consignments to India and China for profits "had to lead inevitably to an overcrowding of the markets and to a crash." India was "the battle field in the contest of the industrial interest on the one side, and the moneyocracy and oligarchy on the other," destroying the whole ancient fabric in the colony. There were also political repercussions: no serious revolution in modern Europe "had not been preceded by a commercial and financial crisis" ([1853b]1979: 96, 99; [1853d]1979: 155).

### 2.2 Dual Judgment and Beyond

Marx was unambiguous in denouncing the greed and cruelty of racist colonialism, in which the “civilized” “drink nectar from the skulls of the lesser breed.” Among his most quoted passages, he wrote that “the profound hypocrisy and inherent barbarism of bourgeois civilization lies unveiled before our eyes, turning from its home, where it assumes respectable forms, to the colonies, where it goes naked.” However, Marx’s judgment was of a dual character in reflection of his moral dilemma, containing simultaneously condemnation and instrumental reason: “England has to fulfill a double mission in India.” By creating private property in land along with railways, free press, and other modern institutions, the British were revolutionizing their colony and fulfilling a rational function of history ([1853c]1979: 221–222). The same effects would also shake China, though more slowly in a semi-colony. The “Europeanization” of this giant empire —“vegetating in the teeth of time, insulated by the forced exclusion of general intercourse”—was also tragically necessary. The notion of China’s long isolation coming to a violent end was again a myth on Marx’s part ([1853b]1979: 95; [1894]1976: 451–452), as negated by the magnificently chronicled trading and cultural interactions among and between the Asian and other civilizations over millennia.

As the unity of minute agriculture and domestic industry of spinning and weaving put up “a very stubborn resistance” to cheap imports ([1894]1976: 452), Marx continued to ponder colonialism’s disintegrative impact on pre-capitalism in connection to the plight of the Western proletariat. In 1858, he reaffirmed his anticipation of a worldwide market: “As the world is round, this [market] seems to have been completed by the colonization of California and Australia and the opening up of China and Japan” ([1858a]1983: 347). The completion of the bourgeois mode of production led to a substantial modification of Marx’s position on colonialism, concluding a decade later at an occasion of answering the Irish question. He was now convinced that “the English working class will never accomplish anything before it has got rid of Ireland”; and this point was pertinent to “the social movement in general.” In other words, the cost of the colonial empire, as in the case of the Indian dominion, was borne by “the British nation and people” in the interest of their rulers ([1869]1988: 398; [1857a]1986: 349–352). Insofar as colonial power existed, the metropolitan working class was itself enslaved (and complicit). Anticolonial and class struggles were hence mutually indispensable.

In fact, as early as 1853, contradicting his own comments elsewhere, Marx already hinted his ultimate judgment on colonialism: the bourgeoisie “will neither emancipate nor materially mend the social conditions of the masses of the people” in the colonies. The Indians would not reap the fruits of any colonial change until “in Great Britain itself the new ruling classes shall have been supplanted by the industrial proletariat, or till the Hindus themselves shall have grown strong enough to throw off the English yoke altogether” ([1853c]1979: 221). This was a brilliant foresight as a nationalist Asia was yet to loom.

### 2.3 Revolts in China and India

Marx and Engels wrote a most optimistic piece about resistant ferment in China in 1850 against a backdrop of growing markets around the Pacific Ocean. The outbreak of the religiously disguised Taiping uprising of 1850–1864 was attributable to the degenerating and oppressive social conditions under the competing foreign forces. Losing its sovereignty, “The silver coin of the Empire, its life-blood, began to be drained away to the British East Indies” as well. As religious sects and secret societies spread among the poor, ethnic minorities and petty scholars resentful of imperial hierarchy and autocracies, the Middle Kingdom was plunged into a crisis, financially and socially: “The country came to the verge of perdition, and is clearly menaced by a violent revolution.” The rebels demanded “a different distribution of property, and even the complete abolition of private property.” They attacked the Manchu rulers and, unlike traditional peasant revolts, adopted Christianity to call for equality in this world. Marx and Engels was impressed by what was described by a German missionary on “the Chinese mobs” “preaching socialism” ([1853b]1979: 93–99; [1850]1978: 266–267). In particular, as the Taiping army mobilized massive followers and swept half of the country over a decade, they carried out an egalitarian communal land program (Land System of the Heavenly Dynasty) with a creed of having “food, clothing, land and money collectively shared, and all fed and clothed equally” (*Taiping Jing*).

Marx initially predicted that the disruption of China market would result in an economic crisis in England with political upshots. For one thing, Taiping emerged a legitimate nationalist movement provoked by territorial and bodily violations committed by “civilization mongers.” For another, Taiping pursued a progressive social program to the extent that “it may well be that Chinese socialism is related to European socialism just as Chinese philosophy is related to Hegelian philosophy” ([1850]1978: 267). His disillusionment came later when the rebels turned merely destructive “without any nucleus of new construction” ([1862]1984: 216).

Sharing the similar conditions with China of conflicts, poverty, and pervasive misery, the nationalist Indian Mutiny of 1857 was also a retort to a “bleeding process” of the British exhausting Indian labor and wealth to finance not only its expensive colonial apparatus but also accumulation and consumption at home. The Raj imposed new land taxes and annexed formerly independent principalities, devastating an ancient civilization and its customary means of subsistence ([1853a]1979: 132; [1881]1992: 63). The vast country of India, however deeply divided among its ethnic-religious groups, tribes, and castes/classes, had no alternative but moved as well. Marx greeted the Sepoy Uprising of 1857–1858 with compassion and an acute sense of irony. In a series of NYDT articles he offered detailed reportage, and confirmed the Mutiny as a “national revolt” in nature [1857b]1986: 316]. The mutineers of the Anglo-Indian regiments erupted in several garrisons and marched into Delhi and other places, “shaking the British authority from one end of India to the other.” As it incited many mutinies both within the army and civilian population, Marx and Engels defended “the national insurrection,” asking “whether a people are not justified in attempting to expel the foreign conquerors who

have so abused their subjects ... in cold blood" (Engels [1858]1986: 441; Marx [1857c]1986: 297–300; [1857d]1986: 305–308; [1867e]1986: 341).

An intriguing observation by Marx on the Mutiny was its seemingly awkward agents. Resembling the first blow to the French monarchy by the nobility, "the Indian revolt does not commence with the ryots, tortured, dishonored and stripped naked by the British, but with the sepoys, clad, fed and petted, fatted and pampered by them." It was not the poor and wretched peasants but the better-off yet religiously violated soldiers who rebelled. Marx pinpointed the intertwining forces of religion, culture, and class politics in the Indian struggle. He explained atrocities committed by the insurgents in terms of the justice of "historical retribution": what they did was "only the reflex, in a concentrated form, of England's own conduct in India" ([1857f]1986: 353). Although the Mutiny had been quickly and savagely put down, this anticolonial revolt by a habitually "passive" and "inoffensive" people enabled a constructive move in Marx. He wrote to Engels in early 1858 that "India is now our best ally" ([1858b]1983: 249).

### 2.4 Linking Revolutions in Asia and in Europe

Marx's faith in the Western bourgeoisie creating "the material basis of the new world" was unshaken until after a decade of watching developments in Asia. Impatient with finding no radical novelty in the Asian uprisings, he did return to an earlier depiction that "the Oriental empires demonstrate constant immobility in their social substructure, with unceasing change in the persons and clans that gain control of the political superstructure" ([1862]1984: 216). Yet, profoundly repulsed by the ruined rebellions that were caused by sheer injustice and inhumanity of colonialism, his standing riddle remained sound: "Can mankind fulfil its destiny without a fundamental revolution in the social state of Asia?" It was on that premise he saw England, whatever its colonial crimes, as "the unconscious tool of history" ([1853a]1979: 132).

Not only did Marx recognize an anti-colonial nationalist character of the Asian revolts, he also linked it directly to prospective anti-capitalist revolutions in the capitalist strongholds. This idea was original even for Marx whose worldview had always presumed global totality. Referring to Taiping still in advance, he argued that "the Chinese revolution will throw the spark into the overloaded mine of the present industrial system and cause the explosion of the long-prepared general crisis, which, spreading abroad, will be closely followed by political revolutions on the Continent." Similarly, the annexation of Oude as the "final confiscation of every acre of land" in India among all those "treacherous and brutal modes of proceeding of the British toward the natives ... are now beginning to avenge themselves, not only in India, but in England" ([1858b]1986: 538).

What Marx wrote before the end of first "revolutionary epoch" in Asian history without expected outcomes cannot be dismissed. Disappointed as he was, what remained "gratifying" was that any social upheaval in the orient "must have most profound consequences for civilization." In a renewed streak of thinking he stood by this optimistic prediction of revolutions in Asia impacting European republicanism and socialism. Seeing

"a curious spectacle" that China sending disorder into the west in reaction to the Western powers imposing "order" on the Chinese soil, Marx ventured a "very paradoxical assertion that the next uprising of the people of Europe ... may depend more probably on what is now passing in the Celestial Empire" than any other events. "The question is how that revolution will in time react on England, and through England on Europe" ([1853b]1979: 93, 98; [1850]1978: 266–267). Although contradicting some of his more dismissive assertions, Marx's intuitive supposition amounted to a milestone in his intellectual trajectory. The East was no longer only a passive victim or an object of history but a subjective agent, even a forerunner on the eventual transnational revolutionary chain. This instinctive twist initiated a reversal of his outlook around the one-way transformative function of a globalizing capitalism. Envisaging future Communist and internationalist turns, Marx began to make a liberated Asia conditional for European and universal emancipation.

### 2.5 The Land, Village System, and Russian *Mir*

The land question was core to Marx's critique of political economy, because it was in both the genesis and expansion of capitalism. He researched England's enclosure of the farmland for sheep walks that typified the course of primitive accumulation ([1867]1971: chapters 26, 27). He also consistently stressed similar acquisition of land and mines in the colonies, involving "slave-breeding and slave-consuming oligarchies" living on coerced labor and slave and drug trades, including "a twofold slavery" of "the indirect slavery of the white men in England and the direct slavery of the black men on the other side of the Atlantic" ([1861]1984: 20). Together, "the multiplication of commodities in circulation, the competition among the European nations for the seizure of Asiatic products and American treasures, the colonial system, all made a fundamental contribution towards shattering the feudal barriers to production" ([1894]1976: 450). Contemporary historical accounts of Europe's "ecological relief" through the windfall of the New World as both a population outlet and a source of cotton and other land-intensive products vindicated Marx (Pomeranz 2001: 22–23, 239, 287–208). The colonized land was a vital means of production for global capitalism, buttressing an optimal system of exchange to endure.

Marx once believed that the British were making "agrarian revolutions" in India by losing no time in exercising their power as rulers and landlords to export private property: "By one stroke of the pen, England has upset more property relations in India than were upset in the whole of Europe since the French revolution." Beside creating large-scale English estates, the "defenders of property" in upholding their landed interests home and abroad had also trained the Zemindars and tax gatherers into "a fresh class" separated from the sharecroppers. This soon resulted in the country's revenues being "stretched to their utmost possible limit." The great body of peasant India thus suffered "unmitigated impoverishment and dejection," including famine year after year ([1853c]1979: 219; [1858b]1986: 546–549; [1867]1971: 523; [1881]1992: 62). Overturning his conviction in any progressive role of colonialism in an unambiguous language, in India at least, Marx stated that "the suppression of the communal ownership of land was only an act of

English vandalism, which has brought not an advance, but a setback to the native people" ([1881]1989: 365).

As noted, the village community dissociated with the Oriental state was not seen by Marx as unique to Asia. In various regional or cultural forms, "the Asiatic or Indian" samples of communal land and labor was a universal beginning, "the point of departure of all cultured peoples" ([1857-1858]1973: 473, 483-485, 882; [1868]1987: 547). The decay of primitive communities happened at their borders when increased population and productivity brought about exchanges, pushing "immediate use value more and more into the background" toward communal dissolution. Such communes perished also by wars, invasions, over-taxation and so on ([1867]1971: 51; [1881]1989: 350-351). But they could also be so resilient that some had survived until the nineteenth century. An identical form of the German *Mark* as a "Primeval Germanic communal system" was also widely alive in Russia, which Marx devoted his last years of study to. Not only did this form allow private homestead while preserving shared use of common properties among the natural members, tribal societies could also be "democratic" as much as paternal or despotic in leadership. Wherever the members were entitled to a real degree of egalitarianism, as in the regions fallen to the Germanic jurisdiction, it "would have made Proudhon shudder" ([1857-1858]1973: 473; [1868]1987: 557; [1968]1988: 154).

At a time when immediate revolutionary prospect had ebbed in Europe, and in coincidence with an informative trend of scholarly interest in ancient societies, Marx intensified his examination of the peasant commune at the margins of capitalism. He learned Russian, attended to the debates over Russia's traditions and development, and was sympathetic for its search for renewal (Shanin 1983: Parts 1 and 3). Marx and Engels had classified primitive societies into various stages, for "it would be a mistake" to place them "all on the same level." Economically, Marx differentiated between "the primary, secondary, tertiary types" of the village community and emphasized the surviving "Russian practice of redistributing the land at fixed intervals"—an indication of its having grown out of the archaic prototype of tribal kinship (1857-1858[1973]: 471-479; [1881]1989: 356-359).

Moving closer to what the *Narodnik* (the Bakunin-Herzen version of Slavophilism) had advocated than the Russian Marxists' view on the *mir* being a basis of absolutism, he appreciated "the great Russian scholar and critic" Nicolai Chernyshevsky among others who argued for the advantage of backward countries to skip intermediary phases toward socialism. Marx also eagerly read his ethnologist contemporaries and compiled his own notebooks from 1879 to 1882. L. H. Morgan, above all, posited that "the new system will be a revival in a superior form of an archaic social type" that preceded private property, class conflicts, and patriarchy. Marx praised these learned men who had discovered "what is newest in what is oldest" though without consciously connecting it with the socialist tendency ([1868]1987: 557; [1877]1989: 199; Krader 1974: 292, 329; Stedman Jones 2016: 578-579, 592-593). This would be a case of negation of the negation, or regenerating communism.

The Russian *mir* appeared to have survived the 1861 reform of emancipating the serfs—a signpost of the corrosive impact of capitalist development. As Marx delineated, the *mir* had then attained a level of individualization from limited private property. However, common control persisted “whereas forests, pastures, common lands, etc., still remain communal property.” This dualism of both public and private incentives could be a basis for the pursuit of collective labor and mechanized economies of scale. Meanwhile, the problem of isolated existence of communal units could be overcome “with the utmost ease”: “All that is necessary is to replace the ‘*volost*’, a government institution, with a peasant assembly chosen by the communes themselves—an economic and administrative body serving their own interests.” Co-existing with more advanced production in the West, such communes could appropriate capitalist material and technological achievements “without bowing to its *modus operandi*.” These contemplations of 1881 were intended as a reply to Vera Zasulich of the exiled Russian socialist group in Switzerland, which accentuated the “natural viability” of the *mir*: “It may become the direct starting point of the economic system towards which modern society is tending” ([1881]1989: 352–356). Marx’s conclusive phrase in the three drafts did not appear in the final version that was cut short in a more cautious tone: “this commune is the fulcrum of social regeneration in Russia, but in order that it may function as such, it would first be necessary to eliminate the deleterious influences which are assailing it from all sides ...” ([1881]1989: 371).

For the communal organizations to evade “suicide,” Marx insisted on the condition of synchronic Russian and Western revolutions. Only so would the proletarian dominance and internationalist aid from an industrial Europe secure a Russian transition bypassing capitalism. In the early 1860s Marx thought about the “original unity between the worker and the conditions of labor” as antithetical to its capitalist rupture and can be “re-established” ([1861–1863]1991: 340). He now saw a real chance for this vision in Russia. In their 1882 preface to the Russian edition of the *Communist Manifesto*, Marx and Engels paraphrased the conclusion left out from Marx’s sent letter to Zasulich: “If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both complement each other, the present Russian common ownership of land may serve as the starting point for a communist development” ([1882]1989: 426). More specifically, the revolution had to come “at the opportune moment” and concentrate all its forces “so as to allow the rural commune full scope” to evolve spontaneously. Only then could the *mir* become “the element of regeneration of Russian society and an element of superiority over the countries still enslaved by the capitalist regime” ([1881]1989: 349, 359–360). Theoretically, it does not matter if the *mir* had neither ancient roots nor a collective tradition (as some researchers argue), if capitalist relations had already penetrated rural Russia in the late nineteenth century (as Marx feared and Lenin maintained), and if the turn of events dashed any hope for a revolution (as the 1877 Russo-Turkish war ended with Russian victory). At stake is Marx’s new vista of the possibility of a backward East to lead the way in a global communist transformation.



### 3. Epilogue: The Methodological Significance of Asia for Marxism

#### ***Revolution to begin in the East***

Marx wrote in 1877 to a friend that the turbulence in Eurasia could be “a new-turning point in European history” and “this time the revolution will begin in the East, hitherto the impregnable bastion and reserve army of counter-revolution” ([1877]1991: 278). This groundbreaking idea was prophetic of the revolutionary “short 20th century.” Despite disenchantments and inconsistencies, Marx kept advancing his analyses—from the Jewish, Irish and Polish liberation to peasant “Chinese socialism” and Indian anti-colonialism—all the way to identifying a historical opportunity for Russia to proceed straight to communist production. Yet he was never a romanticist dreamer of “social and political anachronisms” ([1867]1971: xvii-xviii), and he cherished no illusion about agrarian impediments of backwardness. Rather he cautioned against complacency: “The finest chance that history has ever offered to a nation” to not “undergo all the fatal vicissitudes of the capitalist system” could be missed quickly if needed conditions were not met ([1877]1989: 199).

#### ***Non-determinist history***

The fact that Marx's revolutionary East was articulated long before Leninist and Maoist theories and practices remains underappreciated in the Marxist literature. Marx is still largely held responsible, right or wrong, for the theory that ties socialist revolution to the industrialized nations. Among the few defences of the integrity of revolutionary Marxism, the passages from Marx to Lenin and Mao, for example, are seen only as needed “betrayals” by some “inner necessity” of the original to be torn through “violent cuts” for self-reinvention in new times and places (Zizek 2017:2). But neither Leninism nor Maoism “betrayed” Marx, who had been there ahead of history to convert oriental hindrances to stimuli. He also left history open to unknown paths and unpredictable contingencies. Distancing himself from the “laws ... working with iron necessity” he once worded ([1867]1971: xvii), Marx disclaimed any master key to historical understanding. The primitive accumulation he examined in *Capital*, he stressed, was radically accomplished only in England, followed by its continental neighbors. And he never intended to do more than tracing a specific Western European course. Famously and resolutely, Marx rebuffed any attempt at translating a specific trajectory into an “all-purpose formula of a general historico-philosophical theory” and then imposing it “by fate on all peoples.” Instead, “everything depends on the concrete historical environment in which it occurs” ([1867]1971: 739; [1877]1989: 200).

### ***Beyond unilinearity versus multilinearity***

The non-determinist strain, qualitatively enhanced in late Marx, is not merely about rejecting linear progression as concurred in an anti-Eurocentric scholarship. His reversal goes deeper. First, it means a repudiation of the *telos* of capitalism foundational for modernization paradigms. Marx made it clear that the emergence of industrial capitalism was contingent upon a unique historical conjunction of specific and unrepeatable conditions. Consequently, its classic form is inviable for late developers, as demonstrated in our own age by the capitalist industrial-military complex and global order of unequal exchange that continues to source "imperialist rent" from the peripheries (Amin 2012; Smith 2015). Too often, therefore, any correlation is identifiable not between capitalism and development but capitalism and underdevelopment. Marx was fully aware and critical of this effect on China, India, and French Algeria among others, an effect that explains the historical phenomenon of coherent nationalist and socialist revolutions taking place not where capitalist development succeeded but where it utterly failed. By extension, secondly, a boundless horizon arises not only for non-capitalist but also post-capitalist (re)ordering of society, where unprecedented creativity might flourish to fulfill social needs and potentialities. It is time to jettison the grand narrative of capitalist predestination that confuses capitalism and development.

### ***Uneven and combined development***

The thesis of uneven and compressed (a better word to capture a dynamic process) development has an origin in Marx, who discussed "uneven development" of production and its social and legal relations (as "legitimation of chance") as well as the arts; and how "the point is not the historic position of the economic relations in the succession of different forms of society. Even less is their sequence" ([1857-1858]1973: 107-111). But it was elaborated in a very different context during the Russian and Chinese revolutions pertinent to both international and local variations (Trotsky [1932]1957: 4-5; Mao [1939]1991). Taking over the Narodnik idea of the "privilege of backwardness," Marx came to see the Russian transition as its prototypical case. A post-capitalist mode of production could be instituted by compressing economically upward stages with rare simultaneity of the "oldest" common property and the "newest" technologies transferrable from the more advanced economies. To be sure, uneven development always entails anguish as much as potential advantage of relative backwardness. And startling growth is likely to be premised on the subjugated peoples breaking free of their shackles so that they are sovereign equals in negotiating trade terms and technological transfers with others. Here the conceptual capacity of accommodating overlapping temporalities and social spaces in an epochal totality epitomizes the universalist quest, which also requires a historical consciousness of politics (Bensaid 2002: 31-35). Only in a categorically new genre, beginning with Marx embracing non-Western panoramas, can universalism be true to history.

### ***The Russian and Chinese Revolutions***

Having prevailed in the debate on capitalist development and revolutionary strategies in Russia before and after 1905, Lenin and the Bolsheviks eventually seized the opportunity instanced by the imperialist war and ensuing crisis. The 1917 revolution at a “weak link” of capitalism was confronted with amalgamated armies of fierce counterrevolution. To survive the civil war and isolation, the Soviet regime set up the Third International to accrue revolution elsewhere for support. Communism and internationalism were born twins. Inspired by Russia, the Chinese (in an even more backward country) compressed variously “bourgeois” and socialist phases in a prolonged people’s war and continuing revolution. Its worker-peasant alliance within a wider fold of the united front echoed Lenin’s sense of urgency in tying the proletarian revolution to the world’s toiling masses. His last word on Asia was about the common struggle of the Russians, Indians, and Chinese in the impending conflict “between the counter-revolutionary imperialist West and the revolutionary nationalist East” ([1923]1965: 501). This is a conceptual lift originated in Marx that the classlike status of exploited and oppressed nations in the global system catalyze a symbiotic relationship between national and social liberation. As such, without unnecessary apologies but with contextual subtleties the Communist revolution in China was fully Marxist in its classical sense.

### ***Asia's methodological function for Marx***

Marx explained his “dialectic method” in approaching history: “It regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature.” Furthermore, “events strikingly analogous, but occurring in different historic milieu, led to quite disparate results,” as seen in the dispossessed Romans not becoming industrial proletariats. Rather than being “supra-historical,” only “by studying each of these evolutions on its own, and then comparing them” can one “discover the key” to historical complexities ([1867]1971: xxx-xxxi; [1877]1989: 201). What if full proletarianization is still not the fate of every population today, if their traditional commons can be regenerated through synchronized revolutions or reforms?

The Asian experiences and potentialities in a comparative perspective served Marx as an eloquent arena and pathway to relinquish any lawlike mechanism of progress. The monumental test of his hope for the viability of communal rejuvenation in a modern socialized production remains inconclusive. And it is urgently resonant here and now if we return to Marx’s condemnation of the “barbarities” of exploitative and damaging rule over agriculture and nature (by English in Ireland), and his critiques of “industrial pathology” of pollution and waste that attacks workers “at the very roots” of their health and “violates the conditions necessary to lasting fertility of the soil” ([1867]1971: 513, 522, 357; [1867]1987: 486). His “fetters” to the productive forces could well be ecological on a plenary scale; and so was his demand for “rational cultivation of the soil as eternal communal property.” As he envisioned, “when the limited bourgeois form is stripped away, what is wealth other than the universality of individual needs, capacities, pleasures, productive forces etc., created through universal exchange?” It was not the unity or

human metabolic exchange with nature but their tearing asunder in the relation of wage labor and capital that must be overturned ([1857–1858]1973: 488–489).

Marx was consistent in finding recourse to Asia in his theoretical explication. For him, in one form or another “the monopoly of landed property is a historical precondition for the capitalist mode of production.” And the relationship between owners of the means of production and direct producers revealed “the innermost secret, the hidden basis of the entire social edifice, and hence also the political form of the relationship of sovereignty and dependence” ([1894]1976: 754, 927). It was his extensive discussion of village communities and direct producers that aided his reconceptualization of primitive communism. If capital accumulation initially “is nothing else than the historical process of divorcing the producers from the means of production” and subsistence; and if capitalism “begets its own negation with the inexorability which governs the metamorphoses of nature,” then only the rational transformation aiming at “social property” and “collective production” for needs rather than profit through unalienated and self-managing social labor could bring us back to the future ([1867]1971: 50–52, 738–739).

However, capital in the twenty-firstst century only looks ever more powerful in commodifying land and labor and destroying alternatives everywhere it impinges in an ever more elevated process of concentration and financialization. Money dissolves the commune. The very livelihood of rural Asians, above all the Indians and Chinese, among the world's “last” yet vast peasantry, from their native eco-environments to national food security, are under threats. Disillusioned and self-deceiving Marxists console themselves, self-contradictorily, by retreating to the orthodoxy of capitalist prerequisites for socialism. As the global system has been unprecedentedly boosted by new Russian, Chinese, and Indian markets, is not capitalism unavoidable, after all?

Marx wondered in a letter to Engels in 1858 if “the movement of bourgeois society is still in the ascendant over a far great area,” referring to Asia, wouldn't any socialist revolution in Europe be crushed by an augmented global bourgeoisie ([1858a]1983: 347)? More generally he had also warned against perversion from “all the muck of ages”: the revolutionary class must be vigilant against counterrevolution and becoming “fitted to found society anew” ([1846]1975: 52–53). That warning was precisely what compelled Mao to launch a preventive yet fatally defeated Cultural Revolution. In the open-minded spirit of Marx, our response to the cosmic historical questions of capitalism and socialism should be just as open. What happened need not have happened—neither the former Soviet Union nor China has to be where it is in a post-communist world. What if their reforms had strived to subordinate socially beneficial market mechanisms to democratic control and provided catalysis of a transformative politics? Appreciating unevenness, contradiction, indeterminacy, contingency, and historicity unlocks history. Ultimately, Marx is vindicated, not because he had buried Eurocentrism to essentialize the East or endorse premodernity but because he gained a fruitful approach to universal history from an imminent Asian horizon.

