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**Nation, Landscape, and Nostalgia in Patrick Keiller’s *Robinson in Space***

Given the relative infrequency of films which offer a sustained meditation on the history of English capitalism, Patrick Keiller’s *Robinson in Space* (1997) seems very much an anomaly. Even in an age when many examples of popular British cinema (*Trainspotting, Billy Elliot, Brassed Off*) retain a glimmer of the social and political engagement that characterised the now canonical texts of 1960s cinematic social realism (*The Loneliness of the Long Distance Runner, A Taste of Honey, Kes*), Keiller’s film stands out for its direct engagement with matters of political economy. The film is not in any conventional sense a documentary, but neither does it entirely take the form of a fiction. It presents its argument in essay form, yet it also provides the spectator with a fictional protagonist and narrator whose travels throughout England serve to bind together the research that substantiates the film’s understanding of English history and its criticism of present conditions.

The film’s form is crucial in that it connects Keiller’s efforts to diagnose the present to a long tradition of texts which take up the question of the condition of England through travel, most notably those written by Daniel Defoe. This mobilisation of an older form
enables Keiller’s film to provide an incisive critique of 1990s Britain and comment on its decline. At the same time, however, Keiller faces the problem that writer-travellers of centuries past faced. Spaces in decline often provoke nostalgia, and in unguarded moments, the perception of decay can be transformed into the picturesque. Such a tendency is perhaps exacerbated when the travelogue takes cinematic form since the picturesque, as its very name implies, privileges visuality even when it takes literary form. Keiller’s film offers an erudite and trenchant assessment of the cultural and economic conditions of England in the mid-1990s, but for all its facility in diagnosing the present moment and tracing the symptoms back to historically distant causes, it is unable to present a vision of the future. While its images of decay offer the embers of a nearly-extinguished hope for transformation, they do not truly present the opportunity for any immediate socialist rekindling. Rigorous in its critique of English capitalism, the film does not initially seem to offer the hope for political change that ideally should be such criticism’s constant companion. Yet, Keiller’s film is symptomatic of the moment of its making. Filmed in the mid-1990s and released months before the general election that brought New Labour to power, Robinson in Space constitutes a desperate search for signs of positive political change. Since these signs remain frustratingly elusive, Keiller’s camera is drawn to images of the past and the degraded objects of earlier eras which somehow hold buried deep within them the utopian desire absent from present things. In what follows, I will investigate the film’s representation of the history of English capitalism and show how the formal features of Robinson in Space, drawn from an array of cinematic and literary antecedents, shape its representation of that history. But I will also propose that Keiller’s film offers a form of nostalgia that is not politically regressive. Robinson’s attachments to the past suggest that nostalgia is a species of utopian desire essential to an age in which more fully developed utopian visions cannot be formulated or imagined.

Robinson in Space tracks the movements of the eponymous character and his unnamed companion as they undertake seven journeys throughout the whole of England. The film begins when Robinson is commissioned by an advertising agency ‘to undertake a peripatetic study of the problem of England.’ Syntax is important here. It is not that there are simply problems facing England, but rather the nation itself is construed as a problem. The crux of

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1 Keiller 1999, p. 6. All quotations from the film have been drawn from the published screenplay.
the problem seems to be one that links national identity to economic decline. Although the spectator is denied the exact instructions of the commissioners, it soon becomes clear that the agency wants Robinson to assemble out of his travels a composite portrait of English nationhood. National identity itself is conceived as the obstacle that must be overcome if England is going to survive the economic doldrums of the 1990s. The sense that England’s economic woes are tied to a certain stagnancy in its image very much anticipates the way in which Tony Blair and New Labour sought so desperately in the early years of their rule to refashion Britain into ‘Cool Britannia’ based on focus groups and the reports of the so-called ‘think-tank’, Demos. Robinson in Space is set in the waning days of Tory rule, yet the film also, in advance, operates as a critique of various Blairite enthusiasms. For Robinson, however, the re-branding of Britain as a thoroughly modern nation is no more satisfactory than the familiar Tory idea of Britain as an imperial nation diminished in stature, but still noble in bearing. Both identities fail to account for contemporary everyday lived experience in the United Kingdom. One operates under the sign of imperial nostalgia, the other attempts to renovate the image without altering the substance. Even if they do offer a coherent image with which to identify, both are disconnected from matters of quotidian concern. Robinson in Space traces its fictional character’s efforts to grasp the ways in which the confusions and contradictions of Britain’s split identity, characterised above all by temporal and psychic discontinuities, are registered spatially on the economic landscape of the nation.