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### Marx and the Middle East

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### Abstract and Keywords

Marx's historical materialism is a powerful antidote to culturalist essentialism of the kind that became known as Orientalism after Edward Said. The Marxian perspective allows for a full consideration of the role of Western imperialism in hindering the development of the Middle East as well as in the deliberate preservation of archaic sociopolitical features in the region. The concept of Bonapartism that Marx developed in his writings on the French Second Empire is highly relevant to the analysis of the national-developmental experiences that emerged in the Middle East in the twentieth century. His insight on the reactionary aspiration of sections of the petite bourgeoisie confronted with capitalist transformation provides an important clue to the rise of Islamic fundamentalism in the Middle East. Marx's theory of revolution as resulting from the blockage of economic development finds a most striking illustration in what is commonly designated as the Arab Spring.

Keywords: Orientalism, imperialism, Bonapartism, fundamentalism, rentier state

Although Karl Marx's key contribution to social sciences consisted essentially in the critical analysis of Western European economies and polities, it is well known that the historical methodology he elaborated along with Friedrich Engels lays claim to universality. The region commonly referred to as the Orient or the Middle East—or with the more technical designation of Middle East and North Africa (MENA), which includes the members of the League of Arab States as well as Iran, with the frequent addition of Turkey (MENAT)—is one region where this claim has been most disputed, whether by local critics of Marxism or by Western ones. What follows aims at demonstrating that Marx's intellectual legacy is no less crucial for the analysis of that part of the capitalist periphery than it is for the analysis of the core countries.

# 1. Orientalism and its Critique

The main methodological flaw encountered in the study of the MENA region is that of “Orientalism,” in the meaning of this term that prevailed since the publication of Edward Said’s seminal book (1978), which took the term for its title. “Orientalism” in that sense is an instance of cultural stereotyping that reduces the explanation of historical features pertaining to “Oriental” countries to a purportedly perennial culture. “Orientalism,” in other words, is an avatar of essentialism, a way of looking at history through the lens of culture considered as nature: not culture as a set of ideas and customs that change over time along with social, economic, and political transformation but culture as a permanent essence that shapes the ways of the overall evolution.

Any reader familiar with Marx’s thought would recognize in this description the kind of idealist interpretation of history that culminated with G.W.F. Hegel and that Marx and Engels famously repudiated, replacing it with their materialist interpretation of history—or “historical materialism” as it is commonly called. Indeed, Hegel himself authored the most symptomatic and concise statement ever written of an “Orientalist” vision of the “Oriental World”—Islam (“Mohametanism”) in particular—in the *Lectures on the Philosophy of World History* that he taught in 1821–1831 ([1837] 1857).<sup>1</sup> By emphasizing that, instead of explaining “the contradictions of material life” by “the legal, political, religious, artistic or philosophic—in short, ideological forms” that prevail in society, the latter must be explained by the former (Marx [1859] 1987:263), Marx’s methodological critique and subversion of the idealist interpretation of history is thus, by the same token, the most radical refutation of “Orientalism.”

It is therefore no coincidence in the least if the critique of what has become known, after Said, as “Orientalism” in a pejorative sense was pioneered by Marxist scholars of Middle East and Islamic studies, the two most prominent of whom were the Egyptian Anouar Abdel-Malek (1963) and the French Maxime Rodinson ([1968] 1987).<sup>2</sup> Although Said paid due tribute to both in his most famous book and quoted at length from Abdel-Malek’s seminal critique of Orientalism, he did not acknowledge any debt to Marx’s refutation of historical essentialism which inspired both authors.<sup>3</sup> Far from it, he included Marx himself among those nineteenth-century “Orientalists” whom he submitted to his severe critique, drawing upon himself rebuttals by Marxists from countries belonging to the Orient, such as the Syrian Sadik Jalal al-’Azm (1981a, 1981b), the Lebanese Mahdi ‘Amel (1985), the Egyptian Samir Amin ([1988] 1989), or the Indian Aijaz Ahmad (1992a).<sup>4</sup>

Said based his discarding of Marx in *Orientalism* on the comments that the latter wrote on India in 1853, and specifically in a single article that Said quoted at length (1978:153–154). In that piece, published in the *New-York Daily Tribune* under the title “The British Rule in India,” Marx summarized his verdict in paragraphs ([1853] 1979b:132) that Said quoted as follows:

Now, sickening as it must be to human feeling to witness those myriads of  
industrious patriarchal and inoffensive social organizations disorganized and

dissolved into their units, thrown into a sea of woes, and their individual members losing at the same time their ancient form of civilization, and their hereditary means of subsistence, we must not forget that these idyllic village-communities, inoffensive though they may appear, had always been the solid foundation of Oriental despotism, that they restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical energies. ...

England, it is true, in causing a social revolution in Hindustan, was actuated only by the vilest interests, and was stupid in her manner of enforcing them. But that is not the question. The question is, can mankind fulfil its destiny without a fundamental revolution in the social state of Asia? If not, whatever may have been the crimes of England she was the unconscious tool of history in bringing about that revolution.

Pace Said, the fact is that neither in what preceded nor in any other of Marx's abundant writings can one find a depiction of "Orientals" as embodying an "essence" rooted in a perennial culture. This would have been indeed in direct contradiction with Marx's materialist interpretation of history. In the above quote, far from predicating that the Indians are condemned to remain trapped in "their ancient form of civilization" due to their culture, Marx is attributing the latter to a social structure whereby what looks like "idyllic village-communities" were the basis for a system of "Oriental despotism," castes, and slavery that "transformed a self-developing social state into never changing natural destiny." His view is hence that England, by "causing a social revolution" in India, albeit "actuated only by the vilest interests" and in a criminal manner, was opening the way to the "fundamental revolution in the social state of Asia" without which humankind cannot "fulfil its destiny." This is quite remote indeed from an "Orientalist" perspective.

This is not to say, of course, that Marx's 1853 views on India were not flawed: they certainly were, but not out of "Orientalism." Rather, they were constrained by the objective epistemic limitations within which Marx was deploying his intellect.<sup>5</sup> Relying on a limited and biased European knowledge of non-European societies that was the only one he had access to, Marx's assessment of Indian history was inevitably "Eurocentric." Daniel Thorner (1966) has shown how Marx's views on India in the late 1840s and early 1850s, including his 1853 articles in the *New York Daily Tribune*, were shaped by the epistemological limitations of his time.<sup>6</sup> They were in fact echoing, albeit in materialist garb, some of the erroneous and prejudiced statements on India that Hegel expressed in his lectures on the *Philosophy of History*, India's alleged historical stagnation in particular.

Marx's epistemic Eurocentrism manifested itself likewise in the belief that the rest of the world would follow the European path of development. European colonialism was therefore seen as fulfilling a historically progressive role in ridding all non-European peoples (not those of the Orient alone) of their archaic social structures and putting them on the track of capitalist development that Europe had trodden before them. Although

Marx would consistently portray colonialism in appropriately horrendous terms, as he would later do in the last chapters of Volume I of *Capital*, he nevertheless subscribed initially to a teleological conception of history as an inexorable civilizing process—a view that was very much part of the zeitgeist of his time.

To construe this as Eurocentrism of the supremacist, ethnocentric type—of the type that led Hegel to assert that the “Germanic World” is “the Spirit of the new World”—is a serious misinterpretation, however. The young Marx was no admirer of his own German nation but of a class: the bourgeoisie; and not the German bourgeoisie at that (he rather despised it), but English capitalism above all. Even though he regarded the bourgeoisie as “the enemy” ever since adhering to the Communist principle, he praised its actions out of a belief in a type of progress that leads inexorably to the Communist end of history, a historical process of which the bourgeoisie is but the “unconscious tool.”

This materialist-Communist version of the Hegelian conception of history is laid down in the naivest form in the *Communist Manifesto*, which sings the praises of the bourgeoisie for its historical accomplishment. However, what is displayed there already is not some Eurocentric contempt for non-Europeans but a general contempt for all pre-industrial forms of civilization, European and non-European alike. The grand historical narrative of the *Manifesto* is as acerbic toward the legacy of feudal Europe and its “most slothful indolence,” and toward Europe’s countryside and “the idiocy of rural life” as it is toward “barbarian and semi-barbarian countries,” “nations of peasants,” and “the East.” All the achievements of past civilizations are belittled, “Egyptian pyramids, Roman aqueducts, and Gothic cathedrals” alike (Marx and Engels [1848] 1976:487–488).

The basic flaw in the *Communist Manifesto*’s interpretation of the global role of European capitalism is nowhere more evident than in the famous assertion that the bourgeoisie “creates a world after its own image” (Marx and Engels [1848] 1976:488):

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. ... It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.

The perspective here is that the European bourgeoisie is forcing those it regards as “barbarians” to adopt “the bourgeois mode of production”—“what it calls civilisation.” Although this passage seems to introduce a critical undertone in its use of the categories of “barbarian” and “civilised” by referring to “what [the bourgeoisie] calls civilisation,” it remains predicated on a naïve oversight of the fact that, far from leveling the global playing field, the European bourgeoisie was actually subduing less-developed nations and creating a global structural constraint that will become a major hindrance to the development of those nations and their becoming equally “bourgeois.”

It did not take Marx long, however, before he plainly acknowledges this crucial fact that he had overlooked in his early writings (Achcar 2013a). Yet, his perspective was never essentialist or culturalist but always focused on the material conditions. Comparing the thoughts on “Oriental despotism” of seven major European thinkers, from Montesquieu to Max Weber, Michael Curtis (2009:248) acknowledged the difference between Marx and the Western tradition before him in discussing what they all construed as a historical stagnation of Oriental societies:

Aristotle and Montesquieu ascribed that stagnation to the passive and indolent nature of Oriental peoples. Burke and the Mills saw it as a result of following tradition and custom in Asian societies. Marx and Engels regarded it as the outcome of the AMP [Asiatic mode of production].... The interrelated factors—absence of accumulation because the surplus went to the Oriental despot, the lack of village initiative because there were no voluntary associations, the bondage of individuals to the soil, the absence of wage labor and the persistence of primitive conditions of production—explained the inability to develop.<sup>7</sup>

Curtis also noted that religion as a factor explaining the same purported stagnation was “never followed up or discussed analytically” by Marx (2009:253), in sharp contrast with Max Weber in this regard (2009:307). After extensive research in the Marxian corpus, Curtis found “only one fleeting reference to a psychological or biological factor” related to “Oriental despotism” (2009:252), but it turns out that he mistook Marx’s deconstruction of an argument of the British economist Richard Jones for an adherence to the latter’s view that “temperament and disposition” are what determine the propensity to capitalist accumulation. In his critique, Marx indeed retorted to this essentialist view with an assertion that constitutes a remarkable rebuttal of any atavistic interpretation of history centered around a “culture” postulated to be perennial (1991:369): “The development of capitalist production creates an AVERAGE level of bourgeois society and therefore an average level of temperament and disposition amongst the most varied peoples.”<sup>8</sup>

## 2. Imperialism

In addition to the reversal of causality between the cultural and socioeconomic spheres, the Copernican reversal of perspective that Marx and Engels elaborated also points in the direction of a radically different path of investigation. If the global power structure, not any cultural peculiarities, is the main reason for the blockage of the development of the dependent countries, new questions arise with regard to the relation between culture and capitalist change. One major question is how to account for the fact that the capitalist mode of production first developed in Western Europe, bringing along an associated cultural shift, instead of other parts of the world?

For Marxists, the response is to be found in the peculiarities of the European feudal mode of production and its synergy with Western Europe’s climatic features as well as in its geographic location between the Mediterranean and the Atlantic. This question has been

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and remains the object of debates.<sup>9</sup> What was clear for Marx himself is the fact that the early development of Western Europe was in large part based on a predation of gigantic proportions perpetrated against the non-European world. Marx described in vivid terms in his *Capital* ([1867] 1976:874) the violence upon which the birth of capitalism was predicated: “In actual history, it is a notorious fact that conquest, enslavement, robbery, murder, in short, force, play the greatest part.” The result is that “capital comes dripping from head to toe, from every pore, with blood and dirt.” ([1867] 1976:926). Hence the “primitive accumulation” of capital achieved by Western Europe was decisive in hampering the endogenous occurrence of a similar process in the non-European world. The plunder of that vast part of the globe was accomplished by way of military supremacy and instated a hierarchical structure of the world system that perpetuated the historical advantage of Western Europe and its offshoots in North America and Australasia over the rest of the world, except for Japan which benefited from distance and insularity.

Most of the Middle East was under Ottoman domination when capitalism started taking off in Western Europe. In the nineteenth century the Ottoman Empire entered in a phase of increasing decay, with Western European powers starting to encroach on its Arab domain. The whole region eventually fell under Western colonial and semi-colonial domination, thus passing from one subjugation to a much stronger one, which engulfed it in its entirety. Under the ensuing conditions, the local development of capitalism was overwhelmed and suffocated by the needs of its development in the dominant countries, to which it was made subservient. Egypt provides a powerful illustration of this problem, with the major role played by imperial Britain in aborting the modernizing endeavor of Muhammad Ali in the first half of the 19th century.<sup>10</sup> Neither temperament nor religion were responsible for this, and no theoretical perspective rebuts such “Orientalist” claims as powerfully as Marx’s historical materialist perspective does.

A corollary question that arises from Marx’s perspective, one that is most pertinent to the Middle East, is: why did the exogenously-induced development of capitalism not lead in all peripheral areas to the same cultural shift? How to account, in particular, for the persistence of very archaic features in parts of the capitalist periphery, a condition that reaches extremely acute terms in the Middle East with the continuing prevalence of a most archaic patriarchal tribalism in the monarchies of the Gulf Cooperation Council (GCC). Indeed, thanks to their wealth in hydrocarbons, these monarchies have undergone the most advanced local development of capitalist economies, including a massive imitation of modern urban capitalistic landscapes with much glitter and glitz; and yet they have preserved archaic social and cultural features as cornerstones of their sociopolitical regimes.

Marx’s view of the combination of modern and archaic features that the contemporaneity of social formations at various degrees of development allows—a perspective that he described about Russia most famously ([1881] 1989; see Shanin 1983)—finds nowhere a more striking illustration than in these oil monarchies. Yet, the case of combined development that they present bears more relation to the amalgam of modern capitalist with archaic pre-capitalist features that Leon Trotsky described under the designation of

“uneven and combined development” in his classic *History of the Russian Revolution* ([1930] 2008) than to Marx’s one-time hypothesis that the archaic Russian rural commune could mutate into a socialist model.<sup>11</sup>

The unmistakable fact, here again, is that the role of foreign domination was crucial in producing this extremely hybrid combination. There is indeed a striking contrast between the “civilizing” mission undertaken by the British Empire in most of its colonial domain, which took the form of installing clones of British political institutions and implementing a top-down modernization of urban societies, on the one hand, and the deliberate preservation and consolidation by the British Empire of the most archaic social features in the oil-rich Arab areas that came under its control. Britain purposely set up in these areas a few utterly artificial “states” lacking basic requisites of statehood and ruled by tribal sheikhdoms upgraded into absolutist monarchic dynasties.

Likewise, the preservation by the United States of the Saudi kingdom’s most reactionary social features, including its appalling treatment of women and its totalitarian political and cultural regime, even though the kingdom was a de facto US protectorate after the Second World War, sharply contrasts with US ideological claims of leading the “free world” as a beacon of democracy and human rights. For several decades indeed, the United States maintained a foreign enclave in the most oil-rich part of the kingdom to exploit the country’s huge natural resource while it completely refrained from seeking its social, political, and cultural modernization, lest this may destabilize it politically in a geopolitical environment characterized by the surge of left-wing anti-imperialist currents.

Thus, a materialist investigation of the persistence of archaic social, political, and cultural features in the Gulf Arab monarchies, discarding the culturalist explanation as deeply flawed and tautological, must examine the actual historical genesis of these regimes. It must inevitably point to the role of Western imperialism in fostering the preservation of their most archaic features against the impetuous rise of anti-imperialist modernizing trends in their surroundings. There is truly no more powerful repudiation of “Orientalism” than in showing how Western powers were instrumental in the preservation and consolidation of those purportedly “Oriental” cultural features that the “Orientalist” perspective considers to be the main clues to the Middle East’s economic and political idiosyncrasies.

### 3. Bonapartism

From the fact that Marx’s contribution to social sciences was essentially focused on Western Europe, as acknowledged at the beginning of this article, it could be argued that the relevance of his actual historical analyses is limited to that part of the world, notwithstanding the fact that his historical methodology lays claim to universality. Such a view, however, can be held as true only when predicated on a drastically essentialist perspective that postulates total incomparability and extraneousness between different spatial-cultural parts of the world. Another, apparently sounder attempt to disqualify

Marx's contribution consists in restricting its relevance to his epoch, thus resorting to a temporal-developmental argument instead of a spatial-cultural one.

In fact, if we dismiss the latter argument, the temporal one actually pleads in favor of the relevance of Marx's nineteenth-century analyses to the twentieth century's MENA region. This is not so much true of Marx's analysis of nineteenth-century England, the most advanced capitalist economy of his time, as it is of his writings on countries such as France and Germany, especially in the middle of the nineteenth century when they were still experiencing the birth pangs of the capitalist mode of production. Capitalism developed in the two countries on a rural background that was still affected by the legacy of precapitalistic agrarian modes, and an urban background that was still characterized by the prevalence of traditional petit-bourgeois trades.

Indeed, there is arguably at least as much, if not more, in common between mid-nineteenth-century France or Germany and parts of the twentieth-century or even contemporary Middle East than there is between the mid-nineteenth-century features of the two European countries and their twentieth-century condition, let alone their present one. The strain created in France and Germany by the combination of weakness of a still-emerging capitalist class, correlated weakness of a still-burgeoning working class, and continued strength of a landowning class of pre-capitalist origin, resulted in a major top-down role played by the state's executive power. Thus, the role of Louis-Napoléon Bonaparte in France or that of Otto von Bismarck in Prussia in the second half of the nineteenth century had more analogic avatars in twentieth-century Middle East than in twentieth-century Europe.

Accordingly, the category of Bonapartism that Marx expounded in his masterpiece of sociopolitical analysis *The Eighteenth Brumaire of Louis Bonaparte* does provide a key clue to a major feature of the history of Turkey and the Middle East in the twentieth century. True, the category is not fully elaborate in Marx's writings: nowhere did he give a systematic definition of Bonapartism, unlike the various economic categories that he defined in *Capital*. After having tracked Marx's comments on the first and second (Napoléon III) Bonaparte throughout the Marxian corpus, Maximilien Rubel concluded that he had not found "a theory of Bonapartism, in the full extent that we could give to this term" (1960:150–151). And yet, Rubel himself identified various elements of such a theory: they needed to be assembled in a theoretical construct with some recourse to interpretation in order to ensure the coherence of the whole. That is what Hal Draper endeavored to achieve in his monumental systematization of Marx's socio-political views (1977).<sup>12</sup>

Let us start from Marx's assessment of Bonapartism in his *Civil War in France* at the eventual point in the trajectory of the French model incarnated by Napoléon III, after "its own rottenness, and the rottenness of the society it had saved, were laid bare by the bayonet of Prussia" ([1871] 1986:330), that is, after Bonaparte's defeat in the 1870 Franco-Prussian War. It is encapsulated in the following sentence ([1871] 1986:330), where "imperialism" refers to the Bonapartes' two empires:



Imperialism is, at the same time, the most prostitute and the ultimate form of the State power which nascent middle-class society had commenced to elaborate as a means of its own emancipation from feudalism, and which full-grown bourgeois society had finally transformed into a means for the enslavement of labour by capital.

Thus, in Marx's eyes, Bonapartism, in the last analysis, is a means for the bourgeoisie in the face of the land-based class that preceded it in power as well as the working class that challenges its new power. In the first instance, embodied by the first Napoléon, its historical role can be deemed progressive; much less so in the second instance, "when the bourgeoisie had already lost, and the working class had not yet acquired, the faculty of ruling the nation," in Marx's judgement ([1871] 1986:330). He nonetheless acknowledged the leap in development that occurred under the Second Empire along with the abovementioned "rottenness" ([1871] 1986:330).

Under its sway, bourgeois society, freed from political cares, attained a development unexpected even by itself. Its industry and commerce expanded to colossal dimensions; financial swindling celebrated cosmopolitan orgies; the misery of the masses was set off by a shameless display of gorgeous, meretricious, and debased luxury. The State power, apparently soaring high above society, was at the same time itself the greatest scandal of that society and the very hotbed of all its corruptions.

Thus, Marx believed that his initial prognosis, formulated in his *Eighteenth Brumaire*, of the role of Bonapartism in fostering the development of capitalism had been confirmed by the course of history. As he had so remarkably foreseen nearly two decades earlier ([1852] 1979a:194), Bonaparte would cater for the "material power" of the bourgeoisie while curtailing its "political and literary power":

As the executive authority which has made itself an independent power, Bonaparte feels it to be his mission to safeguard "bourgeois order". But the strength of this bourgeois order lies in the middle class. He looks on himself, therefore, as the representative of the middle class and issues decrees in this sense. Nevertheless, he is somebody solely due to the fact that he has broken the political power of this middle class and daily breaks it anew. Consequently, he looks on himself as the adversary of the political and literary power of the middle class. But by protecting its material power, he generates its political power anew. The cause must accordingly be kept alive; but the effect, where it manifests itself, must be done away with.

Taking due account of the difference in historical circumstances and of the contemporaneity of a more advanced capitalism in the western hemisphere as well as that of a non-capitalist statist model of development represented by the Soviet Union, the Bonapartist paradigm provides a key clue for the analysis of a twentieth-century historical pattern that became pervasive in the Middle East. There, military-led state power usurped the political power of an atrophied middle class and embarked on

liquidating land-based class power and fostering the development of industrial capitalism, while tightly controlling the working class that developed along with it.

Pioneering this trend in the ex-Ottoman domain, Mustafa Kemal led Turkey's post-World War I republican transformation and subsequent modernization in a manner that borrowed traits and achievements from each of the two French Bonapartes, combined with some inspiration taken from the Soviet Union (the five-year economic plans in particular). He became an inspiring model for Egyptian young officers—much more so than the contemporary closer imitation of the French imperial model by Reza Shah in Iran.

The Nasserist version of Kemalist Bonapartism, led by Gamal Abdel-Nasser in Egypt after World War II and the first Arab-Israeli war of 1948, will become in turn a model that will be imitated in several MENA countries: Syria, Iraq, North Yemen, Algeria, Sudan and Libya (with a major influence exerted on developments in Lebanon and Tunisia). There the influence of the Soviet Union's model was much greater than in Kemalist Turkey. Except for North Yemen mired in civil war, Egypt, and the five countries influenced by Nasserism underwent a combination of sweeping nationalizations and development of state-owned enterprises, resulting in an industrial sector and an overall economy both heavily dominated by the public sector. Thus, the Nasserist variant of Bonapartism involved a high degree of substitution of state power to direct bourgeois rule that went beyond the political realm into the economic realm itself. Marx had briefly envisaged this possibility in discussing the second Bonaparte's "Imperial Socialism" (Draper 1977:444–451).

## 4. Petite Bourgeoisie and Reactionary Utopianism

Unlike the historical Bonapartes, the Nasserist-Bonapartist experiences in the MENA region were led overwhelmingly by officers originating in the urban or rural layers of the petite bourgeoisie. In that regard, the region, with the historical importance of urban civilization that characterizes it and its limited industrialization, had more in common with early industrial France and Germany than it had with early twentieth-century Russia, where cities had been historically constrained and where a state-sponsored large-scale industrialization had taken off, so that the industrial working class overwhelmed the urban petite bourgeoisie. Hence, many of the analyses by Marx and Engels of the revolutionary processes in France and Germany, especially the major European upheaval of 1848, bear much relevance for the political turmoil that several MENA countries experienced in the twentieth century.

The petite-bourgeois nationalist movements that emerged in the region starting from the 1930s, of whom many underwent a left-wing radicalization in the 1960s, partly resemble the German petit-bourgeois democrats toward whom Marx and Engels famously developed a tactical approach in 1850 (1978). However, the political category of "petit-

bourgeois democrats,” designating those petit-bourgeois currents fighting for the national-democratic transformation of their societies (abolition of feudalism and monarchy, national unification) that were prominent in the 1848–1849 revolutions, was almost absent from the *Communist Manifesto*, written by Marx and Engels on the eve of these revolutions.<sup>13</sup> There, the contradictory political tendencies that were tearing apart various social categories of the petite bourgeoisie (the “lower middle class”) are assessed as follows ([1848] 1976:494):

The lower middle class, the small manufacturer, the shopkeeper, the artisan, the peasant, all these fight against the bourgeoisie, to save from extinction their existence as fractions of the middle class. They are therefore not revolutionary, but conservative. Nay more, they are reactionary, for they try to roll back the wheel of history. If by chance they are revolutionary, they are so only in view of their impending transfer into the proletariat, they thus defend not their present, but their future interests, they desert their own standpoint to place themselves at that of the proletariat.<sup>14</sup>

And yet, this insight provides a useful clue to the extreme political polarization that affected the petite bourgeoisie in the Middle East in the twentieth century. On one end of the political spectrum, part of the petite bourgeoisie adhered to the self-proclaimed working-class parties of the Communist movement, while, on the opposite end, another part joined Islamic fundamentalist movements, of which the Muslim Brotherhood founded in Egypt in 1928 was the prototype.

In particular, the appreciation that sectors of the petite bourgeoisie oppose the bourgeoisie “to save from extinction” their social existence and that, in doing so, they are more than conservative, “they are reactionary, for they try to roll back the wheel of history”—this illuminating insight is a most useful key to the understanding of Islamic fundamentalism, whose main program consists in the reinstatement of the institutions and laws of early Islam, purported to represent perfection and to need only minimal adaptation to modern times. Indeed, all brands of Islamic fundamentalism share a common dedication to what can be described basically as a medieval-reactionary utopia, or more accurately a medieval-reactionary *uchronia* (i.e., a project that proclaims its will to restore the social and political order of a mythicized medieval past).