We never see Robinson, nor do we hear him. The film is narrated by his unnamed companion (wearily voiced by Paul Scofield) and consists of static shots of the English landscape: heritage properties, supermarket depots, shopping malls, disused industrial sites, military installations, motorways and so on. Through these images, Keiller reminds us of Raymond Williams’s argument in The Country and the City that even the spaces seemingly most unaffected by economic development nevertheless register the effects of the mode of production; even though the factory may be the most potent symbol of an industrialised England, industrialisation reshapes the countryside as well.² Keiller modifies this somewhat to suggest that, while the disused industrial site may be the ideal symbol of the transformation of England from an industrial to a service-based economy, the effects of de-industrialisation are legible even in those spaces and sectors of the economy seemingly the

most removed from the process. Indeed, any complete assessment of the state of things demands the inclusion of those places that seem to run against the grain of the times, the residual elements of an older mode of production or a way of life. Although residual, even anachronistic, the persistence of these places and ways of life nevertheless function as part of the texture of the present.

Keiller trained as an architect, and his films have always been attentive to the built environment and perceptive in their recognition of the political consequences of planning, development, and spatial organisation. Keiller directed a number of short films in the 1980s, and over the course of these a distinctive visual style and narrative voice began to emerge. Films such as *Stonebridge Park* (1981), *Norwood* (1983), *The End* (1986), *Valtos* (1987) and *The Clouds* (1989) anticipate the style of Keiller’s feature films as they present images of landscape and built space with a soundtrack that consists of both narration and fragments of music. These films defamiliarise and poeticise space, rendering it at times uncanny, yet do not lose sight of the importance of space in political and social terms. Keiller’s first full-length film, *London* (1994), extends this aesthetic experimentation and political enquiry in its focus on the capital. The film follows Robinson and his unnamed companion as they explore London around the time of the 1992 general election. They are dispirited by the Conservative victory and fear that it will result in the continuation of the denigrations that London suffered under Thatcherite rule. Although the film did cause some controversy when first released, and a special dossier dedicated to *London* in the film magazine *Vertigo* assembled a number of critical voices claiming the film is altogether too bleak, it also garnered much critical praise. Iain Sinclair championed the way in which Keiller draws on a European avant-garde tradition and imports into England concepts gleaned from the surrealists and the situationists. This, Sinclair claims, makes it ‘the film of its period – essay, document, critique, poem’.

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1 While the *Vertigo* dossier begins with praise from artist and film-maker William Raban, subsequent contributors criticise the film for its dreariness and hopelessness. Mark Fisher, who at the time of the issue’s publication was the Labour MP for Stoke-on-Trent and Shadow Minister for the Arts, argues that the film’s formal distance from its subject, consisting as it does primarily of long shots of places not people, strips the capital of its sense of life and struggle. Likewise, novelist Mike Phillips condemns the ‘static guidebook view’ of London that he feels Keiller’s film presents (Phillips 1994, p. 45). Such vehement reactions are perhaps an index of uneasiness about a film that focuses not on the human relationships that constitute the city (although that between Robinson and the unnamed narrator is perhaps metonymic for the kind of caring relationship the city can foster), but on the spatial relationships that comprise it.