By highlighting the socioeconomic motivations of such nostalgia, the Marxian perspective allows for a materialist explanation of its political emergence—not as some form of culturally rooted atavism but as the natural reaction of petit-bourgeois sectors crushed by capitalist development, especially when this development is promoted and skewed by an imperialism that is rooted in a different cultural sphere. The same perspective has no difficulty in apprehending the bourgeois transformation (bourgeoisification) of parts of these movements, such as what affected major sectors of the Muslim Brotherhood through their connections with Gulf monarchies. Indeed, only a materialist explanation can give a social explanation of the differences between various Islamic fundamentalist

groups beyond the quasi-tautological explanation of their variety by ideological differences.

Furthermore, the present apparent pervasiveness of Islamic fundamentalism in the Middle East provides what is perhaps the best illustration of the paradoxical role of Western imperialism in fostering features that are deemed archaic from a Western cultural perspective. It is a well-known fact that the United States, in alliance with the Saudi kingdom and during several decades, made an extensive use of Islamic fundamentalism in the fight against left-wing nationalist and communist forces in the region. This utilization of Islamic fundamentalism culminated in the support given by Washington and Riyadh, along with the Pakistani military, to Islamic fundamentalist guerrilla forces fighting the Soviet occupation of Afghanistan and the regime that it bequeathed in Kabul when it ended. That this experience provided a breeding and training ground to the most violent avatars of Islamic fundamentalism, most prominent among which is Al-Qaida, is now common knowledge.

Less noted is the fact that, in occupying Iraq to overthrow a regime that was long regarded as a secular modernizer, the United States brought with it a range of Islamic fundamentalist forces, such as the Supreme Council of the Islamic Revolution in Iraq (SCIRI), the Islamic Dawa Party, and the Iraqi Islamic Party. The US-led Coalition Provisional Authority installed these parties in the governing council that it created shortly after the invasion. By empowering such religious-sectarian forces, while dismantling key unificatory institutions of the preexisting state in order to provide a clean slate for the foolish neoconservative dream of implementing a “democracy” expected to become a model for the whole region, the US occupation played a crucial role in unleashing in Iraq a political dynamic that became soon dominated by the full spectrum of Islamic fundamentalism. This included its most violent avatar, Al-Qaida, which morphed into the “Islamic State of Iraq,” the direct predecessor of the dreadful “Islamic State” tout court and its far-reaching tentacles. That this same US policy backfired to the point of providing Iran, the United States’ archenemy, with a controlling influence over Iraq’s government is but the crudest illustration of the many unintended consequences of Washington’s regional intervention.

## 5. Rentierism

The Marxist analysis of rent and the rentier pattern, as elaborated in *Capital*, is another key performing tool for the analysis of the Middle East, primarily due to the decisive importance of its hydrocarbon reserves and therefore of the oil and gas (mining) rent in shaping its economics and politics. As emphasized by Marx himself, his analysis of agricultural rent “applies on the whole also to mining” ([1894] 1981:787), even though there are also obvious differences between ground rent, agricultural rent and mining rent, which Marx pointed out in *Capital* Volume III.

Thus, Marx's analysis of rentierism provides an important clue to the economic behavior and role of the rentierist casts that rule the most typical "rentier states" of the MENA region: the rich oil monarchies of the Gulf Cooperation Council. Part of the "surplus" of the hydrocarbon rent that these states appropriate is turned into rentier-like capital by lending it to industrialized states by way of public bonds purchase, thus contributing to the increase of the public debt, which—after having been "one of the most powerful levers of primitive accumulation" (Marx [1867] 1976:919)—is a major part of the overall process of financialization and speculation that lies at the heart of present-day neoliberal capitalism.<sup>15</sup>

As with the stroke of an enchanter's wand, [the public debt] endows unproductive money with the power of creation and thus turns it into capital, without forcing it to expose itself to the troubles and risks inseparable from its employment in industry or even in usury. The state's creditors actually give nothing away, for the sum lent is transformed into public bonds, easily negotiable, which go on functioning in their hands just as so much hard cash would. But furthermore, and quite apart from the class of idle *rentiers* thus created, the improvised wealth of the financiers who play the role of the middlemen between the government and the nation, and the tax-farmers, merchants and private manufacturers, for whom a good part of every national loan performs the service of a capital fallen from heaven, apart from all these people, the national debt has given rise to joint-stock companies, to dealings in negotiable effects of all kinds, and to speculation: in a word, it has given rise to stock-exchange gambling and the modern bankocracy.

(Marx [1867] 1976:919)

A Marxist assessment of rent and rentierism is crucial in avoiding the pitfall of disconnecting the "rentier state" from class analysis that is common in the mainstream literature about oil monarchies.<sup>16</sup> However, due to a deficit in the investigation of political institutions and their historical evolution, the Marxian corpus does not offer adequate tools to account for the specificity of the "patrimonial" states that characterize the region and for the tendency of most regimes to evolve toward that kind of configuration. Max Weber's political sociology, whose rich institutional typology makes up for this weak spot in Marxism, offers a useful complement in this regard—provided, here again, that its categories are combined with class analysis and embedded in material interests.

## 6. Revolution and the Arab Spring

Finally, the spectacular Arab uprising of 2011 provides a textbook illustration of Marx's theory of revolution as the result of the clash between the development of the productive forces, on the one hand, and the relations of production that impede this development, as well as the political apparatuses that preserve them, on the other. Marx's most concise exposé of this theory is to be found in his 1859 summary of his materialist interpretation of historical transformation (1987:263): "At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production ...

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From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution.”

The 2011 uprising took place in a region that had been suffering for decades of slack growth and correlatively massive unemployment and underemployment. Marxist analytic tools allow us to locate the cause of this development blockage where it truly resides (i.e., in the peculiar class-state nexus that characterizes the region). In this case, “relations of production” should not be taken in the sense of the generic social-legal pattern of exploitation—these relations are certainly capitalistic in the Middle East in that sense—but in the sense of the specific social-legal capitalistic environment within which the productive forces are developed, or indeed constrained (Achcar 2013b). In the Middle East, this environment is dominated by power elites that range from the patrimonial to the neopatrimonial under rentier or semi-rentier conditions. This peculiar configuration results in a private capitalism that is “politically determined”—to borrow here again a Weberian designation—in the double sense of being determined by its connection to political power (crony capitalism) as well as by the absence of the rule of law and the uncertainty of political circumstances that prevent long-term calculation and hinders long-term risk-taking in the kind of investment that is most conducive to development.<sup>17</sup>

Combined with the retrenchment of the developmental role of the state—from as early as the 1970s for some countries to the 1990s for most others—dictated by the neoliberal belief in the greater efficiency of the private sector as enforced by the International Monetary Fund, the aforementioned features led to a contraction of total investment and hence of economic growth. The result was a sharp rise of disguised unemployment in the informal sector and, most characteristically, a sharp rise of plain unemployment (especially youth unemployment) with the Middle East (the MENA region) holding the world’s record rates in this regard. This huge underemployment of human resources—of “labor power” that, along with the “means of production,” constitute the “productive forces” in Marx’s definition—is a typical result of the fact that the “existing relations of production” were acting as “fetters” on the “development of the productive forces” (Achcar 2013b).

From a Marxist outlook, this is the main underlying cause of the gigantic upheaval that shook the Arab countries during the 2011 Arab Spring. A corollary of this analysis is that the so-called Arab Spring was not a relatively brief and smooth episode of democratic transition that was to be settled by constitutional changes and free elections as had been perceived by the global political mainstream. It was, rather, the beginning of “an era of social revolution”: in other words, the Arab Spring was but the initial phase of a long-term revolutionary process, which cannot be settled without a radical sociopolitical change freeing the development of the productive forces in the region—or else it would be facing the risk of protracted acute crisis and collapse, with a recurrence of intense violence. Only this Marxist understanding of the nature of the change required to unfetter the region’s development makes it possible to comprehend the fact that the Middle East has entered a long historical period of social and political instability.

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## Notes:

(1) The chapter on "Mahometanism" is chapter II, in Part IV, section I.

(2) An excerpt of Abdel-Malek's article can be found in Alexander L. Macfie (2000:47-56). Rodinson's essay, based on a longer manuscript originally written in French in 1968, was first published in English translation under the title "The Western Image and Western Studies of Islam" in a collective volume edited by Joseph Schacht and C. E. Bosworth (1974), that Bosworth completed after Schacht's death in 1969. The full text of the original manuscript was only published in French in 1980, along with another text in the same vein on Arab and Islamic Studies in Europe originally written in 1976 (Rodinson 1980); it was published in English under the title "Western Views of the Muslim World" (Rodinson 1987).

<sup>(3)</sup> In Said's *Orientalism* (1978), Rodinson is praised on pp. 259, 266, 326–327; his “The Western Image and Western Studies of Islam” is quoted in note 4 of chapter 2. Abdel-Malek is quoted on one full page (p. 97); he is quoted again on pp. 105 and 108 and mentioned anew on pp. 325 and 327.

<sup>(4)</sup> Sadik Jalal al-'Azm's piece in English (1981b) is a shorter version of a booklet published in Arabic (1981a); it was reprinted in Macfie (2000). Samir Amin's book was originally published in French.

<sup>(5)</sup> For a discussion of Said's critique and of the evolution of Marx's and Engels's views on the Orient, see Achcar (2013a).

<sup>(6)</sup> For a critical appraisal of Marx's views on India and on colonialism from a Marxist perspective, see Chandra (1980). For a contextualisation of Marx's views on India, see Ahmad (1992b).

<sup>(7)</sup> Curtis also recognized that, unlike other authors that he studied, Marx and Engels could hardly be accused of being imperialists or colonialists: “Their moral indictment of colonialism is evident.” (2009: 232). The theory of the “Asiatic mode of production” was mostly inspired to Marx by readings on India, China, and Persia, and to a lesser extent Turkey. Ancient Egypt was not central to his inspiration on this issue, nor was precolonial Algeria (even after Marx visited Algeria toward the end of his life)—otherwise, Marx would have thought of discarding the label “Asiatic” as inappropriate. His borrowed epistolary comments on the role of the “Mohammedans” in establishing the principle of “no property in land” in Asia ([1853] 1983:348) are of little interest. On the genealogy of the concept of “Asiatic mode of production” and the debates that surrounded it, see Sawyer (1977) and Bailey and Llobera (1981).

<sup>(8)</sup> AVERAGE is in capital letters in the original. For a contemporary best-seller based on a culture-centred explanation, see Landes (1998). For a general survey of Marx's writings on non-Western societies, along with the United States and Ireland, see Anderson ([2010] 2016).

<sup>(9)</sup> For a recent overview of these debates along with an original contribution, see Anievas and Nisancioglu (2015).

<sup>(10)</sup> On Egypt's aborted nineteenth-century developmentalist experience, see Al-Sayyid Marsot (1984); see also Gran ([1979] 1998) and the debate he provoked.

<sup>(11)</sup> Chapter 1, “Peculiarities of Russia's Development.”

<sup>(12)</sup> Chapters 15 to 18 are dedicated to the issue of Bonapartism.

<sup>(13)</sup> Except for the couple of references to Social Democrats in the *Manifesto's* final section.

(<sup>14</sup>) The English translation thus rendered the German *Mittelstände*, which could be translated as “middle layers” or “petite bourgeoisie.” That is because, due to the configuration of social classes in Britain with its important land-based aristocracy, the “middle” in “middle class” referred traditionally to the bourgeoisie. Hence, the addition of “lower” as an equivalent of “petite.”

(<sup>15</sup>) For a concise analysis of this phenomenon, see Streeck (2013); see also by the same author (2014).

(<sup>16</sup>) For a survey of this literature, see Gray (2011).

(<sup>17</sup>) These categories are to be found in Max Weber’s magnum opus *Economy and Society* ([1922] 1978) as well as in his essays on the sociology of religions.

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## Oxford Handbooks Online

### Primitive Accumulation in Post-Soviet Russia

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### Abstract and Keywords

Starting from the Marxist concept of “primitive accumulation,” the process by which the toilers are forcefully separated from the means of production in the origins of capitalism, this article analyzes the role of the state in the process of capitalist restoration in Russia following the demise of the Soviet Union. The concrete form that that process assumed, the nature of the bourgeoisie and the type of capitalism that emerged from it, provide in turn the key to understanding the authoritarian nature of the Russian state. This is a so-called “managed democracy”—a state whose executive dominates both the popular classes and the bourgeoisie, even while serving the latter’s economic interests.

Keywords: Russia, primitive accumulation, privatization, capitalism, state, bourgeoisie, corruption, managed democracy, continuity of power

In Volume 1 of *Capital*, Marx ([1867] 1967:766) presents the process of “primitive accumulation,” through which the two fundamental classes of capitalism were initially formed: the bourgeoisie, the class that concentrates the means of production and subsistence in its hands, and the proletariat, a class without means of subsistence. The proletariat is thus “compelled to sell himself of his own free-will” to the owners of the latter. Marx emphasized the direct role of massive political violence, pillage, and robbery in this process and contrasted it to the everyday functioning of already-established capitalism, which can proceed, apart from exceptional circumstances, with minimal political violence and assume the appearance of a natural order. He concludes:

*Tantae molis erat*, to establish the ‘eternal laws of Nature’ of the capitalist mode of production, to complete the process of separation between laborers and conditions of labor, to transform, at one pole, the social means of production and subsistence into capital, and at the opposite pole, the mass of the population into wage laborers, into ‘free laboring poor,’ that artificial product of modern society. If money, according to Augier, ‘comes into the world with a congenital blood-stain on

one cheek,' capital comes dripping from head to foot, from every pore, with blood and dirt. ([1867] 1967:760)

This article traces the process of primitive accumulation (capitalist restoration, in this case), as it occurred in Russia following the demise of the Soviet Union in 1991. This account will focus on the role played by the state, ultimately an apparatus of violence, in the dispossession of the popular classes and the formation of a bourgeoisie, as well as on the evolution of relations between the bourgeoisie and the state.

The origins of the Soviet system were in the workers' and peasants' revolution of October 1917, led by the Marxist-inspired Bolshevik party (renamed "Communist" in 1918). Russia's economic backwardness, the devastation wrought by a three-and-a-half-year civil war and foreign intervention that followed upon almost four years of world war, and, finally, the isolation of the revolution in a hostile capitalist world, resulted over the course of the 1920s in the usurpation of power by the party-state bureaucracy. The rise of this new ruling elite, which suppressed the hitherto governing Communist Party as a living political movement, marked the state's abandonment in fact, though not in word, of the original socialist project.

The result was a counter-revolution in the political sphere, a radical change in the nature and goals of the ruling elite but that stopped short of restoring the capitalist economic system, overthrown as a result of the October 1917. Indeed, in the course of the first five-year plan, the so-called Great Turn of 1929–1933, the bureaucratic elite completed the process of nationalization that had begun in October, extending it to the vast agricultural sector and to small and medium sized commercial and industrial enterprise. But while the regime continued to propagate socialist ideas and values, albeit often in a bastardized version, the socialist project itself, whose core is the abolition of exploitation, was abandoned in practice.

What resulted was a profoundly contradictory system that did not constitute a historic mode of production: that is, one capable of self-reproduction on a more-or-less stable basis. That system was destined, sooner rather than later, to succumb to its profound contradictions. These would give rise either to a popular revolution to establish democracy and put the country back onto a path of socialist development, or to the restoration of private property and capitalism. That latter could happen either through the efforts of external capitalist force, those of the bureaucratic élite itself, or both.

Such was the analysis made in the 1930s by what remained of the Left Opposition to Stalinism.<sup>1</sup> Some four decades later, Yakov Kronrod, a leading Soviet political economist until his forced silencing by the regime, arrived at substantially the same analysis (Mandel 2017: chapter 6). What finally did occur was a variant of the second scenario: capitalism was restored through a "revolution from above" (or, more accurately, the completion of the counter-revolution), led by a coalition of forward-looking elements of the bureaucratic élite, the nascent business class (including actors of the Soviet underground economy), and pro-capitalist elements of the intelligentsia. Its chosen leader was Boris Yeltsin, who for most of his adult life had been a high-ranking member of the

ruling bureaucracy, the *nomenklatura*. But international capitalist forces played a major role, too.

Initially, the process had the markings of a popular democratic revolution, including mass strikes and demonstrations against the bureaucratic dictatorship. But the popular forces failed to develop their own program, while the majority of the population remained passive onlookers. Political leadership was assumed by pro-capitalist forces, termed “democrats” at the time for their opposition to the bureaucratic dictatorship, with Yeltsin at their head. It is worth noting, however, that Mikhail Gorbachev, the last leader of the Communist Party of the Soviet Union, had already as early as 1999 taken the decision to restore capitalism. He wanted, however, to proceed more cautiously than Yeltsin and to maintain the Soviet Union intact.

### 1. An “Independent Executive Power” and “Shock Therapy”

In the years immediately preceding the demise of the USSR, various liberal intellectuals had already reflected on the need for an “independent executive power” to carry through the transition to capitalism (Bérard-Zarzicka 1990).<sup>2</sup> They openly praised China’s authoritarian transition to capitalism and the Chilean dictator General Pinochet, who had saved his country from socialism and made it a test site for neoliberal capitalism. They reasoned that popular control of the government was to be avoided, since the people had been corrupted by Soviet system—they were too attached to values of social justice and equality.<sup>3</sup> In the early 1990s, Russia’s political leaders frequently evoked the threat of a “social explosion.” And the fear of a “return to communism” continued to be a major concern of the Yeltsin government (Goldman 2003:75).

That fear was a main motivation behind the adoption of “shock therapy” as the transition strategy. Keynesian economists have often criticized that policy, which had disastrous consequences for the Russian people, for being inspired by blind neoliberal faith in the free market, while ignoring the crucial role of institutions in providing a framework for the effective functioning of the market.<sup>4</sup> But that criticism misses the main motive behind the adoption of that policy, which was political, not economic. In fact, various Soviet economists had quite accurately foreseen the socioeconomic consequences of shock therapy well before it was put into effect (Voprosy ekonomiki 1991).

Speed was of the essence in shock therapy for several reasons. One was to prevent consideration of any socioeconomic destination of the transition other than capitalism and to quickly create facts on the ground that would make that choice appear irreversible. As a Western advisor to the Yeltsin government candidly stated, “Greater speed means less time for discussion” (Asland 1992:32). It was also necessary to exploit the small “window of opportunity” provided by Yeltsin’s fleeting popularity as conqueror of the bureaucratic dictatorship. Another reason was to quickly eliminate the Soviet social safety net, thus creating a situation of profound economic insecurity for workers: this was completely

unfamiliar to them and deeply undermined their capacity for resistance.<sup>5</sup> Similarly, the rapid end to the state's role as the common employer removed a condition that had greatly facilitated solidary struggles across enterprises and regions in the latter years of the Soviet period (Mandel 1990).

The G-7 and the international financial institutions that they dominate (IMF, World Bank) made adoption of this strategy, a version of the so-called Washington consensus, a condition of their support. That support that was particularly critical from a political point of view, given Yeltsin's weak social base—the bourgeoisie was still only in formation—and his fragile popular legitimacy. According to J. Stiglitz (2002:193–194), economic advisor to the American government in the 1990s and then vice-president of the World Bank:

“Surely we did have some influence on the course of the country: we gave our imprimatur to those who were in power. That the West seemed willing to deal with them—big time with billions of dollars—gave them credibility; the fact that others might not be able to elicit such support clearly counted against them.” But from a purely economic standpoint, the financial support of the capitalist states was of little consequence: the total of IMF loans to Russia from 1992 to 1998, \$22.5 billion, amounted to merely half the amount that left the country annually during the same period (most of it ending up in G-7 countries) (Pirani 2010:30).

The G-7 did not have to twist Yeltsin's arm to secure adoption of their policy. Besides any other consideration, the absence of legal and other institutions to regulate the market was very much to the taste of the pro-Yeltsin forces, since it opened broad horizons for plundering the collective legacy of the Soviet system. Indeed, “wild privatization” had begun even before the transition was formally launched at the beginning of 1992, with state administrators and their friends illegally transferring public property to private companies in which they were owners. Hence the liberals' campaign to do away with the Soviets, a form of popular democracy that was taking on real life after seventy years of purely symbolic existence (Mandel 1992).

Shock therapy had a devastating effect on Russia's population, which is best summarized by demographic statistics. An analyst who compared demographic trends before and after 1990 for the following eight-year period concluded that the break with the old system resulted in 3.4 million premature deaths and a shortfall of 2.7 million births:

During the 1990s Russia suffered a catastrophic decline in GDP, industrial production, the quality of its health care system, its social safety net and living standards, accompanied by an acute inegalitarian shift in the distribution of income and mass involuntary unemployment. These physical factors, social disruption and psychological stresses are more than ample to serve as the primary probable cause of Yeltsin's premature deaths and birth deficits.

(Rosefielde 2001:1163)

This bleak picture helps to explain the accusation of “genocide of the Russia people by means of economic policy” that figured in the impeachment proceedings initiated by the Communist fraction of the Russian parliament in 1998. The accusation, one of five, was supported by 238 of the 450 deputies, while 300 were required. Many of the dissenting and abstaining votes were bought by Yeltsin (Hober 2003:60–72, 273–290).<sup>6</sup>

There was significant but scattered resistance from workers throughout the 1990s to this policy. But the feared “social explosion” did not happen. For a brief period, however, the Congress of People’s Deputies, the parliamentary institution inherited from the Soviet period and that had now assumed real political life, became the center of opposition. Three months before the launch of shock therapy in January 1992, without really understanding what it entailed or its consequences, the Congress, at the time the dominant arm of government, voted to grant special temporary powers to Yeltsin that would allow him to govern by decree during the transition period. But a few months into shock therapy, the deputies were already able to take the measure of its consequences. Sentiment to annul Yeltsin’s special powers, and even to depose him, quickly gained ground. The confrontation reached its apogee in October 1993, when Yeltsin suspended the Constitutional Court after it had declared illegal his earlier dissolution of the Congress. This was followed by a siege of the parliamentary building and then an artillery bombardment and armed assault. The police reported 187 people killed and 437 wounded in the operation (Treisman 2011:54); but there were many more casualties, according to oppositional forces. Opposition newspapers were shut down and hundreds of people arrested. The newspapers soon reappeared under new names, and the arrested were released. But the message had been received: no effective opposition would be tolerated. The Russian trade-union federation, which for once in its existence had taken a stand against the government, hastily replaced its president. And the Communist Party, after being temporarily banned, renounced serious extra-parliamentary opposition: the only kind that could be effective.

In the following months, Yeltsin insiders, working in secrecy and with no outside input, drafted a new constitution. At the end of 1993, it was put to a referendum, whose results were falsified to allow its adoption. The constitution established a strong presidential regime, relegating the parliament, ironically renamed “Duma,” named after the last Tsar’s essentially token concession to democracy, to a largely consultative role. Thus, for example, if the Duma were to reject the president’s choice for prime minister three times, the Duma would then be dissolved. Duma elections in December 1993 returned a majority opposed to shock therapy. But no tangible change in economic policy followed.

The suppression of democracy in Russia, now tearfully lamented by Western governments, would not have been possible without the support, or indeed the tacit encouragement, of the G-7.<sup>7</sup>



## 2. Formation of the Bourgeoisie and Rise of the “Oligarchs”

These were the political circumstances in which the Russian bourgeoisie was formed. Its wealthiest, most prominent members received the appellation “oligarchs,” a term that, at least in the first decade, denoted their proximity to political power—indeed their virtual fusion with it. As a leading member of that group, Boris Berezovsky, explained: “The most profitable business is politics.” (*Nezavisimaya gazeta*, April 8, 1997 cited in Bivens and Bernstein 1998:618). In a surprisingly candid interview in 1994, P. Aven, a major banker and former minister in the Yeltsin government, stated: “To become a millionaire in our country it is not at all necessary to have a good head or specialized knowledge. It is often enough to have active support in the government, the parliament, local power structures and law enforcement agencies. One fine day your insignificant bank is authorized, for instance, to conduct operations with budgetary funds. Or quotas are generously allotted ... for the export of oil, timber and gas. In other words, you are appointed a millionaire.” (*The Moscow Times*, July 22-28, 1994 cited in Bivens and Bernstein 1998:619).

One of the most notorious episodes in the rise of the oligarchs was the “loans-for-shares” program, conceived in 1995 by banker V. Potanin with the declared goal of helping the government reduce its budget deficit. A group of recently minted bankers offered to lend money to the cash-strapped government. As collateral, the government would put up stock in state-owned enterprises that it was planning to sell. Not surprisingly, the government defaulted on the loans, and the shares were sold off at bargain prices by the banks to their own affiliates in rigged elections. A later inquiry by the independent state accounting office uncovered massive fraud: not only were the assets greatly undervalued and the winners predetermined, but the money the banks had loaned to the government was, in fact, money that the government had deposited in those banks. In typical fashion, no action followed on this report. It was in this affair that oligarch M. Khodorkovsky acquired the giant oil company Yukos. (Goldman 2003:3–10; Reddaway and Glinski 2001: 480).

The privatizations of this period constituted without doubt one of the biggest thefts in history, one that was directly and indirectly organized by the state. A. Chubais, the minister in charge of privatization, with his characteristic cynicism, admitted to a journalist that the new capitalists “steal and steal ... They steal absolutely everything ... But let them. Let them steal and take their property. They will then become owners and good managers of their property” (Freeland, Thornhill, and Gowers 1996). Chubais himself was later implicated in a kickback scheme but, as usual, no action followed. The following figures, compiled by a Russian economist, offer some idea of the dimensions of the theft: the estimated value of privately held enterprises (the majority of which had recently been privatized) at the end of 1997 was 7,307 billion rubles (US\$ 1,146 billion),

while total government receipts from the privatization to that date was 34,8 billion rubles (US\$ 5.46 billion), or 0.4% that value (Menshikov 2004:61).

The transfer into private hands of state property for free, or at a tiny fraction of its real market value, was only one of the sources of accumulation. That was the theft of the labor of past generations.<sup>8</sup> The dramatic fall of wages, on the other hand, was theft of current labor. In other words, there was a dramatic increase in the level of exploitation. Even according to government figures, the average real wage in 2000 was only 43% of that of (Pirani 2010:139).

But average figures tell nothing of the growing inequality in remuneration between managers and workers, nor of the dramatic decline of the “social wage,” the free or subsidized goods and services of the Soviet period. Moreover, between 1994 and 2001, delays in the payment of wages and pensions were epidemic—in some cases even up to six months. The delayed payments were not indexed in a period of hyperinflation. This was, in fact, part of the government’s monetarist policy for fighting inflation through restriction of aggregate demand and the monetary mass, a policy prescribed by the Washington Consensus.

Another important source of private accumulation, one that overlaps with the two above and is still very much active, was the abuse of office. A 2001 survey estimated that “almost a quarter of the national budget disappeared into the pockets of ‘decision-makers’ each year” (Goldman 2003:178). As late as 2009, a report on corruption concluded that “there is probably no other European country ... where political offices and wealth are so closely intertwined,” a situation publicly lamented by then President Medvedev (Klugman and Shepp 2009), whose own fortune has lately become the object of an exposé by anti-corruption campaigner A. Naval’nyi (2016).

Following the bombardment of the Supreme Soviet in 1993, Yeltsin promised to hold presidential elections at the end of that year. That promise was conveniently forgotten, but the new constitution called for elections in 1996. This presented a problem for Yeltsin, whose approval rating hovered near zero. The oligarchs were opposed to holding the election. Yeltsin’s main rival would be the head of the Communist Party, and although that party no longer defended a planned economy, its candidate did speak of reviewing the results of the privatization. As banker A. Smolenskii put it, “If I see that the elections will bring people to power who would completely destroy the country, then what should I say? Should then I allow my country to be destroyed in the name of Western Democracy? No, I will say rather ‘let Western democracy die’” (Remnick 1996:56).

Nevertheless, Yeltsin did hold the election. In his campaign, he was strongly supported by the oligarchs, who controlled the most important television stations and newspapers. He also allowed himself massive violations of the campaign spending law. In addition, the government’s economic policy suddenly (but only temporarily for the duration of campaign) veered sharply in a social direction. Despite the Washington Consensus, this shift apparently had the IMF’s approval, since it gave Russia one of its largest loans ever during the campaign, only to suspend payments immediately after, pending a return to

orthodoxy. Yeltsin also called a temporary halt to the unpopular war against secessionist Chechnya.<sup>9</sup> But all that was still not enough to beat the Communist rival: the results had to be falsified, a fact confirmed in a moment of candor in 2012 by then president Medvedev (Petrova 2012).

Although the falsification was really no secret at the time, the Communist candidate knew better than to contest the results. If the lesson of October 1993 were not enough, Yeltsin had stated publicly more than once during the campaign that he would never allow the Communists back into power and that if there was an attempt to review the results of the privatizations and to renationalize, it would mean war. As a liberal journalist who supported Yeltsin put it:

There are two ways to influence the electorate. There is the strong way and there is the Malashenko [director of Yeltsin's campaign] way. It is the case that in a really democratic election Yeltsin might have lost. He violated many rules. Let's call that the soft path to what took place. Yeltsin doesn't play cards, unless he knows that he will win. He always has a fifth ace up his sleeve. Otherwise, he pulls out his Smith and Wesson and starts shooting.<sup>10</sup> (Remnick 1996:56)

It was during, and especially after, these elections that the direct political influence of the oligarchs reached its apogee, several of them assuming top-level government positions. As an observer put it: "The oligarchs had become the new 'board of directors' of Russia and they were beginning to divide up the spheres of influence" (Hoffman 2002: 400). But, alas, that would not last.

### 3. Ensuring the "Continuity of Power"

In August 1998, Russia was hit by a major financial crisis, forcing the government to suspend payment of its debt and to dramatically devalue the ruble. A series of bank failures hit the oligarchs hard. And this coincided with a rise in worker protest (Mandel 2004: chapter 5). Deeply unpopular and incapacitated by heart trouble, Yeltsin was forced to retreat. Correspondingly, the Communists and their allies in the Duma were able to choose a new prime minister more to their liking. The choice fell on E. Primakov, a respected scholar and experienced statesman. Primakov was by no means a radical—he never thought to appeal to the protesting workers—but he did possess some civic virtue and was, therefore, quite naturally hostile to the oligarchs. When the Duma voted an amnesty for 94,000 prisoners, he explained to his cabinet that "we are freeing up space for others who are about to be jailed—people who commit economic crimes" (Hoffman 2002:459; Reddaway and Glinski 2001:600–604). A few days later, armed and masked police raided the Moscow headquarters of companies belonging to Berezovsky, the oligarch who had done the most to make his colleagues political players. At the same time, the prosecutor-general began criminal investigations into his affairs and those of other members of the Yeltsin "family."<sup>11</sup>

The situation was threatening. It was around this time that V. Putin made his appearance on the national stage. A former KGB intelligence officer, he became assistant for foreign commercial relations to Mayor A. Sobchak of St. Petersburg after the USSR's demise. After Sobchak's defeat in a 1996 election, Putin was summoned to Moscow to serve under P. Borodin, Yeltsin's notoriously corrupt chief of staff and manager of Kremlin Properties (estimated worth some \$600 billion). A Swiss prosecutor later charged Borodin with receiving millions in kickbacks from reconstruction projects related to those properties. In 2001, Putin, already president, had his government post a \$3 million bail to avoid the extradition of his former boss from the United States to Switzerland (Goldman 2003: 218–219). Putin had already earlier demonstrated his loyalty to a corrupt former boss, when he arranged the illegal flight abroad of Sobchak, who had been indicted for theft (Medvedev 2014:19–21).

That was not the only service that Putin rendered to the family. Earlier, in 1998, he was appointed head of the FSB, successor to the Soviet KGB, and in that capacity he helped arrange compromising material on Prosecutor-General Yu. Skuratov, who was investigating widespread corruption at the highest state levels. Yeltsin had twice tried to fire Skuratov, only for him to be reinstated by a resurgent Duma. But an apparently falsified video of him cavorting in a sauna with two prostitutes that was broadcast on national television finally did him in (Kotz and Weir 2007:225).

In May 1999, Yeltsin was finally able to be rid of Primakov, replacing him with S. Stepashin, a man who enjoyed the family's confidence. One of Stepashin's first acts was to close the investigation into Berezovsky's affairs. But that was not the end of the family's worries. A month after his dismissal, Primakov announced his alliance with Moscow's powerful mayor Yu. Luzhkov, with a view to running in the coming presidential elections. The alliance soon attracted the support of powerful regional governors and mayors from across Russia. Even if a return to "Communism" was clearly not in their plans, Primakov's hostility to the oligarchs was well known, and he was sure to call for a review of the privatizations, which would be immensely popular among most Russians. Speaking to a rally in Red Square, Luzhkov declared: "They are afraid of us! They are afraid because we say it is necessary to bring to justice all those who allowed this lawlessness and this theft of the country's property and money" (Hoffman 2002:469).

One might question Luzhkov's sincerity.<sup>12</sup> But the oligarchs risked losing their privileged access to power, which was, after all, the most important business asset in Russia. Assuring the "continuity of power," therefore, became a prime concern, and the leading oligarch Berezovsky set about doing it with his habitual energy. Stepashin, only recently appointed prime minister, was soon judged too weak for the task. Among other things, he apparently refused to cooperate with a plan to restart the war with Chechnya, which would be presented to the public as a response to a terrorist threat. The choice then fell on Putin, who as head of the FSB and the Security Council had been actively involved in preparations for the war's renewal. A month after his confirmation as prime minister, bombs exploded in four residential buildings in Moscow and in two provincial towns, killing more than 300 people. Although they were officially attributed to Chechen

terrorists, much evidence points to a government provocation aimed at creating an atmosphere of panic, favorable to restarting the war (Reddaway and Glinski 2001:610–616).

The terrain was thus prepared for Putin's successful run for the presidency as a youthful energetic leader—in sharp contrast to the alcoholic, sickly Yeltsin—who could save the country from the “bandits,” wasting them, as Putin colorfully phrased it, “even in the outhouses” (Hoffman 2002:472). That projected image helped to reduce the threat from the Communist candidate, whose message was also strongly based on an appeal to nationalism. As for the Primakov-Luzhkov duo, a media smear campaign, organized largely by Berezovsky, led to Primakov's withdrawal from the race.

On the eve of the new millennium, three months before the presidential elections, Yeltsin resigned, yielding his post to Putin, a man whose name few Russians had heard until a few months before. But with the help of the government's vast “administrative resources” and with the solid support of the main television networks, which Putin quickly pulled into line, he won the elections in the first round. Putin did this in part by forcing oligarch V. Gusinsky to sell the state his media empire, which had been carrying programs critical of Putin, in exchange for release from prison—Putin won the elections in the first round.<sup>13</sup>

Putin presented no program during his electoral campaign, though he did promise a “dictatorship of the law.” And in his few months before the elections as acting president, he raised pensions and public sector wages by 20 percent (Kotz and Weir 2007:274) aided in that by the end of Russia's long depression and the start of economic recovery, thanks to devaluation of the ruble (a move that the IMF had consistently opposed), which cut imports in half and gave a strong boost to domestic production, and to a steep rise in the price of oil, which eventually tripled.

## 4. Domestication of the Oligarchs

Putin's promise of a “dictatorship of the law” soon proved empty (at least the part about the law), when, in one of his first acts as president, he granted Yeltsin and his “family” immunity from prosecution. But the fate of Gusinsky, who wisely exiled himself after his liberation from prison, did not augur well for the oligarchs as political players. Asked in an interview following the election what the future held for the oligarchs, Putin replied that if they meant “those people who fuse, or help the fusion of political power and capital, there will be no oligarchs of this kind as a class” (Hoffman 2002:475).

Putin soon showed he was serious. After Gusinsky, his chosen target was the logical one—Berezovsky, the most politically active and connected oligarch. Berezovsky had relations with the Chechen warlords and had participated in preparing the renewal of armed hostilities, but he was apparently shocked at the total war that Putin had unleashed and counseled a negotiated solution. He also criticized Putin's move to recentralize the power that Yeltsin had ceded to regional governors in the 1990s, a situation that had offered oligarchs broad opportunities for illicit accumulation. Rebuffed by the man whom he had

helped to power, Berezovsky then made the mistake of criticizing him publicly. The final straw was critical reporting on Berezovsky's television network, ORT, of Putin's belated and weak response to the sinking of the nuclear submarine *Kursk*. Brandishing the criminal dossier that had been compiled under former Prime Minister Primakov, Putin informed Berezovsky of the state's intention to take control of ORT. Being anything but stupid, Berezovsky sold his share in ORT to a younger but wiser oligarch and exiled himself to London (Kotz and Weir 2007:586–587; Hoffman 2002:586–587).

But the confrontation that drew most attention and demonstrated conclusively who was boss occurred in 2003, when M. Khodorkovsky, owner of the giant Yukos oil company and reportedly the richest man in Russia, was arrested. Following a lengthy trial, he was condemned to nine years in prison for fraud, embezzlement, and tax invasion.

While there can be little doubt that Khodorkovsky, like his fellow oligarchs, was guilty of these and probably more serious crimes, he became Putin's target. This was because he refused to draw the correct conclusions from the fate of Gusinsky and Berezovsky: that is, he refused to recognize the dominance of the state administration. Khodorkovsky intervened independently in political life, funding various parties and opposition candidates, organizing a youth movement that numbered some 1.5 million members in 2003, speaking out publicly in support of the US invasion of Iraq, which the Russian government had condemned. He was also apparently pursuing an independent energy policy, agreeing, without Kremlin approval, to construct a pipeline to China. Finally, having perhaps decided he had stolen enough and wanting to shelter his business from arbitrary state intervention, he adopted transparent accounting practices, appointed Western administrators, and actively sought Western partners (Goldman 2004; Kotz and Weir 2007:276).

Khodorkovsky's activities could not but concern Putin, who was intent on strengthening the central administration's hold on the country. While Putin may have been moved to some degree by a sincere concern for his country after the free-for-all of the Yeltsin years, including by the need to strengthen the state's capacity to collect taxes, he was certainly intent also on consolidating his own power and protecting the interests of his political base in the so-called apparatuses of power—the FSB, army, and police—as well as in the various associates he brought to Moscow from his native St. Petersburg.

Under Putin, the state reasserted its monopoly on violence, ending the situation of the 1990s, when a large part of Russian business was under mafia control (Goldman 2003:chapter 9). The private criminal capture of property, termed *reiderstvo* (raiding), had been characteristic of the 1990s.<sup>14</sup> Yet state capture of private business became emblematic under Putin, through an interlocking system of police organs, courts, and bureaucrats (Kashulinskii and Fedorin 2010).<sup>15</sup> This was already manifest in the Yukos affair, when Yukos's major daughter company was taken over by a state enterprise in a fixed auction. What changed under Putin was not the overall dimensions of corruption but the average size of bribes and kickbacks, which grew considerably (Kalinina 2013; Ledeneva 2013:248).

The reaction among oligarchs to the Khodorkovsky affair was muted, to say the least, although capital flight did triple in 2004 as compared to the previous year. Not long after Khodorkovsky's arrest, Putin was greeted with a warm ovation at the congress of the Union of Industrialists and Entrepreneurs. (Belton 2005) But that reaction, or lack thereof, should not be attributed mainly to fear of Kremlin retribution. For the oligarchs understood that they had more to fear from the Russian people than from the arbitrary action of the state.

It was not as if the Russian people were about to rise up to reclaim what had been stolen from them. The "social explosion," so feared at the start of the transition, was not about to happen. But too little time had passed for the memory of the original sin of Russia's capitalism to be forgotten. Primakov's call for a criminal review of the 1990s privatizations during his aborted electoral campaign, the popularity of Putin's move against Khodorkovsky (Ostrovsky and Wagstyl 2003), and contemporary opinion surveys showing a large and stable majority favoring such a review—all clearly demonstrated that.

As the author of a major study of the 1990s privatizations observed:

The new owners will always lack the necessary legitimacy for a stable political climate and for sustained economic growth. Having constructed faulty foundations, the builders of privatization must live with the permanent fear that their construction could crack from time to time, shift, or even collapse. Although they enjoy a status that limits legal redress, the owners of the privatized Russian enterprises live in constant uncertainty, knowing that sooner or later they could be accused of having used illegal methods to obtain control of their enterprises.

(Goldman 2003:323)

The criminal origins of the fortunes of Russia's oligarchs would perhaps not weigh so heavily on them were that class not so parasitic. Western analysts have often contrasted them to the American robber barons, who also stole, but built industrial empires (Goldman 2003:122). A glance at the main sources of the oligarchs' wealth even today shows that most of it is still in resources and their processing (oil, gas, metallurgy, chemicals, fertilizers, etc.): that is, in enterprises built during the Soviet era. Despite the government's oft-declared intention, it has failed to diversify the economy and to promote innovation that would free the economy from dependence on resource extraction. Russia ranked fifth in the world by the number of dollar billionaires in 2018 (Dolan and Kroll 2018), but only 49th on the UN Human Development Index in 2016 (UNDP Report 2016: 8). In 2014, the wealth share of the richest 1% in Russia was 66.2 percent, by far the largest share of the twenty-five countries studied by Credit Suisse (Global Wealth Databook 2014:124). Yet more than twenty million Russians (about 14 percent of the population) remain in poverty by the World Bank's low standard (World Bank Group 2016: 41–42).

Because of their insecurity, Russia's oligarchs evidence a strong attraction for foreign climes. A 2010 survey of twenty-five big businessmen found that 84 percent of them kept their money abroad. Their children also are sent abroad to study. In the words of real-estate magnate S. Polonskii, "All of us businessmen, if you ask any of them, have our bags packed and are ready to leave." To which V. Surkov, the then powerful assistant chief of the presidential administration, replied: "A variety of people live in this country. Some are really sitting on their suitcases. At the same time, why are they sitting on their suitcases and ready to leave, when they became billionaires long ago? They possess almost all the wealth, which they got for nothing; they make huge profits; they own leisure clubs both here and abroad; they have direct access to the Kremlin and know all the ministers, with whom they meet at their summer homes and discuss various matter—and despite that, they have packed their bags and are ready to leave." (BBC Monitoring 2010) As British historian A. Lieven put it, "Their wealth trickles down, but not in Russia ... [which reflects the] extremely ugly, inequitable and, above all, useless character of the Russian oligarchs" (Badkhen 2005).

## 5. The Secret of "Managed Democracy"

In sum, the arbitrary power that characterizes Putin's "managed democracy" and ensures the "continuity of power" was and remains preferable for the oligarchs to a liberal democracy, which would mean competitive elections, broader political freedoms, and the rule of law.<sup>16</sup> Even Russian liberal intellectuals who are bitter critics of Putin's regime hurry to caution the democratic opposition against "succumbing to angry populism and destroying the market, using Bolshevik means to redress injustices by taking from the rich" (Shevstova 2003:272).

But something of that sort risks happening in a democracy. Although a new generation has reached maturity since the fall of the Soviet Union, as late as 2016, when asked in a national survey what sort of economic system they preferred, 52 percent still opted for a system based on state planning and distribution, while only 26 percent expressed a preference for an economic system based on private property and market relations; and the rest did not know (Levada-tsentr 2016). These results receive some indirect confirmation in the recent mass response among young people to Naval'nyi's (illegal) calls to protest against corruption.

But apart from that concern, the oligarchs, as Surkov observed, continue to enjoy privileged access to powerful members of the government executive, including to Putin himself, who has close personal relations with several oligarchs and whose son-in-law is reportedly Russia's youngest billionaire (Savchuk 2016; Ledeneva 2013:221). These privileged relations, access to the so-called administrative resource, are a major source of accumulation that would not exist, or at least would not be secure, in a democracy where the group in power can be swept out at the next election. Khodorkovsky might have felt it was time to free himself from the arbitrary power of the state administration, but most oligarchs appear comfortable with the existing situation.



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Of course, small and medium businesspeople, who do not have access to the “administrative resource” and who are open to raiding and other exactions, are not happy with this situation. But their political weight is negligible. And, on the other hand, they are quite content with the government’s neoliberal policies, including the 13 percent flat income tax, a labor code that makes legal strikes practically impossible, one of the lowest minimum wages in the world (about \$US 130 a month in 2017), and minimal labor standards that are weakly enforced, if at all, which is the case in the vast area of “shadow” (unofficial) employment.

At the same time, this regime is also a source of enrichment for members of the state administration, who are therefore also interested in preserving the “managed democracy.” As for Putin himself, the system is a means of maintaining loyalty and discipline in the state apparatus. And so, while the government publicly decries the level of corruption and recognizes that the weak rule of law and property rights hurts the investment climate, progress has been slow. Some estimates put the volume of corruption at almost half of Russia’s GDP, while Transparency International ranked Russia 135th out of the 180 countries on its corruption perception index in 2017 (Transparency International 2017).

As one critical businessman put it: “Vladimir Putin is hostage of the political dead-end that he himself created ... If we assume for one second that Putin does want to radically modernize and liberalize his autocratic system—or even to retire if he so desired—he would not be allowed to do so by the élite who surround him ... After betraying his role as guarantor of the Constitution, Putin has effectively become guarantor of corruption—he guarantees the financial well-being of millions of bureaucrats, government employees, and well-connected business people” (Petrov: 2011).

Such, briefly, was the process of “primitive accumulation” in post-Soviet Russia and the sociopolitical system that resulted. Although Marx wrote about a much earlier period, capitalism at the turn of the twenty-first century arrived in Russia, too, “dripping from head to foot, from every pore, with blood and dirt.” And it has still a long way to go before it can take on the appearance of a natural order, one that only exceptionally requires the direct intervention of state violence.

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### Notes:

<sup>(1)</sup> The classic statement of this position is Trotsky's *The Revolution Betrayed* ([1936] 1972: chapter 9).

<sup>(2)</sup> In 1988, a prominent labor sociologist told the author of the present article that the transition to capitalism would, unfortunately, require a Cavaignac (the French general who led the bloody suppression of the Parisian workers' revolt in June 1848).

<sup>(3)</sup> For popular attitudes before the fall of the USSR, see Mandel (1991: 91–116).

<sup>(4)</sup> That, for example, is the main thrust of J. Stiglitz's criticism of Russia's transition, although he does at times briefly stray into the realm of interests (2002:133–165).

<sup>(5)</sup> For one thing, Soviet workers had not known unemployment for decades and had no inkling of what it really entailed. In addition, they enjoyed free education and health care, along with subsidized housing, leisure, transport, and other services. Although the quality

of these might have been wanting by some Western standards, taken together they provided genuine economic security for workers.

(<sup>6</sup>) The constitution, pushed through by Yeltsin in 1993 in a fixed referendum, made sure that impeachment would be virtually impossible.

(<sup>7</sup>) On the confrontation between Yeltsin and the Supreme Soviet and on what immediately followed, see Roche 2000: ch. 6, and Reddaway and Glinski 2001: ch. 6.

(<sup>8</sup>) The very fact of conducting mass privatization in conditions of a deep depression meant, of course, that even the real market value of what was sold would be abnormally depressed. No responsible government would privatize in those circumstances.

(<sup>9</sup>) For a more detailed analysis of the campaign, see Seppo (1996). During the campaign, President Clinton of the United States made an appearance on a Moscow stage with Yeltsin and compared him to Abraham Lincoln, a president who also had to face a war of secession.

(<sup>10</sup>) For more of the role on the oligarchs in the campaign, see Hoffman (2002: chapter 13).

(<sup>11</sup>) The term, possibly with a nod to the Italian mafia, popularly referred to Yeltsin's actual family and to his entourage.

(<sup>12</sup>) His wife was the owner of a construction company that did much business with the Moscow government and was the only woman in the list of the hundred wealthiest Russians.

(<sup>13</sup>) Analysis by *The Moscow Times* (Borisova 2000) concluded that Putin could not have won on the first round without cheating.

(<sup>14</sup>) This should not to be confused with "corporate raiding" in established capitalist countries, which is a legal, if distasteful, practice.

(<sup>15</sup>) On "reidesrtvo" see Ledeneva (2013:188-210).

(<sup>16</sup>) That term has been used by the regime's own spokespersons.

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### Marx's Concept of Socialism

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### Abstract and Keywords

One of the most important theoretical challenges facing us is developing a viable alternative to capitalism. Achieving this requires rethinking basic premises of social theory and practice, given the difficulties of freeing humanity from such problems as alienation, class domination, and the capitalist law of value. Taking off from Marx's Concept of the Alternative to Capitalism, this article explores how Marx's critique of capital, value production, and abstract universal labor time is grounded in an emancipatory vision of a post-capitalist society—a vision that has been largely overlooked. While Marx never wrote “blueprints of the future,” the full breadth of his work as revealed in the Marx-Engels Gesamtausgabe indicates that his vision of a post-capitalist society went further than specifying the need to abolish private property and “anarchic” exchange relations. This chapter seeks to show how Marx's writings on this issue provide important theoretical ground for envisioning a non-capitalist future in the twenty-first century.

Keywords: socialism, value production, abstract labor, Communism, state

WHEN Karl Marx broke from bourgeois society and became a revolutionary in the early 1840s, he joined an already-existing socialist movement that long predated his entrance upon the political and ideological scene. Neither he nor any other radical intellectual of the time invented the idea of socialism and Communism. A general notion of an alternative to capitalism, even if vague and misdirected, was already in circulation. It consisted of replacing an anarchic, market-driven competitive society with a planned, organized one controlled by the working class. It may seem that Marx had little to add to this notion, since he refrained from speculating about the future and sharply criticized the utopian socialists who spent their time doing so. Moreover, since Marx's theoretical contribution consisted of an extended critique of the existing capitalist mode of production and he wrote relatively little about post-capitalist society, it may appear that his work has little to offer those seeking to develop a viable alternative to capitalism in the twenty-first century. However, as with so much in life, the appearance is deceptive.

That Marx was not interested in utopian blueprints that are developed in disregard of actual mass struggles does not mean that his work is devoid of a distinctive concept of socialism. On the contrary, his relentless critique of existing social relations is what enabled him to develop a far more expansive concept of socialism than any of his contemporaries. Indeed, it is a conception that goes far beyond what many of his followers and critics today mean by “socialism” or “Communism.” Marx never wavered from the proclamation voiced at the start of his career—“I arrived at the point of seeing the idea in reality itself” (Marx 1975a:18). It eventually led him to develop a concept of socialism that has been overlooked for far too long (and that we ignore at our peril).

Marx used many terms to refer to a post-capitalist society—positive humanism, socialism, Communism, realm of free individuality, free association of producers, etc. He used these terms completely interchangeably. The notion that “socialism” and “Communism” are distinct historical stages is alien to his work and only entered the lexicon of Marxism after his death.

(p. 758) Three crucial determinants impacted Marx's development of his concept of socialism: 1) the influence of Hegelian philosophy; 2) his disputes with other radical tendencies that advanced, in his view, defective visions of a new society; and 3) his comprehensive and rigorous critique of the logic of capital.

## 1. The Vision of a Post-Capitalist Society in the Young Marx

Marx no sooner announced his conversion to Communism than he began to enter into intense debates with other radical tendencies over their understanding of the alternative to capitalism. Like his fellow revolutionists, he sharply opposed private ownership of the means of production. However, in the *Economic and Philosophic Manuscripts of 1844* he takes issue with what he calls “crude communists” who presume that the abolition of private property and its replacement by collective property constitutes the sum and substance of liberation. Marx sharply disagrees, on the grounds that “crude communism” represents an “abstract negation of the entire world of culture and civilization” (Marx [1844] 1975b:295) in which alienated labor “is not done away with, but extended to all men.” (Marx [1844] 1975b:294). It leads to a society, he contends, in which “the community [is] the universal capitalist” (Marx [1844] 1975b:295). A “leveling-down proceeding from a preconceived minimum” does not transcend capitalism but reproduces it under a different name. The fullest expression of this is that in such a system “a woman becomes a piece of communal and common property” (Marx [1844] 1975b:294).

The critique is political, but it is grounded in a philosophic perspective—Hegel's dialectic of negativity. Unlike Feuerbach, who dismissed Hegel's “negation of the negation” as an idealist illusion, in 1844 Marx views it as expressing “the actual movement of history” (Marx [1844] 1975b:336). The negation of private property, he argues, is only a first, “abstract” negation, since its object of critique is a *juridical* relation on the surface



level of society. A negation of this negation is needed in order to focus the emancipatory project on the essential issue—the transformation of conditions of labor. “When one speaks of *private property*,” Marx writes, “one is dealing with something external to man. When one speaks of labor, one is directly dealing with man himself. This new formulation of the question already contains its solution.” Marx critically adopts Hegel’s conception that forward movement occurs through “the negation of the negation” for his revolutionary project. In doing so, he develops a conception of socialism that goes further than the surface level by emphasizing the transformation of *human* relations at the point of production and in society as a whole. He therefore writes that genuine Communism (which he equates to “a thoroughgoing Naturalism or Humanism”) “is the position as the negation of the negation” (Marx [1844] 1975b:306).

It may seem that Marx has a different view in the *Communist Manifesto*, which states, “the theory of the Communists may be summed up in the single sentence: Abolition (p. 759) of private property.” However, right before this he writes, “The abolition of existing property relations is not at all a distinctive feature of Communism” (Marx and Engels [1848] 1976a:498). Marx is not contradicting himself, since by “private property” he does not mean individually owned property as against collective or state-owned property. “Private property” refers to *class* property—to a class other than the working class owning the means of production. Unless the latter is under the effective (and not just nominal) control of the working class, it hardly makes much difference if the property form is individual or collective. This is why he emphasizes, *after* discussing the class basis of property relations, “*In this sense*, the theory of the Communists may be summed up in the single sentence: Abolition of private property” (Marx and Engels [1848] 1976a:498).

Marx engaged in polemics with many others over their defective understanding of the alternative to capitalism, foremost among them being Pierre-Joseph Proudhon, who sought to organize exchange in lieu of transforming social relations of production. On the basis of the Ricardian labor theory of value, he argued that money should be replaced by time chits or labor notes that express the “real value” of commodities. Since, as he saw it, the value of a commodity is equal to the value of the labor that creates it, an organization of exchange that computes wages on the basis of the product’s value eliminates the need for a class of middlemen such as bankers and capitalists. Marx castigates this on the grounds that “the equality of wages, as demanded by Proudhon, only transforms the relationship of the present-day worker to his labor into the relationship of all men to labor. Society is the conceived of as an abstract capitalist” (Marx [1844] 1975b:280). Later, in his thorough critique in the *Grundrisse*, he refers to this tendency as wanting to have capitalism without the capitalists.

Marx opposed anarchic market relations since they compel humanity to produce for the sake of an impersonal, abstract entity instead of for human needs. As his critique of Proudhon makes clear, however, the mere abolition of a “free” market does not constitute socialism. As Dunayevskaya (1958:51–52) pointed out:

Marx argued that to try “to organize exchange,” to try to bring order into the anarchy of the market in a society based on factory production, *must* mean its organization according to the division of labor in the factory where the authority of the capitalist is undisputed. To try to bring that “principle of authority” into society as a whole could only mean subjecting society to *one single master*.

Marx's critique of Proudhon represents a remarkable anticipation of the defects of twentieth-century “socialist” regimes, which sought to extend the “order” of the factory into market relations.

Marx's critique of tendencies that define the emancipatory project by opposition to private property and the market suggests that if a critique of capitalism is limited to the surface, phenomenal level, the understanding of the alternative to capitalism will be limited to the surface, phenomenal level. A superficial and erroneous view of the alternative to capitalism necessarily follows from a superficial and erroneous view of the logic of capital. Marx did not have a superficial or erroneous understanding of the logic (p. 760) of capital, and this is why his critique of political economy—despite his innumerable objections to utopianism—provides vital insights into what constitutes an alternative to both “free market” capitalism and statist socialism or Communism. The fullest expression of this is found in his greatest theoretical work, *Capital*.

## 2. The Impact of Marx's Critique of Political Economy on his Concept of Socialism

Marx's *Capital* does not provide an exhaustive account of a socialist society, since it is exclusively concerned with delineating the law of motion of *capitalism*. Since a positive alternative becomes knowable only through a negative critique, it can offer no more than *intimations* of the future. However, these intimations—derived from a rigorous analysis and critique of the logic of capital—are of considerable importance, since they reveal a conception of socialism that is radically different from what many followers as well as critics of Marx have upheld for many years.

The distinguishing feature of capitalism, Marx held, is that subjective human activity is governed by the drive to accumulate value (or wealth in abstract, monetary form) as an end in itself. Labor is *treated* as a commodity that is bought and sold. However, Marx takes great pains to show that the capitalist does not actually purchase the workers' labor but rather their *capacity* to labor—their *labor power*. In slave societies, the master buys the slave's body. But with wage labor, “It is not the worker's body that is being sold, but rather its temporary availability” (Basso 2015:116). As Luca Basso puts it, “The capitalist buys something that exists only as a possibility, which is, however, inseparable from the living personality of the *arbeiter*. There is, then, an element that can never be ‘cashed in,’ since the worker's body can never be fully ‘captured’ ” (Basso 2015:116). Hence, workers can never be “coined subjects.” Their subjectivity can never be fully exhausted or congealed in the monetary equivalent obtained for their work. The distinction between

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labor and labor power reveals, “a corporeality configured as permanent excess, a potential element of resistance to capitalist commands” (Basso 2015:116). This “permanent excess” is a constituent of the commons from which an alternative to capitalism can arise.

The worker is surely *treated* as an object. But that does not mean he or she *is* an object—if this was the case, he or she could never complain about it. Human relations *take on the form* of relations between things; but the form does not completely annul the content. If human subjectivity were fully absorbed by the object, Marx's *Capital* would be a totalizing system that locks us into a circle from which we can never escape. The transitory and historical character of capitalism would have to be denied.

The distinguishing mark of capitalism is that labor assumes a value-*form*. But labor “as such” is *not* the source of value. According to Marx, only a particular *kind* of labor is (p. 761) the source of value. A commodity's value is determined not by the *actual* amount of time taken to produce it but by the *socially necessary labor time* on a global level. If value were determined by actual labor time, workers would be told to slow down, since the longer they work, the greater the accumulated value. That does not happen because the value of products is instead determined by a social average over which workers have no control. This average varies continuously, due to technological innovations that increase the productivity of labor. It is communicated to the agents of production behind their backs, through the laws of competition. Concrete labor (the varied kinds of labor employed in making products) becomes increasingly dominated by labor conforming to an abstract average—termed by Marx “abstract labor.”

The preponderance of abstract over concrete labor transforms the nature of work, since labor that is not compatible with valorization tends to become denigrated and undermined. It transforms our relation to nature, which becomes valued only insofar as it helps accumulate profit and capital. And it transforms the meaning of time, since we become governed by an abstract, quantitative, and invariable time determination over which we have no control. Abstract labor is the substance of value; the more abstract labor becomes, the more value is produced. And the more value produced, the greater the drive to augment value (and profit) ever more. Capital is self-expanding value. It is an endless quest for an infinite magnitude—in a world of limited, finite resources.

The entire process hinges on actual labor time being forced to conform to socially necessary labor time. As Marx put it, “Time is everything, man is nothing; he is, at most, time's carcass. Quality no longer matters. Quantity decides everything; hour for hour, day by day” (Marx [1847] 1976a:127). This distortion of the nature of *time* is the pivot of capitalism, and its negation is integral to Marx's conception of socialism.

A number of recent studies have focused attention on the centrality of time and temporality in Marx's critique of capital (see Tombazos 2014 and Martineau 2015). There is no capital without labor, and labor, according to Marx, is “a special productive activity, exercised with a definite aim” (Marx [1867] 1976b:133). Labor, generically speaking, is a *teleological* activity that has the “definite aim” of shaping and transforming the present on the basis of the future. Through labor, awareness of the three-dimensionality of time be-

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comes an integral dimension of human existence. Karel Kosik conveyed the relation between labor and time in Marx's work as follows:

Through work, humanity controls time . . . because the being that can resist immediate satisfaction of its craving and can "actively" harness it forms a present as a function of the future, while making use of the past . . . Man surrenders to his (future) fate of a slave or fights for his (future) position as a master only because he chooses his present from the perspective of the future, and thus forms their present and their future on the basis of something that not yet is.

(Kosik 1976:121, 138)

In capitalism, however, time takes on a peculiar, *inverted* character. Humanity ceases to organize or control time; time instead organizes or controls humanity. Marx's critique of (p. 762) capital therefore extends much deeper than the mere existence of private property and anarchic exchange.

It is commonplace to credit Marx for the notion that commodities have a dual character of use value and exchange value. This was no discovery of Marx, however, since the classical political economists knew it well. *What is novel with Marx is the distinction between value and exchange value.* The latter is the form of appearance (*erscheinungsformen*) of the former. This distinction completely evaded the classical political economists as well as their neo-Ricardian socialist successors (such as Proudhon, Thompson, Bray, and others), who focused on the quantitative determination of value (the amount of labor time embodied in products of labor). Even Marx did not arrive at a clear presentation of the distinction between value and exchange value until the publication of the second German edition of *Capital* in 1872. Marx writes in the section on the value form in chapter one:

When, at the beginning of this chapter, we said in the customary manner that a commodity is both a use-value and an exchange-value, this was, strictly speaking, wrong. A commodity is a use-value or object of utility, and a 'value'. . . [Its] form of manifestation is exchange-value.

(Marx [1867] 1976b:152)

He reiterated this at the end of his life, in his most detailed defense of *Capital*:

Thus I do not divide value into use-value and exchange-value as opposites into which the abstraction "value" splits up, but the *concrete social form* of the product of labor, the "*commodity*," is on the one hand, use-value and on the other, "value," not exchange-value, since the mere *form* of expression is not its own *content*.

(Marx 1989a:545)

The distinction between exchange value and value has crucial ramifications for Marx's conception of the alternative to capitalism, since it implies that efforts to "abolish" the former is completely quixotic so long as the *substance* of value—abstract labor—contin-

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ues to dominate social relations. Creating a society that no longer prioritizes exchange value over human needs requires a much more thoroughgoing transformation of human relations than tinkering with the market and relations of distribution.

Once the proper object of critique is identified, the actual alternative to capitalism comes into view. Value production renders human relations *indirectly* social through the domination of abstract forms such as money. Labor assumes a social or general character not through the self-conscious acts of producers but by exchange relations that are imposed upon them from without. In contrast, socialism is defined by the negation of this state of affairs. Labor takes on a social character *prior* to the exchange of products, on the basis of the communal character of production. No outside force, such as socially necessary labor time, decides the pace or nature of work; the producers decide that for themselves. As a new kind of non-alienated labor comes into being, the split between (p. 763) concrete and abstract labor is overcome. Since abstract labor is the substance of value, its supersession signals the end of production aimed at augmenting value. And since exchange value is the phenomenal expression of value, the former becomes superfluous. Marx explicitly spells out this vision of a new society in the *Grundrisse*:

The general character of labor would not be given to it only by exchange; its communal character would determine participation in the products. The communal character of production would from the outset make the product into a communal, general one. The exchange initially occurring in production, which would not be an exchange of exchange values but of activities determined by communal needs and communal purposes, would include from the beginning the individual's participation in the communal world of products . . . labor would be *posited* as general labor prior to exchange, i.e., the exchange of products would not in any way be the *medium* mediating the participation of the individual in general production. Mediation of course has to take place.

(Marx [1857–1858] 1986a:108)

Not all forms of social mediation are constitutive of value production. The latter is transcended when social relations become mediated by intersubjective connections between freely associated individuals. It is not without reason that Marx defines socialism in the *Grundrisse* as “the realm of free individuality” (Marx [1857–1858] 1986a:95). The alternative to abstract forms of domination is not, for Marx, domination by concrete collective or social entities (such as characterized pre-capitalist societies). Instead, in a new society individuals collectively learn how to live without the domination of either concrete social hierarchies or the abstractions of value.

Cooperative forms of production and distribution can surely prefigure such forms of life after capitalism. Nevertheless, democratic and cooperative forms of decision making do not by themselves contravene the law of value so long as they are circumscribed by the dictates of socially necessary labor time—if not immediately, then over the long haul. Marx warned of this in Volume 3 of *Capital*: “The opposition between capital and labor is abolished here, even if at first only in the form that the workers in association become

their own capitalist, i.e., they use the means of production to valorize their own labor" (Marx [1894] 1981:507). The notion that the alternative to capitalism can spring *sui generis* from isolated, separated experiments in collectivized living—a notion common to the tradition of Proudhon and his successors—was alien to Marx.

### 3. The Vision of a New Society in Marx's *Capital*

Remarkably, the fullest discussion of Marx's concept of socialism is found in the famous section of Volume 1 of *Capital*, "The Fetishism of Commodities." Commodity fetishism (p. 764) is difficult to dispel, since it is not a mere ideological illusion or misrepresentation of reality. On the contrary, to capitalists as well as "to the producers, the social relations between their private labors appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material relations between persons and social relations between things" (Marx [1867] 1976b:155–166). Since commodity fetishism is a "form of thought which is socially valid, and therefore objective, for the relations of production" (Marx [1867] 1976b:169) of capitalism, it is by no means self-evident that it is possible to avoid falling prey to its mystification.

So, is there a way out? The mystery of commodities, Marx writes, "Vanishes as soon as we come to other forms of production" (Marx [1867] 1976b:169). The contrast of capitalist with non-capitalist modes of life makes it possible to break from the mind-forged manacles that naturalize transitory social formations. He first turns to the past by briefly surveying pre-capitalist economic forms in which common ownership of the means of production prevail. Relations of personal dependence exist in which "there is no need for labor and its products to assume a fantastic form different from their reality" (Marx [1867] 1976b:170). No abstract entity, such as exchange value, mediates human relations; the connection between producers and their products are transparent. Marx will delve deeper into this subject in his studies of pre-capitalist societies after completing Volume 1 of *Capital*, in his voluminous writings of the 1870s and 1880s on communal forms in India, China, Russia, Indonesia, North Africa, and among Native Americans.

He then turns to the *future*, writing: "Let us finally imagine, for a change, an association of free men, working with the means of production held in common." In this future socialist society, products are "directly objects of utility" and do not assume a value form. Exchange value and universalized commodity production come to an end. Producers decide how to make, distribute, and consume the total social product. One part is used to renew the means of production; the other "is consumed by members of the association as means of subsistence." He adds, "The share of each individual producer in the means of subsistence is determined by his labor time." The latter "serves as a measure of the part taken by each individual in the common labor, and of his share in the part of the total produce destined for individual consumption" (Marx [1867] 1976b:172). Since relations between producers and their products are "transparent in their simplicity," socially necessary labor time—which is anything but transparent since it imposes itself behind the backs of the producers—has no place in socialism. Remuneration is based on *actual* labor time—

the quantum of actual hours of labor. A new mode of conceiving, relating to, and organizing *time* becomes the cardinal principle of socialism.

Marx notes that a “parallel” exists here with commodity production, in that there is as an exchange of equivalents: individuals work so many hours and receive goods produced in an equivalent amount of hours. But a parallel is not an identity. The exchange could not be more different than what exists in capitalism, since it is defined by a freely associated exchange of *activities* instead of an exchange of *commodities* based on an abstract average over which individuals have no control. Socially necessary labor time confronts the individuals as an impersonal force that acts irrespective of (p. 765) their sensuous needs, whereas actual labor time is the sensuous activity of individuals mediating their relations with nature. Distribution of the elements of production on the basis of actual labor time represents a radical break from capitalism, since its signals that its peculiar social form of labor—the split between abstract and concrete labor—has been abolished. As a result, value production comes to an end with the *inception* of socialism. Marx never ceases to insist on this: “In my investigation of value I have dealt with *bourgeois* relations, not with the application of this theory of value to a ‘social state’ ” (Marx 1989a:536–537).

This intimation of socialism in chapter 1 of *Capital* is remarkable, not least because the standard narrative among many Marxists is that “imagining” the future is the last thing a historical materialist should be doing. All that is permitted, according to the traditional Marxist conception—one that is shared by many who criticize traditional Marxism—is to discuss the immanent possibilities for emancipation that exist within the present. Since *The German Ideology* stated, “Communism is the actual movement that brings down the status quo” (Marx and Engels [1932] 1846:49), why is imagining the future needed at all? *And yet this is exactly what Marx calls on us to do.*

Has he fallen prey to utopianism? No, because the future is generated within the present, by struggles against the dictates of value production. Marx had occasion to directly witness such a struggle shortly after publishing Volume 1 of *Capital*—the 1871 Paris Commune. It greatly deepened his understanding of value production, since it represented “the political form at last discovered under which to work out the economical emancipation of labor” (Marx [1875] 1986b:334). The contrast between existing society and the vision of the future that he discerned in the praxis of the communards led him to revise his discussion of commodity fetishism in the second German edition of 1872, which devotes for the first time a distinct section to it.

Marx's support for an actual movement that brought down the status quo did not restrain him from “imagining, for a change” a post-capitalist society. He was surely aware that not all struggles that aim to bring down the status quo are socialist or Communist. To know whether or not a movement is socialist requires *evaluating* it. To evaluate something requires a *measure*. And a measure requires a *conception* that defines it. Marx is supplying such a conception in chapter 1 of *Capital*.

It is therefore not the case that “to locate [socialism] in the future is in effect to leave us in the grip of the [vanguard] party, a form of struggle that has failed and miserably so” (Holloway 2015:8). As I have shown elsewhere, the idea of a vanguard party that brings Communist consciousness to the masses “from without” was alien to Marx and only entered “Marxism” through one of his bitterest political enemies—Ferdinand Lassalle (see Hudis 1998 and Hudis 2018). It was Lassalle who first propagated the idea that “vehicles of science,” such as himself, were needed to bring socialist consciousness to the workers, who cannot achieve it through their own activity—a notion that he directly passed on to Karl Kautsky, who in turn passed it on to Lenin. There is not a hint of this conception in Marx’s work, which proclaimed from start to finish that the emancipation of the working class is the task of the working class itself. As the text of *Capital* demonstrates, there is no necessary connection between imagining the future (p. 766) and adhering to the claim that socialist consciousness must be brought to the masses irrespective of the content of their spontaneous struggles.

But a question remains: Why does Marx pose actual labor time as a determining principle of a post-capitalist society in his brief discussion in chapter one of *Capital*? Isn’t socialism supposed to *abolish* labor? Shouldn’t free time, rather than labor time, be its governing principle? The *Grundrisse* states that capitalism generates the material conditions for its supersession by reducing the amount of living labor relative to capital at the point of production. The tendency to replace living labor with labor-saving devices, ultimately reaches the point wherein “direct labor as such ceases to be the basis of production.” Labor is “transformed more into a supervisory and regulatory activity.” This provides the basis for a higher form of society in which “the measure of wealth is no longer, in any way, labor time, but rather disposable time” (Marx 1973:708–709).

Is this perspective at odds with what is developed in *Capital*? It may appear so—especially since the passages on “the automaton” in the *Grundrisse* do not appear in *Capital*. However, there is little evidence that Marx altered his view that capitalism’s drive to reduce necessary labor to a minimum creates a material condition for socialism. As the amount of necessary labor time shrinks, greater time is created for people to develop and enjoy the fully range of their human capacities—what the young Marx called “a totality of human manifestations of life” (Marx [1844] 1975b:299). Marx never held the view that labor would remain the predominant form of social interaction in a post-capitalist society. *Capital* poses actual labor time as *a* measure for distributing the products of labor, but it does not suggest that it serves as *the* measure for social relations as a *whole*.

Moreover, Marx does not state even in the *Grundrisse* that labor is completely abolished in socialism. He contends that with the virtual elimination of *productive* labor working activity is “transformed more into a supervisory and regulatory activity.” But does the end of productive, *industrial* labor signal the abolition of *all* kinds of labor? What about the labor that is not productive of surplus value, such as work that involves caring, nurturing, teaching, and critical thinking—which some refer to as *affective labor*? The latter tends to be devalued in capitalism, since it is not productive of surplus value. Which is why the domestic, reproductive labor of women is often downplayed or ignored. But is it a given that



affective labor has no place in socialism?—since, as recent studies make clear, “uniquely human characteristics such as empathy, creativity, judgment, or critical thinking will never succumb to widespread automation” (Smith 2014). There is no reason to presume that the abolition of productive labor involves the abolition of all forms of labor—unless instrumental, industrial labor is equated with every kind of laboring activity. But to do so is to naturalize a transitory historical formation.

Marx's critics often overlook this when it comes to the distinction between “productive” and “unproductive” labor. Silvia Federici, for one, has argued that Marx “idealized industrial labor as the normative form of social production” (Federici 2017:80). However, Marx does not suggest that industrial or productive labor—which he defines as labor that produces surplus value—is “better” than unproductive labor. On the contrary, he states, “to be a productive laborer is a misfortune” (Marx [1867] 1976b:644). Nor (p. 767) does he suggest that unproductive labor is *unnecessary* (surely, labor power cannot augment surplus value if it is not reproduced in the domestic sphere). Marx is pursuing a different question—namely, *what social relations are necessary for the production of surplus value?* He does so in order to pinpoint how to abolish value production.

It is not only Volume 1 of *Capital* that contains discussion of the economic content of a post-capitalist society; it is also found in a number of passages in Volumes 2 and 3 of *Capital*. He writes in the former:

With collective production, money capital is completely dispensed with. The society distributes labor power and means of production between the various branches of industry. There is no reason why the producers should not receive paper tokens permitting them to withdraw an amount corresponding to their labor time from the social consumption fund. But these tokens are not money; they do not circulate

(Marx [1885] 1978:434).

These and related comments are completely consistent with Marx's discussion of socialism in chapter one of *Capital*.

## 4. The 1875 Critique of the Gotha Program

The *Critique of the Gotha Program* (1875) is Marx's fullest discussion of a post-capitalist society. In a sharp rebuke to his followers for capitulating to the doctrines of Lassalle, he points his sharpest barbs at the program's failure to “deal with the future state of communist society” (Marx [1875] 1989b:95). Marx responds by directly discussing a future socialist or Communist society (the two terms are interchangeable in Marx and do not denote distinct historical stages). In doing so he distinguishes between two phases of socialism or Communism: the first as it emerges from the womb of the old society, the second as it stands on its own foundations. He states that with the initial, lower phase the producers “do not exchange their products; just as little does the labor employed on the

product appear here *as the value* of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labor no longer exists in an *indirect* fashion but *directly* as a component part of the total labor" (Marx [1875] 1989b: 85). Generalized commodity exchange comes to an end in the initial phase of socialism, since a precondition for the former's existence is a social substance—abstract labor—that makes it possible for products of labor to be universally exchanged. But with democratic, freely associated control of the means of production, abstract labor comes to an end—since the producers (not an external force) now governs social interactions. And since abstract labor is the substance of value, value production also comes to an end—not only in the higher but also in the "lower," *initial* phase of socialism.

(p. 768) But labor itself does not come to end, since *actual* labor time serves as a measure for distributing the products of communal activity. Marx writes, "The individual producer receives back from society—after the deductions have been made—exactly what he gives to it. What he has given to it is his individual *quantum* of labor." Individuals receive from society a voucher or token that they have "furnished such and such an amount of labor (after deducting his labor for the common funds)" and from this token obtains "the social stock of means of consumption as much as the amount of labor costs" (Marx [1875] 1989b:86). As in *Capital*, Marx is *not* suggesting that the worker's labor is computed on the basis of a social *average* of labor time. Here, labor time simply refers to the actual amount of hours of work performed by the individual in a given cooperative.

Since it is easy to conflate actual labor time with socially necessary labor time, this deserves closer examination. It may appear that Marx is adopting Proudhon's notion of labor notes or time chits, which he ruthlessly criticized in *The Poverty of Philosophy* and the *Grundrisse*. But the appearance is deceptive. Proudhon and the socialist neo-Ricardians advocated time chits as a way to measure the "value of labor" on the basis of the average amount of time needed to produce commodities. This meant rationally organizing value production instead of abolishing it. Marx's approach could not be more different. The labor tokens that he discusses are based on actual labor time, not a social average. Actual labor time, unlike socially necessary labor time, varies with each individual and circumstance. It is purely contingent. The actual amount of time taken to produce goods in one cooperative may be very different from another, since the producers decide the pace and nature of work.<sup>1</sup> Moreover, such decisions are dependent on variations in the natural environment. None of this has anything in common with a "rational" or planned organization of value production. Although supporters as well as critics of capitalism often conflate actual, sensuous, concrete time with time as an invariable non-sensuous abstraction, Marx historically problematizes the conception of time. For him, in a post-capitalist society "time becomes the space for human development" (Marx 1989c:493).

These distinctions are often overlooked. One recent discussion of the *Critique of the Gotha Program*, for instance, takes Marx's discussion of distribution according to actual labor time to mean that the lower phase of Communism represents universalized value production: "The universalization of this form of domination is the precursor to the end of domination. For Marx, it is only in the higher phase that domination is actually over-

come" (Benanav 2015:185–186). It is hard to see how this can be read into Marx's text, since in the lower phase there are no classes, no alienated or abstract labor, no commodity exchange, and no dual character of labor. How then can there still be value production, let alone universalized value production? The claim is only possible if "labor" of any kind is equated with abstract labor and "time" of any kind is equated with abstract (p. 769) universal labor time. Such claims may be consistent with the logic of capital, but they hardly conform to Marx's critique of it.

When Marx states in the *Critique* that in the lower phase "the same principle will apply as in bourgeois society," he is not referring to abstract labor, socially necessary labor time, or value production. He is simply repeating the same point made in *Capital* that there is a "parallel" with commodity production *in the very restricted sense* that an exchange of equivalents persists. As with capitalist "bourgeois right," what you get from society depends on what you give to it. This defect is "inevitable," he states, in a society just emerging from the womb of capitalism. But the form of this quid pro quo is a world removed from the exchange of *abstract* equivalents. People now learn how to master themselves and their environment on the basis of a time-determination that does not confront them as a person apart. Far from "universalizing" domination as "the precursor to the end of domination" Marx's discussion of the lower phase posits the liberating conditions that make it possible to reach "from each according to their ability, to each according to their need" in a higher phase. At that point, the quid pro quo is left behind. With the end of the division between mental and manual and the achievement of the "all-round development of the individual," a higher phase is reached in which actual labor time no longer serves as a measure of social relations.

Moreover, Marx is not suggesting that what governs the lower phase is "to each according to their ability, from each according to their work." No such formulation was ever penned by Marx and for good reason—it is a formula for wage labor. Wage labor is premised on the notion that you are compensated for the value of your labor. You may rarely obtain the full value, but Marx assumes in Volumes 1 and 2 in *Capital* that *labor power is paid at value*. He does this to show that even if a worker obtains a "fair" wage he or she would still be alienated and exploited by being treated as a mere expression of exchange value. This is why he defined socialism as the abolition of wage labor.

Marx's discussion of the lower phase should not be read as a normative projection of how a socialist society emerging from the womb of capitalism *ought* to be organized. He is not writing blueprints for the future. He states in the *Critique* that once production relations have been thoroughly transformed on a systematic, societal level, a new form of "distribution of the means of consumption results *automatically*" that defines that given society (Marx [1875] 1989b:95).<sup>2</sup> Distribution according to actual labor time is a great leap, since it marks the annulment of value production, but it is still defective, in that an exchange of equivalents (*actual*, not abstract equivalents) exists.

It may seem odd that a phase of socialism that represents the realm of *freedom* can be *defective*. But there is nothing odd about this. Marx does not have a perfectionist view of

human nature, so neither does he have a perfectionist view of a new society. Each phase of freedom faces limits and barriers—otherwise there would be no impulse to further transcend. Is there any point at which this drive for self-development comes to an end? No, not even in a higher phase of Communism, which does not annul all objective limits or contradictions. This is why the young Marx held that “*Communism* is the necessary form and the dynamic principle of the immediate future, but communism as such is not the goal of human development, the form of human society.” And it is why the *Grundrisse* speaks of “the absolute movement of becoming” (Marx [1857–1858] 1986a:412). (p. 770)

Does labor play any role a higher phase of socialism? Marx thinks so, since with it “labor has become not only a means of life but the prime necessity of life” (Marx [1875] 1989b: 87). Labor as a means toward an end that takes the form of a purely instrumental activity is abolished long before this. However, Marx does not conflate all kinds of labor with instrumental labor. “Labor” also includes *affective* activities, such as caring, nurturing, and sharing, as ends-in-themselves. As he writes in *Capital*, “Labor is the universal condition for the metabolic interaction between man and nature, the everlasting nature-imposed condition of human existence, and it is therefore . . . common to all forms of society in which humans live” (Marx [1867] 1976b:290). It is no more necessary for all kinds of “labor” assume a value form than it is for every human society to assume the form of capitalism. Yet it remains necessary to reduce the amount of actual labor time to a minimum if we are experience a “totality of human manifestations of life.”

Marx's conception of the phases of socialism should not be confused with “the dictatorship of the proletariat,” which he defines as a *political* transitional stage *between* capitalism and socialism/Communism. The *Critique* clearly states: “Between capitalist and communist society lies the period in . . . which the state can be nothing but *the revolutionary dictatorship of the proletariat*” (Marx [1875] 1989b:95). This is democratic control of society by the “immense majority,” the producers, who use political power as a lever to eliminate class domination by revolutionizing the social relations of production. Once this process is completed, the dictatorship of the proletariat becomes superfluous, since with the end of class society the proletariat is abolished alongside all other classes. *The state as such comes to an end.*

Many post-Marx Marxists, including Lenin, muddled the waters by claiming that in “the first phase of communist society, all citizens are transformed into hired employees of the state” (Lenin [1917] 1972:92). But Marx nowhere mentions the state in discussing the lower phase of Communism. *Nor could he, since the state is based upon the existence of classes—which no longer exists in socialism or Communism.* Marx asks in the *Critique*, “The question then arises: what transformation will the state undergo in communist society? In other words, what social functions will remain in existence that are analogous to present state functions?” (Marx [1875] 1989b:95). This points to the fundamental difference between a *state* and the *functions* now performed by one (representative bodies, coordinating bodies between cooperatives, etc.), which in the future can be handled without a state.

Despite his many contributions, Lenin's view has had unfortunate consequences, since it continues to place blinders upon accurately rendering Marx's text. Michael Lebowitz, for example, has argued: "We build communist society *upon its own foundations* by (p. 771) developing new communal relations of production that subordinate the private ownership of labor-power by creating a new state" (Lebowitz 2015:71). Here not only is the state imported into the lower phase of Communism—it exists in a higher phase as well. The state is now fetishized to the point of making it an eternal fact of human existence.

By confusing the "dictatorship of the proletariat" with the initial phase of the new society, post-Marx Marxists have assumed that the state—which in some form prevails in the political transition period—also continues in socialism/Communism. That this was never Marx's position, however, is clear from his actual writings, which nowhere equate socialism or Communism with state domination. For Marx, the state is an "excrescence" of class society that is superseded in socialism (Marx 1972:329).

## 5. Conclusion

Although Marx never devoted a book or even a single published essay to a discussion of a post-capitalist society, here we have managed to touch on only a few of a considerable number of discussions about the nature of socialism found in his work (for a fuller and detailed discussion, see Hudis 2013). It could be argued that the lack of discussion of this dimension of his thought has less to do with the fact that the texts that contain them are unknown than the ideological blinders that have stood in the way of grasping them. Yet there is one issue on which virtually all commentators agree: Marx held that a socialist society could come into existence only on the basis of existing material conditions. "Seeing the idea in reality itself" was Marx's point of departure and return. There is no path to the future that does not emerge from the material conditions of the present. But this does not free our generation from envisioning the future as the guide to action in the present. As Anna Stetsenko (2015:110) writes, "It is impossible to imagine a future unless we have located ourselves in the present and its history; however, the reverse is also true in that we cannot locate ourselves in the present and its history unless we *imagine* the future and commit to creating it."

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### Notes:

(<sup>1</sup>) For a discussion of how distribution according to actual labor time addresses the problem of efficiency and economizing time, see Hudis 2013:111–112.

(<sup>2</sup>) Of course, groups of individuals may choose to adopt a form of distribution in a given locale or area without regard for new relations of production. But Marx presumes that it would not be able to sustain itself over the long term and on a societal level.

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# Oxford Handbooks Online

## Democratic Socialist Planning

Pat Devine

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## Abstract and Keywords

This chapter summarizes Marx's vision of a socialist/Communist society, sets out the defining characteristics of democracy and planning, and assesses the historical experience of the Soviet Union's model of centralized command planning, the Yugoslav model of self-managed market socialism, and the Latin American attempts at twenty-first century socialism. This is followed by an evaluation of the three principal contemporary theoretical models of a possible future socialist/Communist economy: market socialism; Parecon, a version of electronic socialism; and the author's own model of democratic planning through social ownership and negotiated coordination. The chapter ends with an exposition of the model of democratic planning, responses to criticisms, and a summarizing conclusion.

Keywords: Marx, socialism, democracy, economic planning, Communism

This article summarizes the limited and fragmentary writings by Marx on his vision of a post-capitalist, socialist/Communist society, as the foundation for an analysis of the subsequent historical experience and theoretical work in relation to democratic (eco)socialist planning. It sets out the defining characteristics of democracy and planning in a socialist/Communist society, assesses the experience of the Soviet Union's model of centralized command planning, the Yugoslav model of self-managed market socialism, and the Latin American attempts at twenty-first-century socialism, with particular reference to Hugo Chavez's Venezuela. This is followed by an evaluation of the three principal contemporary models of a possible future socialist economy: market socialism, from Oskar Lange's contribution to the socialist (sometimes "economic") calculation debate to current market socialist models; Parecon, a currently popular web-based neoclassical, anarchist influenced, model; and finally the author's own model of democratic planning through social ownership, negotiated coordination, and the organic reintegration of human and non-human nature. The article ends with an exposition of the



model of democratic planning, responses to criticisms of the model, and a summarizing conclusion.

### 1. Marx

Marx wrote very little about how economic activity in a future socialist/communist society might be organized. He argued in his preface to *A Critique of Political Economy* that

... mankind ... sets itself only such tasks as it can solve; since ... the task itself arises only when the material conditions for its solution already exist or are at least in the process of formation.

(Marx [1859] 1977:390)

For most of his life he believed that capitalism could only be replaced when it had exhausted its full potential for developing the productive forces. He therefore contented himself with offering fragmentary insights into the essential characteristics of a post-capitalist future Communist society, which are to be found throughout his work. Perhaps the best-known statement of Marx's vision is that in the *Critique of the Gotha Programme*. In the lower stage of Communism, "as it emerges from capitalist society ... the individual producer receives back from society ... exactly what he gives to it," which is often summarized as the principle of, "from each according to ability, to each according to work" (or labor); whereas:

In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therefore also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of co-operative wealth flow more abundantly - only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: from each according to his ability, to each according to his needs!

(Marx [1875] 1977:568-569)

The first stage abolishes exploitation and unearned income but maintains "bourgeois right," the exchange of equals; the second stage abolishes bourgeois right and replaces it with human need.

This leads us to the second difference between capitalism and Communism, set out perhaps most clearly in Marx's *Capital*, Volume I ([1867] 1977:442), "production by freely associated men ... consciously regulated by them in accordance with a settled plan." Communism replaces capitalism's anarchy of production for profit (the invisible hand/market forces) by planned production for use by the associated producers. Planned production for use enables society's social objectives to be identified and realized in practice, coordinates interdependent decisions ex-ante, by contrast with the ex-post

coordination of market forces, and makes it possible to reestablish the organic link between human activity and non-human nature.

In addition to these two principles relating to the organization of economic activity, “to each according to work” becoming “to each according to need,” and “production by freely associated men consciously regulated by them in accordance with a settled plan,” in Marx’s early work there are two other important concepts relevant to the organization of a Communist society. First, in the *Economic and Philosophical Manuscripts* ([1844] 1977) he discusses the dehumanizing effects of alienation, of people’s estrangement from their species being. In the capitalist mode of production people are separated from the product of their labor, from control over their working activity, from a conscious relationship with other human beings as part of a collective entity, and from non-human nature. Second, in *The German Ideology* he argues that in Communism this will be overcome by abolishing the hierarchical stratification of the social division of labor:

In communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, cowherd, or critic.

(Marx [1845] 1977:169)

I think these are the key pointers in Marx’s work about how economic activity in a socialist/Communist society could be organized. They are the starting point for subsequent developments that, as we shall see, differ significantly in the extent to which they succeed in retaining the essence of these insights.

## 2. Democracy and Planning

The problem when thinking about democratic planning is how to combine active participatory democracy with system-wide planning. Two strands have been identified in the literature: the associated producers as workers’ control within an enterprise and the associated producers as planning production for use in the economy as a whole. Historically, these two strands have been associated with market socialism on the one hand and central planning on the other. They are also relevant to discussion of the concept of ownership in a Communist society: worker cooperatives at one extreme, state-owned enterprises at the other. My own model resolves the tension between worker control in the enterprise and system-wide planning of the economy as a whole through the concept of social ownership, ownership by those affected by the use of the assets involved in a layered structure of decision making based on the principle of subsidiarity and a combination of direct democracy and indirect representative democracy.

At the most abstract level, democratic planning involves an interaction between the institutions in which economic activity is undertaken; the polity that sets the objectives of society and the framework of values and principles in terms of which those objectives are to be realized; and a planning commission that translates the objectives into the structural and policy changes needed to further the objectives, and provides guidance to the economic institutions as to how they can contribute to the achievement of these objectives. The principle of subsidiarity is that decisions should be made and implemented at the most decentralized level that enables all the groups affected by a decision to be involved in making it. Since modern societies are complex this means that there has to be a layered structure of participatory democracy in both the political and economic spheres. At the most decentralized, smallest scale, level this may be possible through direct democracy, but as the scale increases indirect democracy inevitably comes into play.

For participation at all levels to be real, the abolition of the hierarchical stratification of the social division of labor that Marx envisaged, as set out in the previous section, is necessary. Although Lenin argued that every cook must learn to run the state, insofar as they achieve this they cease to be cooks. However, in the first stage of Communism people are still shaped by their formation under capitalism and have not yet overcome the dehumanizing effects of alienation. Bourgeois right still prevails. This suggests that there will be differences between models depending on whether they are addressing the lower stage of Communism, often referred to these days as socialism, or the higher stage of true Communism. As an example, Alec Nove, in his influential book *The Economics of Feasible Socialism* ([1983] 1991:13,8), advocates a system that is “conceivable within the lifespan of one generation” and in which “human acquisitiveness is a force which cannot be ignored” and there will still be governors and governed; whereas in the model shown in *Democracy and Economic Planning: The Political Economy of a Self-governing Society* ([1988] 2010), it assumes a society much closer to Marx’s higher stage of Communism.

## 3. Historical Experience

### 3.1 The Soviet Model

The Soviet model of administrative command planning developed in the 1930s was initially successful in industrializing the economy through its ability to mobilize resources for investment in a small number of priority heavy industries, with the rest of the economy treated as a residual. This was highly acclaimed at the time by many in the West, notwithstanding the enormous human cost it involved, for the rapid growth rates it achieved and its subsequent ability to sustain the Soviet war effort. However, as the postwar economy became increasingly more complex the system became increasingly less effective, with its claim to be overtaking the capitalist world giving way to a recognition that it was beginning to fall behind it. The administrative command system based on the material balance method was essentially a top-down imposition, leaving little scope for local initiative and virtually none for worker control. It to some extent

enabled economy-wide planning; however, in the absence of participatory democratic involvement it evolved into a system characterized by perverse incentives and apathetic inertia.

The Soviet model emerged from the necessity to industrialize and modernize rapidly, faced with the perceived threat of renewed military intervention by the capitalist powers. Following the 1920s debate on industrialization, and in the absence of any practical guidance from the work of Marx and Engels, the Soviet Union embarked on a series of five-year plans underpinned, as it was then seen, by the necessary collectivization of agriculture to provide the surplus it depended on, a form of primitive accumulation comparable to that of early-19th-century England. The material balance system that was developed was an early attempt in practice to take account of the input-output interdependence of different sectors of the economy during economic development and modernization. The politically determined five-year objectives were conveyed to the Planning Commission, which then transformed them into sectoral requirements, which in turn were disaggregated into enterprise targets. In principle the enterprises then transmitted back up to the sectors and on to the Planning Commission what they thought they needed by way of resource inputs in order to achieve the given output targets. The Commission compared the requests for input resources with the initial target for each category of input resource and if, as was the norm, they did not coincide, revised the targets and the process was repeated, until through a series of iterations a rough equilibrium was achieved.

Although the formal material balance system was an interactive process between the economy-wide planning level and the individual enterprise level, given the overarching power of the party and the *nomenklatura* it was essentially a top-down administrative command system, although it involved a process of bargaining and information game playing between the different levels of the *nomenklatura*. The one thing it did not incorporate was any meaningful role for the workers in the enterprise or collective farm, the associated producers at that level. This meant that the revolutionary élan following the revolution and the patriotic fervor of World War II were gradually replaced by an alienated subalternism, reinforced by the absence of any meaningful political democracy.

### 3.2 The Yugoslav Model

The Yugoslav model of worker self-management, introduced after the break with the Soviet Union in 1948, initially offered more scope for worker control, but enterprise autonomy undermined the effectiveness of the structures designed to enable bottom-up planning, so there was little real economy-wide planning. Furthermore, as market competition was introduced, participation within enterprises became increasingly dominated by professional managers, and inequality between the constituent Republics increased as growth rates and living standards diverged.

Under the worker self-management system, enterprises were created by social bodies at different levels, from the local commune to the federal government, to be held in trust by

their workers as social property. The workers elected a Workers' Council, which elected a management board and appointed a director. The Yugoslav experience covered three periods: 1950–1965, with greater enterprise autonomy and gradual decentralization of planning to the republics and regions, but with major investment still decided by the center; 1965–1975, market forces were introduced, with 80% of investment devolved to the enterprises and the economy opened to international competition by devaluation and the abolition of most import restrictions and export subsidies; and 1975 until the break-up of Yugoslavia in 1992, with bottom-up planning introduced, based on the newly created Basic Organizations of Associated Labor (BOALs), essentially units of production capable of producing output that could be sold, whether within an enterprise on the basis of transfer prices, or to different enterprises on the basis of market prices.

The BOALs were the most interesting experiment, and their ultimate failure has important lessons for thinking about a possible future socialist economy. Within an enterprise the BOALs negotiated with each other to produce a five-year enterprise plan that was shared with the plans of other enterprises in the same industry to produce an industry plan, with the industries then sharing their plans with one another. The results were then passed down the chain and the process was repeated until consistency had been achieved, at which point the agreed plans were incorporated in self-management agreements at the BOAL level and in an economy-wide five-year plan at the federal level. Simultaneously, social compacts were negotiated at different levels between government bodies, enterprises, and trade unions to cover productivity targets and income distribution. Transactions between enterprises were on a commercial basis, subject to fiscal and monetary policy and certain price controls.

Throughout the three periods of the Yugoslav experience, market competition intensified and the economy ceased to be planned in any meaningful sense. Worker participation, which at the beginning had been quite widespread (although more so at the top of the skill hierarchy than at the bottom) steadily decreased under the pressure of market forces, Workers' Council control over enterprise directors become increasingly formal rather than real, and income inequality increased, both within and between enterprises and between the federal republics. The Yugoslav experiment of seeking to create a self-governing society is an inspiration, but it remained an ideal rather than a reality. Bottom-up planning was at best a form of indicative planning that autonomous enterprises, competing against each other, largely ignored. The experiment failed for three reasons: the low level of economic and cultural development in 1948; the absence of political democracy; and the inability to find a way of combining enterprise-level planning with economy wide planning, perhaps because of the first two reasons.

### 3.3 Twenty-First-Century Socialism

Twenty-first century socialism was the term adopted by the Bolivarian Revolutions in Latin America at the turn of the century, variously covering Argentina, Bolivia, Brazil, Chile, Ecuador, Uruguay, and most notably Hugo Chavez's Venezuela. These were all largely underdeveloped premodern societies rather than the most developed capitalist

countries which Marx, until toward the end of his life, considered were the only countries in which the conditions necessary for transcending capitalism had been created. Their governments had been democratically elected that placed severe limits on the extent to which they could bring their economies under social control, as they presided over severely divided societies and relied for their legitimacy on their prospects for reelection. In Venezuela, an oil-based economy, the state apparatus remained largely hostile to Chavez who, as a result, used the oil money to create a system of functionally based so-called missions, thus creating a form of dual power. However, the distinctive feature of Chavez's approach was the attempt to create a new "revolutionary subject" by promoting participation in enterprise workers' councils, community councils in neighborhoods, and in the various missions, thus providing education through the experience of running things. In practice, the extent of worker control remained extremely limited, and there was never an economy-wide plan to move the economy away from its dependence on oil.

The Venezuelan economy is made up of four sectors: informal (c. 50%); state (25%+); private (25%-); and social. Almost all heavy industry is state owned, while most manufactured consumer goods and most foodstuffs are produced in or imported by the private sector. The social economy, as it is called, accounts for a miniscule proportion of economic activity, almost all undertaken in small enterprises. However, the term is used in a much wider sense to include not only cooperatives and so-called recuperated enterprises—enterprises closed by their owners and taken over by their workers—but also workers' councils, communal councils, assemblies of communal councils, participatory budgeting, the different missions, and the so-called nuclei of endogenous development that emphasize sustainable development that is endogenous to the locality, region or country and shaped and planned by the relevant community. The social economy thus defined is seen as the driving force of the Venezuelan Bolivarian socialist revolution. Chavez's rallying cry was "popular power" and the purpose of all the initiatives constituting the social economy was to promote self-development, education, and empowerment through participation, not economic "efficiency" as normally understood. This was made possible only by the oil revenues, on which the entire revolutionary process depended.

At the time of writing Venezuela was in crisis. After Chavez's death in 2013, Nicolas Maduro was narrowly elected president. This was followed by sustained opposition protests that, together with the long-standing endemic patronage and corruption in the country, economic and political mistakes by the government, hyper-inflation and widespread prison riots, resulted in the socialist government's decisive defeat in the 2015 National Assembly elections. A "State of Economic Emergency" was declared, the president assumed legislative and executive power, and the National Assembly was bypassed by a newly elected Constituent Assembly. The collapse in the price of oil did not help and, as has already been noted, there had never been a strategic development plan for diversifying the economy away from dependence on oil. More generally, it was unclear in 2017–2018 whether the Bolivarian socialist revolutions in Latin America had a future, as one after another suffered electoral defeat.

### 3.4 Conclusion

The conclusion to be drawn from the historical experience is that so far, no society has emerged that combines control by the associated producers with economy-wide planning. While there are different country-specific characteristics in each case, what they have in common is that they were all relatively undeveloped countries whose productive forces were far behind those of the most developed capitalist countries. This includes not only the means of production but also the educational and cultural level and the experience of collective self-organization, of the laboring classes. It seems that revolution and state power are more readily achieved than the creation of a socialist social and economic system. Instead, what has happened is a combination of more or less successful top-down attempts to modernize and develop the economy, together with some material redistribution, but little if any development of Chavez's revolutionary subjects.

## 4. Contemporary Models

### 4.1 Market Socialism

Market socialism is the most common system currently advocated by people thinking about economic organization in future socialist or communist societies. Such models take many different forms, but they are all combinations of cooperative or state-owned enterprises with varying degrees of worker control competing against one another within an institutional framework designed to meld their individual activities into an economy-wide aggregate corresponding to democratically determined social objectives. The unresolved, in this authors view unresolvable, tension in these models is how to maintain an incentive structure based on the competitive performance of autonomous enterprises while at the same time limiting their autonomy in order to promote the society's social objectives. This is certainly the judgment reached by the hitherto leading advocates of market socialism in the "actually existing" socialist countries of Eastern Europe, based on their experience of seeking to reform the Soviet-style administrative command systems in Hungary and Poland, which is why they ended up arguing for a fully fledged "free market" economy (Brus and Laski 1989; Kornai 1990). However, there is also a living Western tradition of market socialism, carrying on from the model developed by Oskar Lange (1938) during the socialist calculation debate in the 1930s.

The premise of market socialism is that enterprises have to be autonomous and compete with one another in the pursuit of profit in order to bring about an efficient allocation of resources. This raises three questions. First, in market socialist models enterprises are either worker cooperatives or state owned, run by state-appointed managers, with rewards in both cases dependent on profitability performance. Although not private ownership in the capitalist sense, which generates unearned income, these are forms of sectional ownership by the cooperative's workers or the autonomous managers, and to some extent the workers, of state enterprises. Such enterprises do not explicitly take account of the interests of their input suppliers, their users, the communities in which

they are located, and wider social considerations such as equal opportunities and environmental and ecological impacts. These are left to the external regulatory framework.

Secondly, there is the question of where planning fits in. Leaving aside the detailed “blueprint” central planning of every economic transaction the Soviet model aspired to, this raises the issue of where the locus of responsibility for interdependent investment decisions lies. If enterprises are to be fully autonomous, responsibility for investment must rest with them, based on their expectations of future profitability. Inevitably, as autonomous enterprises act independently of each other but the outcome of their investment decisions depends on the aggregate effect of all their decisions, the result will be what no one willed, Marx’s anarchy of production resulting from the operation of market forces. In order to deal with this systemic uncertainty and the investment cycles and instability it creates, the inequality it generates as some enterprises win and others lose, and also to prioritize democratically determined social values and structural change, models of market socialism seek to intervene in various ways. They incorporate a wide variety of measures to influence enterprise behavior, either directly, through centralized decisions over major investment and the allocation of finance for specified investments, or indirectly, through a regulatory framework and a system of taxes and subsidies. However, to the extent that enterprise autonomy is restricted and conscious system-wide planning is introduced, the underlying premise of market socialism, that competition is needed as an incentive for efficiency, is undermined.

Finally, market socialism takes an instrumentalist view of people, seeking to harness their self-interest through material incentives. This can at best be envisaged as necessary in Marx’s lower stage of Communism, but models of market socialism are not presented in that way. They are a lowering of sights, a reaction against the Soviet experience and the paternalistic side of the welfare state, often influenced by the work of Hayek and the modern Austrian school. They ignore the alienating effect of narrowly self-interested, atomized behavior and have no transformatory dimension. They do not intrinsically incorporate participation at the enterprise level and effectively abandon system-wide planning.

### 4.3 Parecon

*Parecon* is the title of an influential book by Michael Albert (2003) popularizing a model published by him and Robin Hahnel in 1991 (Albert and Hahnel 1991). It has an anarchist provenance and the economic content of the model is a version of Walrasian neoclassical general equilibrium. The model is an exercise in aggregating the preferences of workers’ councils and neighborhood councils to create offers to supply and demands to consume that are revised through an iterative process by an Iteration Facilitation Board until they are equal for every product. There is participatory decision making at the workplace and neighborhood levels but no economy-wide planning.



The evolution of the Internet has given a new lease of life to the argument for an interactive, iterative form of blueprint planning, analogous to the material balance system developed in the context of Soviet central planning. Such models, referred to here as “electronic socialism,” seek to achieve *ex-ante* coordination of all interdependent decisions using flows of information up and down the Internet about what enterprises offer to produce, given the notional prices of inputs and outputs set by the center, and what users want to use based on the notional prices of outputs and (in the case of consumers) their entitlements. The theoretical and practical possibility of this process was the subject of the socialist (or economic) calculation debate in the 1920s and 1930s and then again in the 1980s and 1990s (see Adaman and Devine 1996).

The practical problems associated with the centralized collection and analysis of the relevant data, which figured largely in the interwar debate, have been effectively solved by the development of the Internet and advances in data processing. However, the epistemological issues raised in the 1980s by the modern Austrian school of economics, now based largely in the United States, remain. These issues turn on the distinction between explicit knowledge, knowledge “that,” which can be codified and transferred, and tacit knowledge, knowledge “how,” which cannot. Tacit knowledge is acquired by experience, by doing things. The classic example is learning to ride a bicycle: one can read or be told how to do it, but one only learns how to do it by trying, through experience. If much of the knowledge relevant to economic decision making is tacit, then it cannot be codified and transmitted to a center through the Internet; it can only be drawn upon by those who have acquired it through experience.

*Parecon* is an advance on most electronic models in that it emphasizes the importance of participation through its focus on workers’ participation in enterprises and consumers’ participation in neighborhoods. It also addresses the crucial importance of structuring work in ways that are transformatory, through the concept of “balanced job complexes,” combinations of activities that are equally desirable and undesirable, equally empowering and routine. However, the model suffers from two major weaknesses. First, it relies on an iterative process to achieve a Walrasian general equilibrium, which ignores both the Marxist and heterodox critiques of neoclassical general equilibrium, and the modern Austrian insistence on the centrality of tacit knowledge. Second, politics and political processes are entirely absent from the model, with people appearing as workers and consumers but never as citizens, and an explicit rejection of self-government and democratic planning by people as citizens, in favor of self-management by people only as workers and consumers. Not surprisingly, Parecon is short for “participatory economics”; it is not participatory planning, which inevitably involves political processes.

### 4.4 Participatory Democratic Planning

Participatory democratic planning based on social ownership and negotiated coordination through a process of deliberative participatory democracy is my own model (Devine [1988] 2010: chapter 7). It seeks to create institutions and processes through which the modern equivalent of the associated producers participates in a layered structure of

decision making and execution defined by the principle of subsidiarity. It incorporates participation at the enterprise level, the economy-wide level, and levels in between. It involves participatory political democracy as well as economic democracy. It enables the “metabolic rift” (Foster 2000) between human activity and non-human nature in capitalism to be overcome and a conscious (as opposed to pre-capitalist) traditional, organic connection between society, economic activity and non-human nature to be created. Crucially, it deconstructs the concept of “the market” into market exchange and market forces. The model retains market exchange at the level of the enterprise making use of existing capacity but replaces market forces by a process of negotiated coordination at the industry and sector level when dealing with changes in capacity through investment or disinvestment. It has a transformatory dynamic for moving beyond bourgeois right to Communist well-being (need). In the next section, the model of democratic planning is set out in more detail, together with responses to the main criticisms that have been made of it.

## 5. Democratic Planning

The problem is how to combine “production by freely associated men” with conscious “regulat[ion] in accordance with a settled plan,” which involves political democracy for the determination of the values, principles, and social objectives informing the plan, and economic democracy in the sense of freely associated people being involved in the decisions about economic activity and their execution, where relevant, at all levels of the interdependent system.

### 5.1 Political Democracy

Democracy must be based on the freely associated people acting, on the one hand, collectively through the various organizations representing their different interests and concerns, as workers, consumers, households, neighbors, carers, participants in leisure activities, and members of cause groups—and, on the other hand, acting as citizens through the various levels of representative democracy, both as individuals and collectively through political parties. One can think of this as a generalization of the concept of freely associated producers organized in councils, the equivalent of “Soviets,” combined with real as opposed to formal representative democracy. In a society in which the class division between capitalist property owners and non-property-owning workers has been abolished, the privileged position in Marxist thought of people as workers, and the associated concept of the so-called dictatorship of the proletariat, are no longer applicable.

In the polity as well as in the economy, self-government must be based on the principle of subsidiarity, with decisions and their implementation undertaken at the most decentralized level consistent with all groups affected by them being involved, in proportion to the extent to which they are affected. This applies from the local community level through the city or rural district level, the national regional level, the national level,

and the international regional level, up to the global level. Such a layered system of decision making and governance would enable an interdependent institutional structure to evolve that combines different levels of local control with different levels of system-wide planning. Together with the dual structure of democratic decision making involving group representation and representative citizens' assemblies it would enable the social interest at each level to be defined by those whose interest it is, rather than by an overarching state or by the simple aggregation of atomistic local decisions.

For participatory democracy to be real rather than formal, institutional structures and processes, while necessary, are in themselves not enough; the crucial requirement is for people to have developed the experience and skills needed to operate effectively within them. This brings us to Marx's vision of the abolition of the distinction between mental and manual labor. It has been argued elsewhere (Devine [1988] 2010) that a generalization of this vision involves the abolition of the *social* division of labor: the structuring of people into different social classes performing different types of work, from unskilled through skilled craft, professional, caring, artistic, to managing and directing. Although these categories overlap, and some people engage in more than one category, in general under capitalism most people spend most of their lives actively working in just one. It is important to note that abolition of the social division of labor does not involve abolition of a *functional* division of labor. Each social class covers several functionally distinct activities: for example, skilled craftspeople may be electricians, carpenters, plumbers, bricklayers, etc., but they typically do not engage in unskilled labor, medicine, or running an enterprise.

Since the material conditions of people's lives shapes their consciousness, if people spend their lives engaging in the type of activity associated with one social class their consciousness will inevitably be partial. Abolition of the social division of labor means that in the course of our lives we would do our share of each social category of labor (not, of course, every functional activity) and in so doing develop a more rounded experience and understanding of the world. In particular, by spending some of our time involved in managing or directing, we would learn how systems work and be more able to assess how local decisions and activities fit into the wider picture. This would no doubt be achieved in many different ways, such as fixed-term appointments, rotation, and engaging in different activities according to family circumstances and stage of life cycle. In this way we would achieve the equivalent over a lifetime of Marx's vision: "to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner ... without ever becoming hunter, fisherman, cowherd or critic."

Political democracy would enable the organic link between society, the economy, and non-human nature, ruptured by the development of capitalism, to be restored. Civil society would exercise control over the state directly (and over the economy both directly and indirectly through the state) and would allow civil society to consciously mediate its interaction with non-human nature, thus overcoming the metabolic rift. In this sense, as the context for the model of participatory democratic planning through social ownership and negotiated coordination outlined in the next subsection, fully developed political and

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economic democracy would go a long way toward abolishing alienation, from the product, the labor process, other people, and non-human nature.

Figure 1 sets out schematically a representation of a self-governing society in which the economy and non-human nature are organically embedded; Figure 2 a possible structure of social control.

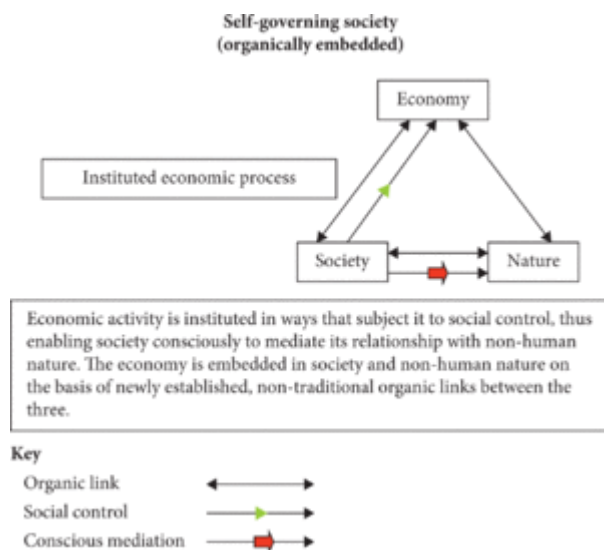


Figure 1. Organic embedding.

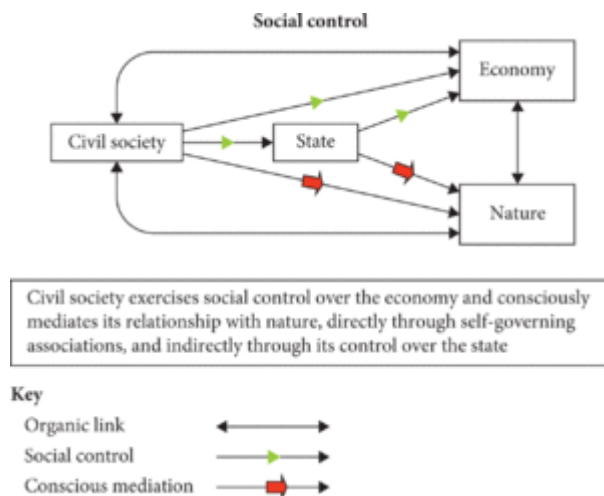


Figure 2. Social control.

## 5.2 Economic Planning

The difference between Communism and capitalism as economic systems is twofold: first, the replacement of capitalist class private ownership of the means of production by some form of common ownership, which abolishes exploitation; and, second, the replacement of market forces as the way of (re)allocating and coordinating society's productive resources by some form of planning, which abolishes the anarchy of production that results in an outcome no one willed. Marx and the Austrian school both recognized that

capitalism is a dynamic system, constantly changing through Schumpeter's process of "creative destruction" (Schumpeter [1942] 1994), so that the neoclassical focus on equilibrium and Pareto optimal efficiency is a form of ideological obfuscation. The Austrian school accepted the social dislocation and human cost of creative destruction as a necessary consequence of progress and entrepreneurial freedom. Marx argued that progressive change could be managed and the human cost avoided by planning.

Changes in the structure of the economy of any significance involve major investment and the way in which interdependent investments are coordinated is what distinguishes the operation of market forces from the planned redeployment of productive capacity. In capitalism (and market socialism) private owners make their separate investment decisions on the basis of their expectations of future profitability. But whether those expectations are realized or not depends not only on what they do but also on what all their rivals are doing simultaneously, of which they are unaware. If in aggregate too much or too little productive capacity is created in relation to demand, realized profits will be higher or lower than expected, and capital will flow out of or into the given line of production. The interdependent investment decisions are coordinated after the resources have been committed, *ex post*, not in advance, *ex ante*, before resources are committed. Decision making in capitalism is subject to *systemic*, unavoidable, uncertainty.

Koopmans (1957) and Dobb (1955, 1960, 1970) long ago distinguished between primary (i.e., objective) and secondary (i.e., subjective) uncertainty. Primary uncertainty exists in relation to events that are not intrinsic to the socioeconomic system, or at least not directly so, such as earthquakes, extreme climate events, and wars. Although some such events may be traced to the unfolding of the capitalist system's dynamics, they are not a fundamental part of the system's daily *modus operandi*, the uncertainty stemming from the atomistic decision making intrinsic to capitalism, Koopmans's secondary uncertainty. Dobb insisted that the technical essence of economic planning is that it eliminates secondary uncertainty through the *ex ante* coordination of major interdependent investments.

This brings us to the crucial distinction between market exchange and market forces. Market exchange in capitalism involves the sale and purchase of the output of the existing productive capacity of enterprises. The operation of market forces is the way in which changes in productive capacity are brought about by investment and disinvestment as capital is moved from one line of production to another. In my model of participatory planning, market exchange remains but market forces are replaced by a process of negotiated coordination to arrive at a set of interdependent investments coordinated in advance of resources being committed. The model is based on the concept of social ownership, which is neither state ownership nor cooperative ownership.

Social ownership is ownership by those who are affected by decisions over the use of the assets involved: the stakeholders. Since those affected will differ according to the type of decision, it follows that the social owners will also differ. The social owners at the level of the enterprise are those affected by the use of the assets of the enterprise; the social

owners at the level of the industry or sector will be those affected by the set of interdependent investments coordinated ex ante by them through negotiation, a wider group than the social owners of each enterprise; and similarly when it comes to changes in the structure of the economy of a region or a country, or indeed of the global economy.

At the level of the enterprise, those affected by its activities will include its workers, customers, consumers or other enterprises, or public bodies; its suppliers; the community in which it is located; the local planning council; and any campaigning civil society groups concerned with issues such as equal opportunities or environmental and ecological impact. These social owners then decide on the policy framework for the use of the enterprise's existing capacity through a deliberative process of negotiation, taking into account and balancing their differing interests and arriving at an outcome that all can live with. Within this framework the enterprise is self-managed by its workers. The enterprise engages in market exchange seeking to sell its output, and this generates knowledge about whether it is producing efficiently what its customers want.

Market exchange takes place on the basis of prices set by the enterprise equal to long-run cost of production, made up of the cost of intermediate inputs bought in from other enterprises and the cost of primary inputs. Primary inputs are labor, natural resources, and the use of part of society's stock of fixed assets, with wage rates, rentals on natural resource use, and a target rate of return on assets employed as their corresponding prices. These prices would be arrived at through negotiation at the societal level, reflecting the desired share of personal consumption in total economy-wide output and the importance attached to economizing in the use of different natural resources and society's stock of fixed assets. The enterprise's output prices would influence its customers purchasing decisions, thus determining whether the enterprise was obtaining enough revenue in relation to its costs, including the target rate of return. If it exceeded or fell short of its target rate of return this would be an indicator of how efficient the enterprise was and whether more or fewer resources should be devoted to producing its output (see Devine [1988] 2010, sections 8.3 and 10.2).

At the level of the industry or sector, major investment decisions would be made by an industry or sector Development Council made up of the social owners at that level. Those affected by the ex ante coordinated set of interdependent investments arrived at would include: the existing enterprises in the industry or sector; the communities in which they are located and other communities where new enterprises might be located; input supplying and output purchasing industries and public bodies; local and national planning councils; and industry- or sectoral-level campaigning groups. The social owners would arrive at the set of investments through a process of negotiation, taking into account information on the performance of the existing enterprises generated by their participation in market exchange, enterprise-specific reasons for disappointing performance, the social conditions in the communities in which they are located and in any new communities under consideration, estimates of planned developments in

supplying and purchasing industries, and planned changes at the level of the economy as a whole.

Central to the model of participatory democratic planning is the process of negotiated coordination. It is not a process of aggregating existing preferences or bargaining. It is a deliberative process through which the social owners learn about one another's interests and concerns and seek to arrive at an outcome which seems right, given the cooperative and solidaristic values of the society, and that reflects the collectively arrived-at social interest of those whose social interest it is. Taking place at each level within the layered structure of decision making based on the principle of subsidiarity it combines production by freely associated people with bottom-up system-wide planning. It focuses on the ex ante coordination of major investment decisions rather than seeking to engage in blueprint planning of everything. Participatory democratic planning through negotiated coordination is transformatory, encouraging cooperation and solidarity rather than reinforcing narrow self-interest as in market socialism. But it is not without its critics.

## 6. Criticism and Response

There are basically three categories of criticism of the model of participatory democratic planning through social ownership and negotiated coordination: the Austrian critique based on tacit knowledge; the critique attributed to Oscar Wilde that socialism would involve "too many meetings"; and the human nature critique based on ability or willingness to participate. The tacit knowledge critique (Hodgson 1998, 2005) relies on the fact that tacit knowledge cannot be articulated, codified, or transmitted. The Austrian school confines tacit knowledge to the individual, not surprisingly given their atomistic vision of society, and this is what underlies their focus on the individual entrepreneur, whose tacit knowledge is used to identify potential profitable opportunities and hire the resources needed to pursue them. Modern theories of the firm, however, have extended the concept of tacit knowledge to knowledge of how complex organizations work, which can only be acquired by actually working in the organization. Attempts to capture such social tacit knowledge schematically are sometimes made through what are called an organization's "standard operating procedures," but these provide only a framework which has to be continuously reinterpreted to deal with each new situation that arises, and this requires experience of working together with others in the organization. As is well known in the industrial relations literature, this is what enables industrial action in the form of a "work to rule" to be effective in many situations, when the willingness to interpret and adapt is withheld (Adaman and Devine 2001, 2002 and 2006).

This brings us to the second criticism, attributed to Oscar Wilde, that the problem with socialism is that it takes too many meetings. It has been argued that this criticism would apply a fortiori to the process of negotiated coordination. There are two responses to this. First, such criticism has been based on a misunderstanding, possibly sometimes a misrepresentation, of the model as incorporating negotiation over every single decision and action. However, as will be clear from the outline of the aforementioned model, at the

level of the enterprise negotiation takes place among the social owners to arrive at the policy and accountability framework for the operation of the enterprise, with worker self-management for the day to day running of the enterprise, producing output from existing capacity which is then sold, a process of market exchange. Similarly, at the level of the industry or sector, the social owners negotiate a package of investment and disinvestment which is then implemented at the individual enterprise level. This is a process that is formally no different from that of multi-plant capitalist enterprises in which investment decisions and accountability are located in the headquarters and implementation is undertaken in the constituent branches. However, although formally similar, the essence is qualitatively different in that in our model the decision makers are the social owners at each level, not the representatives of the shareholders or the branch managers.

The second response is to suggest that there is no reason to suppose that the number of meetings in the model of negotiated coordination would be any greater than in capitalist economies, and it might be much smaller. The number of meetings necessary to decide on and organize production would probably be much the same in both systems, although differently composed. However, many meetings in capitalist enterprises are concerned with issues that would not arise in a system of democratic planning, meetings concerned with transactions costs arising from commercial rivalry and secrecy, contract enforcement, intellectual property, the management of social conflict, and the consequences of alienation and subalternity. It is also a mistake to regard time spent on running things as necessarily unproductive. With the abolition of unnecessary meetings dealing with the system-specific dysfunctional aspects of the capitalist mode of production, and the abolition of the social division of labor, in the course of a lifetime people would normally carry out their share of necessary meetings and in doing so widen their understanding and acquire knowledge of how the society in which they live works.

The final criticism, then, is that not all people might be capable of running things, and even if they were they might not want to participate. That this view is widespread is perhaps not surprising given that most people in capitalist society do not participate in public affairs, apart from periodic voting in liberal democracies—and frequently not even then. As Marx insisted, people are shaped by their subaltern and alienated position in capitalist society. A reluctance to participate arises when people have not had the opportunity to learn how to participate, and in any case the socioeconomic structure of capitalist society means that most people have little real influence over what happens to their lives, let alone their society. The desire to participate and the ability to participate are interdependent. Participation is a learning process, analogous to the feminist concept of empowering. It is not suggested that as people become self-activating autonomous beings they should be legally obliged to participate, but there would be a social expectation and moral obligation that in the course of their lives, not at every moment, they would participate in running things at some level. This is partly because participation contributes to personal development and a more rounded awareness and also because if some participate less, others have to participate more.



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# 7. Conclusion

The three signposts for a future socialist/Communist society to be found in Marx are: (i) production by the freely associated producers; (ii) planned production for use; and (iii) overcoming alienation by abolishing the antithesis between mental and physical labor and the separation of humans from non-human nature. How do the three contemporary models, market socialism, electronic socialism, and democratic planning, fare in relation to these three signposts? Some versions of *market socialism* emphasize the first in the form of worker self-management or worker cooperatives, but others assume state-owned enterprises run by state appointed managers. None of them incorporate the second, system-wide planning, and all are subject to the anarchy of market forces, although some attempt to guide the economic system and contain the most adverse effects of market forces through regulation and monetary and fiscal policy. At best, market socialism might be thought appropriate for Marx's lower stage of Communism, but competition motivated by sectional interest on the basis of bourgeois right generates inequality, and historical evidence suggests that it contains a tendency toward hierarchy. Market socialist models do not overcome alienation and lack a transformatory dynamic towards the higher stage of Communism.

*Electronic socialism* is widely considered to be impractical. But even assuming modern information technology would enable it to deal with the problem of tacit knowledge, it would still not fare well in terms of Marx's three signposts. In some models people as workers are involved in drawing up the enterprise's production proposals for forwarding to the coordinating center, in Parecon the Iteration Facilitation Board, and likewise people as consumers are involved in deciding what they would like in the form of collective consumption, but there is no role for people as citizens to be involved in decisions concerning the values and priorities of the society. There is also no role for people to be involved in decisions over investment, the most important economic decisions in a changing society, no role for economy-wide planning. The associated producers are not involved in planned production for use and alienation is not overcome. It might be argued that electronic socialism would come into its own in the fully developed, higher stage, of Communism, if that is construed as a static unchanging society. However, although Marx's higher stage might today be called a sustainable "steady state" or "zero growth" society, this would in no way be a static, unchanging society.

The model of *democratic planning* through negotiated coordination by the social owners at each level of subsidiarity seeks to follow Marx's signposts in the light of subsequent historical and theoretical experience. People participate through political democracy in decisions over society's values, priorities, and the institutional framework through which socially contextualized individual autonomy and the rights of minorities are safeguarded, and through economic planning based on social ownership and negotiated coordination. Production for use is planned by the freely associated producers if "freely associated producers" is interpreted in a classless Communist society as meaning all members of the society. The situation in relation to overcoming alienation is less clear. People are not

alienated from the work process or from other people. There is also no reason to suppose that people in general would be alienated from non-human nature. However, since the model of democratic planning, while replacing the operation of market forces by negotiated coordination, nevertheless retains market exchange, it could be argued that commodity production persists, and so people are still alienated from what they produce. Although there is some force in this argument, which indeed is what advocates of direct allocation via electronic socialism argue, those models all contain some form of labor contribution-based entitlement to output that for the most part they have not been involved in directly producing themselves. In a non-subsistence society based on a functional division of labor, it is inevitable that most production is not used by those directly involved in producing it and most of what people use is not produced directly by them. This is also true in my model of planning but as entitlement in my model is based on need, not contribution to production, the model goes a long way toward abolishing alienation from the product of one's labor as that labor is part of collective labor consciously contributing to planned collective production for need.

This brings us to a final *caveat*. It is highly likely that, in the higher stage of Communism, production for use will be far more localized than it is today, with much provisioning and caring work taking place in the household and the local community, based on craft work using modern technology, organic food and materials production, and shared caring. However, there will almost certainly always be what might be called the "formal" economy, which is what the historical experience and theoretical work on a socialist/Communist economy has been concerned with, including the model of democratic planning discussed here. The provisioning and caring insight has been emphasized and developed by feminist economists but has not yet penetrated conventional economic thinking, whether mainstream or heterodox. Much work remains to be done.

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## Oxford Handbooks Online

### **The Continuing Relevance of the Marxist Tradition for Transcending Capitalism**

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### **Abstract and Keywords**

Marx's formulation of a theory of transcending capitalism is unsatisfactory for two main reasons: 1) the dynamics of capitalism may generate great harm, but they do not, as Marx claimed, inherently make capitalism unsustainable or generate the structural foundations of a collective actor with a capacity to overthrow capitalism; 2) the vision of a system-level rupture with capitalism is not a plausible strategy replacing capitalism by a democratic-egalitarian economic system. Nevertheless, there are four central propositions anchored in the Marxist tradition that remain essential for understanding the possibility of transcending capitalism: 1) capitalism obstructs the realization of conditions for human flourishing, 2) another world is possible, 3) capitalism's dynamics are intrinsically contradictory, 4) emancipatory transformation requires popular mobilization and struggle. These four propositions can underwrite a strategic vision of eroding the dominance of capitalism by building democratic-egalitarian economic relations within the contradictory spaces of capitalism.

Keywords: class, contradictions, crisis, democratic-egalitarianism, eroding capitalism, human emancipation, socialism, transcending capitalism

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## **1. Marx's Argument**

No idea is more closely associated with Marx than the claim that the intrinsic dynamics of capitalism contain deep contradictions that ultimately lead to its self-destruction, and further, these dynamics simultaneously create conditions favorable for a revolutionary rupture needed to create a new form of society much more conducive to human flourishing. The theory underlying this idea combines highly deterministic arguments with strong predictions about the destiny of capitalism with much less deterministic arguments filled with contingency.

## 1.1 The Deterministic Argument

The deterministic argument has two primary components. The first is a strong prediction that the trajectory of capitalist development will eventually culminate in the demise of capitalism itself. The second is a prediction about the accompanying transformation of the class structure of capitalism that creates the potential for a collective actor capable of challenging capitalism.

The strong prediction that the trajectory of capitalist development will eventually culminate in the demise of capitalism itself is a much stronger claim than simply that capitalism generates various sorts of harm and causes periodic crises. It is a prediction that capitalism ultimately destroys the conditions of its own existence. The claim here is also not simply that capitalism, as a human construction, *can* be transformed into something else through deliberate human initiative. Rather, the claim is that capitalism *will* be transformed into something else because of its inherent contradictions. This proposition does not itself imply that capitalism will be replaced by something better from the point of view of human welfare, just that its self-destructive dynamics ensure that it will be a historically time-limited form of economy.

This prediction is grounded in a complex theory of what Marx termed the “laws of motion of capitalism.” The pivotal component of this theory that enables Marx to make such a strong prediction about the destiny of capitalism is what Marx called the “law of the tendency of the rate of profit to fall.” The gist of the argument is that the long-term, average rate of profit is inversely related to the capital intensity of production. This claim is based on the technical details of the labor theory of value that Marx deployed in his general account of capitalism and its dynamics. The key idea is that aggregate profits in capitalism depend upon the production of an economic *surplus*—that is, producing more than is required to simply reproduce the inputs used up in production. The monetary value of this surplus is what we call “profits.” The rate of profit, then, is the ratio between the value of this surplus product and the value of all of the inputs used in production. Why should this ratio decline over time? Since, according to the labor theory of value, only labor creates value, the value of the surplus depends upon how much labor is performed in producing the surplus. As capital intensity increases, the amount of new labor used in production relative to the amount of labor embodied in means of production and raw materials declines. As a result, the ratio of surplus value to the value of all inputs will tend to decline, and thus the monetary rate of profit—which is determined by this labor value ratio—will also decline. Because competition among firms forces each individual firm to innovate in the process of production, and since Marx believed these innovations would tend to raise the capital intensity of production over time, there is therefore a long-term tendency for the rate of profit to decline.

This long-term decline in the aggregate rate of profit in a capitalist economy means that over time the episodic crises that occur from things such as overproduction and under-consumption will become more and more serious; the troughs of depressions will be deeper and the peaks of expansion lower. The declining long-term rate of profit, in effect,

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reduces the room for maneuver within the system: small cyclical declines will push more firms into bankruptcy, and it will be harder to regenerate the conditions for profitable capital accumulation. At the limit, as the long-term rate of profit approaches zero, capitalism would become so unstable as to be unsustainable.

The second deterministic element in the theory concerns the trajectory over time in the class structure of capitalism. The central dynamic here is the creation of the working class, generally referred to as the process of proletarianization. Proletarianization involves two kinds of social change. First there is the process through which an increasing proportion of the population is brought into the capitalist employment relation and thus subjected to capitalist exploitation. This involves the large-scale destruction of various kinds of non-capitalist types of work, most notably, in Marx's time, small-holder self-employed agricultural workers and other kinds of "petty bourgeois" self-employed producers. More recently this aspect of proletarianization has centered on the entry of married women into the paid labor force. Second, there is the process through which the autonomy and skills of workers within capitalist employment are reduced through the process of work routinization and "deskilling." Taken together, these two processes of social change mean that over time the size of working class increases as does the homogeneity of working conditions and material conditions of life. This creates the *potential* for the emergence of a collective actor capable of effectively struggling against capitalism. To use a metaphor popular in the Marxist tradition, capitalism produces its own gravediggers.

### 1.2 The Less Deterministic Argument

The dynamics that destroy capitalism also open up new historic possibilities (especially because of the development of the forces of production and human productivity) and, at the same time, create a collective agent—the working class—capable of taking advantage of those possibilities to construct an emancipatory alternative through revolution. The deterministic argument is about the structural tendencies of capitalist development. The less deterministic argument is about agency. It postulates that capitalism produces a collective actor with both an interest in challenging capitalism and the capacity to do so. But how long it will take before this latent capability will actually result in the realization of this alternative, and precisely what the alternative will look like depends on range of much more contingent processes: the dissemination of revolutionary ideology, the emergence of robust solidarities, the development of forms of political organization able to give coherence to struggles, and so on. Taken as a whole, therefore, the theory embodies an interplay of deterministic claims about the inevitable self-destructive demise of capitalism and the emergence of favorable structural conditions for revolution with less deterministic claims about the timing and institutional design of an emancipatory future beyond capitalism.<sup>1</sup>

This duality of deterministic and nondeterministic claims is part of what made Marx's theoretical ideas such a compelling basis for political movements. The nondeterministic elements validate the importance of purpose-filled collective agency and the willingness

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of individuals to join in the struggle for a better world. The deterministic elements give reasons for optimism: even when the obstacles to revolution seem daunting, anti-capitalist forces could believe that “history is on our side” and eventually the conditions will be “ripe” for a revolutionary breakthrough.

## **2. The World Today**

We now live in a world very different from the one in which Marx formulated his theoretical ideas, and it is difficult to sustain the exuberant optimism of Marx’s theory of the future beyond capitalism. Two issues are especially salient: first, the failure of some of the key empirical predictions crucial for the overarching aspiration for transcending capitalism, and second, the deep skepticism about the viability of a break with capitalism given the history of such attempts in the twentieth century.

### **2.1 The Empirical Trajectory of Capitalism**

Many predictions Marx made in the mid-nineteenth century have been accurate. Capitalism has become a global system, reaching the far corners of the world; the forces of production have developed in astonishing ways, tremendously increasing human productivity; capitalist markets deeply penetrate most facets of life; economic crises, sometimes severe, are a persistent feature of capitalist societies. The problem is that none of these trends are central to the core prediction that capitalism necessarily destroys its own conditions of existence while simultaneously creating an historical subject capable of its overthrow. These dual linked propositions have lost credibility.

While it is certainly the case that capitalism continues to generate economic crises that are periodically very destructive, it is also the case that it has proven much more resilient in responding to crises with new modes of accumulation than Marx predicted in the nineteenth century. The capitalist state has also proven much more flexible in absorbing popular demands and counteracting crises, while resorting to effective repression when needed.

Critical aspects of Marx’s predictions about the trajectory of development of class structure have also turned out to be incorrect. Rather than becoming steadily more homogeneous, the working class has become increasingly fragmented, internally unequal, and heterogeneous in all sorts of ways, impeding the broad class solidarity needed for sustained collective action against capitalism. In many countries where traditionally the working class was ethnically homogeneous, recent waves of immigration have created cultural divisions that previously did not exist. Instead of being concentrated in massive factories, increasingly in the more developed parts of the capitalist world, workers are dispersed in relatively small work settings. Income inequality among wage earners has steadily increased. The class structure has become increasingly complex, with many people occupying what so-called contradictory locations within class relations: These are locations that share relational characteristics of more than one class.<sup>2</sup> Managers are the most obvious example, but the fact that significant numbers of wage earners have private



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pensions consisting of mutual funds is also a form of contradictory location.<sup>3</sup> New forms of work relations, epitomized by the proliferation of subcontracting relations to formally self-employed persons in the gig economy (e.g., Uber drivers) further complicate the class structure. Above all, perhaps, the material standards of living of most people in developed capitalist societies (and many in poorer regions of the world) have continued to rise, even during the recent decades of relative economic stagnation.

This last point is worth emphasizing. While it is true that real wages have been relatively stagnant for the median wage earner in many rich countries since the early 1980s, nevertheless the material standards of living—or what people actually consume—of the median household have risen on virtually every indicator over the past four decades. Some of this is due to the increase in labor force participation of women, but much of it is due to significant improvements in the quality of many products and the availability of cheap mass-produced consumer goods. Inequality has increased dramatically, but this has been tempered by modest improvements in median living standards.

Some people argue that new crisis tendencies unforeseen by Marx, especially catastrophic climate change, may make capitalism not simply undesirable but also unsustainable. If, as some environmentalists claim, global warming will ultimately make human life impossible, capitalism would also be impossible. But short of such apocalyptic outcomes, it is not obvious that climate change poses a mortal threat to capitalism as such. The terrible effects of capitalism on the environment are one important reason to oppose capitalism, but the irrationality and undesirability of capitalism do not imply its unsustainability. Climate change is like war: Just as war is often good for capitalism because of the role of the state in assuring capitalist profits in war industries, there is a huge amount of money to be made out of the massive public works projects needed for climate adaptation. Climate change may threaten the specific neoliberal form of capitalism, but it is much less clear that in and of itself it renders capitalism as such unsustainable. Furthermore, unlike the specific dynamics proposed by Marx, even if the climate crisis made capitalism unsustainable, it does not simultaneously create favorable conditions for the powerful, cohesive forms of solidarity needed for an emancipatory overthrow capitalism; it generates no latent “historical subject” comparable to Marx’s vision of the proletariat.<sup>4</sup>

The second reason why Marx’s optimistic vision has lost credibility is the tragic twentieth-century history of the attempts at constructing an alternative to capitalism in the aftermath of socialist revolutions. It is difficult in the twenty-first century to be confident that even if crises create the opportunity for revolutionary political forces to seize power, it is not certain that an emancipatory alternative can be constructed.

Marx himself never gave much attention to the problem of the design of socialism and the actual process through which it would be constructed. Basically, he felt that given his prediction of the conditions under which this task would be undertaken—the decay of capitalism, the emergence of a powerful working class, and the existence of a class conscious revolutionary movement—the creative forces of the collectively organized

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working class would figure this out through a process of experimental trial and error. The experience of the twentieth century does not provide much evidence to support this expectation.

Why the revolutions of the twentieth century never resulted in robust, sustainable human emancipation is, of course, a hotly debated matter. Was this simply because of the economic backwardness of the places where revolutions occurred, or strategic errors or problematic motivations of leadership? Or do the repeated failures to build sustainable emancipatory alternatives through attempts at radical ruptures in social systems reflect the impossibility of the task? Perhaps attempts at system ruptures will inevitably unravel into such chaos that revolutionary parties, regardless of the motives of their leadership, will be compelled to resort to pervasive violence and repression to sustain social order; and such violence, in turn, destroys the possibility for a genuinely democratic, egalitarian process of building a new society. The unintended negative consequences of what it takes to carry out a system rupture may overwhelm the intended emancipatory goals. Regardless of which (if any) of these explanations are correct, the evidence from the revolutionary tragedies of the twentieth century is that system-level rupture does not work as a strategy for social emancipation.<sup>5</sup>

### **3. The Robust Anchors for Continuing a Marxist Theory of Transcending Capitalism**

In the twenty-first century, therefore, it is no longer plausible to see the “laws of motion of capitalism” as inevitably destroying the viability of capitalism while simultaneously creating favorable conditions for its emancipatory transcendence through a revolutionary rupture. This does not mean, however, that the Marxist tradition has lost its relevance for both the scientific understanding of contemporary society and the efforts to create a better world. In particular, four central propositions, firmly anchored in the Marxist tradition, remain essential.

#### **3.1 Proposition 1: Capitalism Obstructs the Realization of Conditions for Human Flourishing**

The sharpest indicator of this is persistent poverty in the midst of plenty, but the harms of capitalism extend beyond material deprivation to other values important for human flourishing: equality, democracy, freedom, and community. The source of these harms of capitalism is above all its class structure, understood as the power relations through which investment, production, and distribution are organized. The class relations of capitalism create harms through a variety of familiar mechanisms: exploitation, domination, alienation, the conversion of economic power into political power, destructive forms of competition, and the expansion of markets in ways that undermine community and reciprocity.<sup>6</sup> The harms embodied in these processes can be amplified or moderated by various countervailing processes, especially organized through the state; but it

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nevertheless remains the case that an economy organized through capitalist class relations continually generates harmful effects.

### 3.2 Proposition 2: Another World is Possible

The harms generated by capitalism provide ample grounds for resistance to capitalism and for the *desire* for an alternative. By themselves, however, harms do not demonstrate that an emancipatory alternative to capitalism is actually possible.

The theoretical argument that another world is in fact possible is perhaps the most fundamental idea of the Marxist tradition: an emancipatory alternative to capitalism, in which the control by the capitalist class of investments and production is displaced by radical economic democracy, is realizable.<sup>7</sup> Marxists are not alone in identifying harms generated by the ramifications of capitalism and its class relations. Indeed, many of the relevant mechanisms identified within the Marxist tradition have been incorporated into non-Marxist social science. What is distinctive to the Marxist tradition is the argument that a fundamental alternative to capitalism is not simply *desirable*, but also *viable* and *achievable*. This is what changes Marxism from simply a critique of capitalism into an emancipatory social science.

Of particular importance in the Marxist tradition is the idea that the development of the forces of production within capitalism opens up new possibilities for human flourishing that are blocked by the continuing dominance of capitalist relations of production. The advances in human productivity make it possible, under suitable social relations of production, to drastically reduce the amount of time people need to spend producing their means of livelihood, thus expanding what Marx called “the realm of freedom.” This liberation of human activity, however, can only occur if capitalism is replaced by socialism, understood as a democratic, egalitarian, solidaristic organization of the economy.

### 3.3 Proposition 3: Capitalism’s Dynamics are Intrinsically Contradictory.

Capitalism cannot achieve a stable equilibrium in which everything fits together into a coherent, functionally integrated whole. Even if there is no inherent tendency for capitalist contradictions to reach an intensity to make capitalism unsustainable, they repeatedly destabilize and undermine existing institutional configurations. In particular, the relationship between capital accumulation and the state is always fraught with contradictions. The state continually faces incompatible imperatives for reproducing capitalism: there are inconsistencies between what is optimal in the short run and the long run, between what is best for different sectors of capital, and between the imperatives for social peace and capital accumulation. Sometimes these inconsistencies are pretty well managed, but forms of state regulation and intervention that stabilize capitalism in one period often become obstacles to accumulation in another and

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institutional lock-in makes smooth adjustments impossible. The result is periodic crises, which open up spaces for new possibilities and transformative struggles.

### **3.4 Proposition 4: Emancipatory Transformation Requires Popular Mobilization and Struggle**

The realization of emancipatory possibilities requires collective action and mobilization from below. Struggles are ultimately over power, and these inevitably involve confrontation. While positive class compromises<sup>8</sup> may be one of the outcomes of struggle, such compromises will only become part of a larger project of social transformation when they are backed by robust popular mobilization. For such compromises to occur, elite allies may be crucial, but emancipatory social transformation will not simply be the result of the initiatives of enlightened elites.

Emancipatory transformation also requires building new institutions that embody the emancipatory ideals, and these must also be grounded in the collective organization and initiative of the masses. The social emancipation of the masses must, at its core, be the self-emancipation of the masses. There may be a constructive role for “social engineering” from above guided by experts. But in a sustainable process of emancipatory social transformation, such social engineering must itself be democratically subordinated through effective mechanisms of popular empowerment.

## **4. A Strategic Logic of Transcending Capitalism for the 21st Century**

The four propositions above have a pedigree that can be traced back to Marx. They constitute fundamental parameters of the ongoing Marxist tradition that virtually everyone who describes their views as “Marxist” would almost certainly agree with.<sup>9</sup> They are not, however, sufficient to formulate a strategic vision for transcending capitalism in the twenty-first century. The focus here is on one specific additional theoretical argument that is critical for understanding the possibility of a future beyond capitalism.

Every process of social transformation involves the interaction of two kinds of social change: social changes that occur “behind the backs” of people as the cumulative, unintended consequences of their actions, and social changes that are the intentional result of conscious strategy. In Marx’s original theoretical formulation, conscious, strategic action for emancipatory transformation was mainly important in two contexts: first, in creating the necessary political organization and forms of consciousness of the masses needed to overcome capitalism when conditions made this possible; and second, accomplishing the arduous task of constructing the new society after the revolutionary seizure of power. Constructing socialism for Marx would certainly require sustained conscious action, with a continual process of learning by doing and experimentation; viable socialist institutions could not simply be the unintended by-product of the actions

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of revolutionaries. But Marx did not see conscious strategy as playing an important role in creating the underlying structural conditions needed for a revolutionary rupture in the first place. Those conditions include the massive development of the forces of production; the homogenization of the conditions of life of the working class; the falling rate of profit; the increasing social character of production as the scale of organization and division of labor increases. None of these are the result of a conscious strategy to create the needed conditions for emancipatory transformation; they are the result of the “laws of motion” of capitalism that propelled it along a trajectory that would eventually make capitalism vulnerable to overthrow. For Marx, the structural conditions that make possible emancipatory transformation are the cumulative *unintended side-effects* of human actions; they are not primarily the result of conscious strategy to create those conditions.

Marx was certainly correct in understanding history as the interplay of structural conditions and conscious strategy, but the particular sequencing implicit in his theory of the revolutionary transcendence of capitalism is inadequate. Specifically, if a ruptural strategy for transcending capitalism is not plausible, and if radical economic democracy is to be a future beyond capitalism, the task of consciously building it through strategic action needs to begin inside of capitalism itself. This requires going beyond Marx’s view that capitalism becomes increasingly “social” in character as an unintended by-product of the laws of motion of capitalism; it requires a different understanding of the potential for strategies to deliberately affect the functioning and trajectory of existing economic systems by building the alternative to capitalism within economic systems still dominated by capitalism.

To understand the issues in play here, it will be helpful to begin with a stylized contrast between two ways of understanding the idea of a social “system.” One metaphor for understanding a system is that of an organism. An organism is an integrated system in which all of the parts functionally fit together into a coherent whole. An organism is a “totality.” Another metaphor for a system is an ecosystem. Think of a lake. A lake consists of water in a landscape, with particular kinds of soil, terrain, water sources, and climate. An array of fish and other creatures live in its water and various kinds of plants grow in and around it. Collectively, these constitute the natural ecosystem of the lake. This is a “system” where everything affects everything else within it, but it is not like the system of a single organism in which all of the parts are functionally connected in a coherent, tightly integrated whole. Social systems, in general, are better thought of as ecosystems of loosely connected interacting parts rather than as organisms—tightly integrated totalities—in which all of the parts serve a function.

Now consider capitalism. No economy has ever been—or ever could be—purely capitalist. Capitalism is defined by the combination of market exchange with private ownership of the means of production and the employment of wage earners recruited through a labor market. Existing economic ecosystems combine capitalism with a whole host of other ways of organizing the production and distribution of goods and services: directly by states, within the intimate relations of families to meet the needs of its members, through community-based networks and organizations in what is often called the “social and

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solidarity” economy, by cooperatives owned and governed democratically by their members, through nonprofit market-oriented organizations and peer-to-peer-network-engaged collaborative production processes, as well as many other possibilities. Some of these methods of organizing economic activities can be thought of as hybrids, combining capitalist and noncapitalist elements. Some are entirely noncapitalist, and some embody democratic-egalitarian-solidaristic principles that prefigure an emancipatory alternative to capitalism. Some of these noncapitalist forms are functionally hitched to capitalism and in one way or another contribute to the stability of capitalism. Others are in tension with capitalism, and some are both functional for and in tension with capitalism. We call such a complex economic ecosystem “capitalist” when capitalism is dominant in determining the economic conditions of life and access to livelihood for most people. In a parallel manner, a socialist economy is an economic ecosystem in which democratic-egalitarian relations are dominant.

Marx certainly recognized that real societies were never purely capitalist and contained a variety of noncapitalist economic forms, especially vestiges from earlier modes of production. He even acknowledged that some of these noncapitalist forms could be thought of as prefiguring a future socialist economy. In particular, by the 1860s he came to appreciate the anticapitalist character of worker cooperatives. The virtue of these experiments, for Marx, were primarily ideological: “By deed instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands.”<sup>10</sup> Cooperatives thus contributed to creating the ideological conditions for challenging capitalism, but Marx did not see them as part of a strategy of actually building a more democratic, egalitarian economy within a system that was still dominated by capitalism.

The strategic problem, then, is whether or not it is possible erode the dominance of capitalism within this complex economic ecosystem by expanding the weight of alternative, noncapitalist economic activities organized through democratic-egalitarian-solidaristic relations. This way of thinking about the process of transcending capitalism is in certain respects like the typical stylized story told about the transition from pre-capitalist feudal societies in Europe to capitalism. Within feudal economies in the late medieval period, proto-capitalist relations and practices emerged, especially in the cities. Initially this involved merchant trading, artisanal production under the regulation of guilds, and banking. These forms of economic activity filled niches and were often quite useful for feudal elites. As the scope of these market activities expanded they gradually became more capitalist in character and, in some places, more corrosive of the established feudal domination of the economy as a whole. Through a long, meandering process over several centuries, feudal structures ceased to dominate the economic life of some corners of Europe; feudalism had eroded. This process may have been punctuated by political upheavals and even revolutions, but rather than constituting the basis for a rupture in economic structures, these political events generally served more to ratify and rationalize changes that had already taken place within the socioeconomic structure.

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Of course, the process of transcending capitalism, if it were to happen, would not be a recapitulation of the process through which feudalism was eroded and eventually superseded by capitalism. In particular, eroding feudalism was not a *strategy* of proto-capitalist merchants but rather a long-term unintended consequence of their profit-making practices. Strategy would have to play a significant role in eroding the dominance of capitalism and displacing it by a radical economic democracy. Here is the basic scenario:

Economic activities organized around democratic-egalitarian relations emerge where this is possible within an economy dominated by capitalism. These activities grow over time, both spontaneously and as a result of deliberate strategy. Some of these emerge as adaptations and initiatives from below within communities. Others are actively organized by the state to solve practical problems, either in the form of the direct state provision of goods and services as in classic state sector production, or in the form of state-funded collaborations with civil society organizations. These alternative economic relations constitute the building blocks of an economic structure whose relations of production are, to a variable degree, characterized by democracy, equality, and solidarity. I have referred to these building blocks as *real utopias*: “utopias” insofar as they embody emancipatory ideals and aspirations; “real” insofar as they can be built in the world as it is in order to push it towards a world that could be. Struggles involving the state take place, sometimes to protect these spaces, other times to facilitate new possibilities. Periodically what seems to be structural “limits of possibility” are encountered, and to go beyond such limits may require more intense political mobilization directed at changing critical features of the “rules of the game” within which capitalism functions. Often such mobilizations fail, but at least sometimes political conditions allow for such changes, and the limits of possibility expand. Eventually, the cumulative effect of this interplay between changes from above and initiatives from below may reach a point where the democratic, noncapitalist relations created within the economic ecosystem become sufficiently prominent in the lives of individuals and communities that capitalism can no longer be said to dominate the system as a whole.<sup>11</sup>

As a strategic vision, eroding capitalism is both enticing and far-fetched. It is enticing because it suggests that even when the state seems quite uncongenial for advances in social justice and emancipatory social change, there is still much that can be done. We can get on with the business of building a new world within the interstices of the old. It is far-fetched because it seems implausible that the accumulation of emancipatory economic spaces within an economy dominated by capitalism could ever really erode and displace capitalism, given the immense power and wealth of large capitalist corporations and the dependency of most people’s livelihoods on the functioning of the capitalist market. Surely if non-capitalist emancipatory forms of economic activities and relations ever grew to the point of threatening the dominance of capitalism, they would simply be crushed.

There are thus reasons to be skeptical. Two issues are particularly vexing.

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First, there is the problem of the state. The idea of eroding capitalism depends in significant ways on initiatives by the state. But the state in capitalist society is not simply a neutral apparatus that can be readily used by social forces opposed to capitalism. It is a particular kind of state—a capitalist state—designed in such a way as to systematically protect capitalism from threats. Eroding capitalism, therefore, is only possible if, despite the in-built class biases of the capitalist state, it is possible to use the state to facilitate the expansion of emancipatory non-capitalist relations that point beyond capitalism. The fact that the capitalist state is not an instrument ideally suited to the erosion of capitalism does not mean it cannot be used imperfectly for that purpose. The trick for anticapitalist political forces is to exploit the internal contradictions within the state and the contradictions it faces in solving problems within capitalism in order to expand the possibilities for creating democratic, egalitarian, solidaristic economic alternatives. A key to this possibility is the quality of democracy within the capitalist state: the more deeply democratic is the capitalist state, the greater the possibility of state policies supporting the conditions for noncapitalist alternatives. Struggles to “democratize democracy”—to use an expression of the Portuguese sociologist, Boaventura Santos—are thus pivotal to the prospects for eroding capitalism.<sup>12</sup>

However, for the capitalist state to be used even imperfectly in a strategy to erode capitalism, there must be political forces mobilized to use it for these purposes. Eroding capitalism, like any strategy, needs collective actors. Strategies do not just happen; they are adopted by people in organizations, parties, and movements. This is the second vexing issue. Where are the collective actors for eroding capitalism? In classical Marxism “the working class” was seen as the collective actor capable of challenging capitalism. Few people today see the working class as sufficiently homogeneous to readily become what used to be called the “subject of history.” Rather, the formation of a politically coherent collective actor for a potent anticapitalism of the twenty-first century will require bringing together people from a much more heterogeneous set of structural locations in the economy and society and with much more diverse identities. Class remains at the center of such collective action, since, after all, the objective of struggle is the transformation of the class structure; this is what eroding capitalism means. But the political identity of the collective actor must be forged around the values of democracy, equality and solidarity rather than simply class as such, and this means constructing such a collective actor with people from a much more heterogeneous set of locations in the social structure. This is a daunting task. Figuring out how to do it as a central problem for the Left in world today.

## Author Note

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## Notes:

<sup>(1)</sup> There is a long-standing debate within the Marxist tradition over how deterministic Marx himself was about the destiny of capitalism. There is no ambiguity in his views that the contradictions of capitalism would necessarily destroy its conditions of existence. His model of capitalism contains no prediction about how rapidly this will occur, but it is clear about the ultimate demise of the system. In his major writing, Marx was also prepared to make strong predictions about the destiny beyond capitalism: once the structural conditions favorable to a rupture are present, eventually a revolutionary breakthrough would occur. The precise timing was contingent on ideological and political processes but not the ultimate outcome. Rosa Luxemburg is famous for saying that the choices facing humanity were "socialism or barbarism," which implies that an emancipatory future beyond capitalism is not inevitable even in the long run; barbarism is also a possibility. Marx did not express such ambiguity. In any case, regardless of Marx's own views on this, many people who identify with the Marxist tradition today adopt a much less deterministic view about the overall trajectory of capitalism and especially about the possibilities and prospects after capitalism.

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(<sup>2</sup>) For details on this concept, see Wright (1997).

(<sup>3</sup>) Workers do not become capitalists by virtue of owning mutual funds, but their class interests become less coherent.

(<sup>4</sup>) There are other arguments people make to support the proposition that the endogenous dynamics of capitalism ultimately destroy its conditions of possibility. Two arguments are particularly prominent in current discussions: capitalism needs endless growth, but endless growth is impossible (see David Harvey, *Seventeen Contradictions and the end of Capitalism* [Oxford, Oxford University Press, 2014], chapter 15), and the rapid acceleration of automation will ultimately destroy the conditions of profitability for capitalist firms (see Paul Mason, *Post-Capitalism: A Guide to Our Future* [Farrar, Straus and Giroux: 2016]; Jeremy Rifkin, *The Zero Marginal Cost Society* (Basingstoke, UK: Palgrave Macmillan, 2014]). There is not space in this essay to explore these arguments, but briefly: 1) *Growth*: capitalist investment and competition do foster growth, but this does not inherently imply a growth in physical output, nor does it imply that across the cycles of growth and decline there must be net growth overtime. 2) *Automation*: The idea that automation will destroy capitalism depends on a specific use of the Labor Theory of Value in which only labor generates value and only surplus labor in the form of surplus value generates profits. If one rejects the LTV, then there is no reason to believe that high levels of automation necessarily undermine system-level profits. Automation under capitalist conditions may cause considerable suffering in the form of displaced workers, but again, this is not sufficient to make capitalism unsustainable.

(<sup>5</sup>) This, of course, does not prove that a ruptural strategy for system-level transformation could never work at some time in the future, but currently there are no theoretical arguments sufficiently compelling to neutralize the empirical evidence from past failures.

(<sup>6</sup>) Many writers in the Marxist tradition also argue that the harms of capitalism are generated by markets as a mechanism of economic coordination. Michael Albert and Robin Hahnel, for example, in their various writing on participatory economics, argue that not only must the class relations of capitalism be transformed but that markets must be eliminated if social emancipation is to occur in a sustainable fashion. In contrast, this article argues that the harms of markets in capitalism come from the distinct form of capitalist markets, and that even in a democratic-egalitarian economy, markets will almost certainly play an important role. For a debate between Robin Hahnel's views and this one, see Robin Hahnel and Erik Olin Wright, *Alternatives to Capitalism: Proposals for a Democratic Economy* (London: Verso, 2016).

(<sup>7</sup>) Marx himself did not frame the idea of socialism as radical economic democracy, but this is basically what it means to say that the working class collectively controls the means of production. There are many possible institutional forms through which this idea could be realized, but the heart of the matter is a democratic-egalitarian structure of power over the economy.

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(<sup>8</sup>) The term “positive” class compromise identifies a situation in which a compromise is not simply the result of a balance of forces (a “negative class compromise”) but embodies real solutions to problems within capitalism that also contribute to consolidating popular power. For an extended discussion of positive class compromise, see Erik Olin Wright, *Understanding Class* (London: Verso, 2015), chapter 11.

(<sup>9</sup>) These propositions are particularly important for understanding the possibilities of transcending capitalism, but there may be other propositions that could legitimately be considered essential elements of the Marxist tradition for other purposes.

(<sup>10</sup>) Karl Marx, “The Inaugural Address to the International Working Men’s Associations,” in Karl Marx and Frederick Engels, *Selected Works in Two Volumes*, Vol. 1 (Moscow: Foreign Languages Publishing, 1962), 383.

(<sup>11</sup>) Erik Olin Wright, *Envisioning Real Utopias* (London: Verso, 2010). The idea of real utopias is not restricted to emancipatory aspirations for alternatives to capitalism. Real utopias include constructing alternative institutions for the state and democracy, the family and gender relations, community and cultural identity, and any other aspect of social relations that generate obstacles to human flourishing. This strategic vision for a future beyond capitalism bears a certain affinity to Gramscian arguments about the conditions for struggle against a hegemonic capitalist system. Gramsci argued that in capitalist societies with strong civil societies and effective states, it was impossible to seize power through a “war of maneuver.” What was needed was a “war of position” to build a coherent, mobilized counter-hegemony in civil society. The idea of building economic institutions organized through democratic-egalitarian relations within an economic system dominated by capitalism is parallel to the idea of a counter-hegemonic “war of position.” The difference is that Gramsci still saw the war of position as the prelude to an eventual war of maneuver in which a revolutionary seizure of power would occur and make possible a system-level rupture. The scenario presented here does not presuppose a culminating rupture.

(<sup>12</sup>) Boaventura Santos, ed., *Democratizing Democracy: Beyond the Liberal Democratic Canon* (London: Verso, 2007).

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