Robinson in Space continues and extends the earlier feature’s technique and concerns, shifting from ‘the problem of London’ to ‘the problem of England’. Since Robinson in Space, Keiller has made one further full-length feature, The Dilapidated Dwelling (2000). Shot on digital video, the film does not feature Robinson and the unnamed narrator, but follows a researcher, voiced by Tilda Swinton, who has returned from the Arctic to explore the UK housing crisis. Interpolating archival footage and interviews, the film marks a formal shift from London and Robinson in Space, but retains the sense of history that marks the entirety of Keiller’s work. The images presented in Keiller’s work depict a built environment that contains within it traces of earlier historical and spatial formations as well as the marks of future ones. As such, history is spatialised and space historicised, with memory and hope bridging the dialectical gap between them.

Robinson and his companion are especially fascinated by those things that are commercially and industrially discontinuous with the present, that have somehow persevered from an earlier historical moment or anticipate an as-yet-unrealised future one. Their identification of British-made automobiles from the 1960s, for example, becomes a motif in the film and marks what seems a melancholic attachment to the disappearing artefacts of an earlier phase of British industry. In Requiem for Communism, Charity Scribner argues that the passage of time can transform the everyday commodities of an earlier age into objects that bear the weight of an unrealised history. It is in this way that objects hitherto perceived as mere commodities may be invested with a utopian charge. These reminders and remainders of an earlier era are not simply the catalysts for what Walter Benjamin termed ‘left-wing melancholia’, but are metonymic for the utopian dreams and desires that fuel even capitalist production.5 Scribner explains how these commodities, once considered abject, can nevertheless function as bearers of collective memory:

Nineteenth-century modes of production that were long considered violent and destructive return to us as the object of nostalgic interest. At the same time, much recent art and literature manifests the desire not only to recollect ways of living and working that were imagined to be possible under the rubric of the socialist alternative, but also to resuscitate the principle of hope that inspired much of the last century’s social and cultural production. The aesthetic response to the socialist crisis ranges from sober, historical description

5 Benjamin 1999.
Scribner’s primary focus is the disappearing object-world of East Germany, yet she is able to extend her analysis to Western Europe as the erosion of the welfare state has left behind its objects as much as the disappearance of the ‘socialist’ bloc. Indeed, Robinson’s much-prized Morris Minor seems an analogue to the ‘puttering, but reliable’ East German Trabant that is emblematic of Ostalgie. Each automobile is somehow not at home in the present and operates as a reminder not simply of the past, but of the hopes from that past that have remained unfulfilled. The passage of time itself transforms the meaning of objects. When first manufactured, these automobiles bore the ideological burden of modernity itself, as they were meant to serve as a sign of progress and of the smooth functioning of a commodity system, whether that system was capitalist or Communist. Since their obvious imperfections made them incapable of doing so, they were frequently the subject of much popular disdain and denigration. Yet these same objects, orphaned in the present and no longer made to bear the ideological weight of an entire production system, acquire a kind of poignancy. Freed from their ideological task, they operate not as mere vehicles for sentimentality about the past, but as reminders of modernity’s unfulfilled promises.

In their travels, Robinson and his companion not only stumble on objects that trigger this sense of nostalgia, but also see the remnants of a traditional manufacturing industry which has a similar effect. Early in the film, the
travellers stumble upon a Bendy Toys factory near Heathrow. Robinson’s companion observes that it is the first factory they have ‘seen since leaving Reading’.\textsuperscript{10} This, in itself, speaks volumes about the transformation of the economic belt surrounding London. But the travellers are taken aback by the continued existence of a toy manufacturer, and Keiller’s camera lingers somewhat nostalgically on the faded factory sign. The narrator comments that the existence of a Bendy Toys factory outside London is ‘all the more unusual since most toys today are made in China’.\textsuperscript{11} So, while Robinson’s geographic investigations allow him to compose a cinematic portrait of the nation, they also suggest a more fundamental connection between England, the spaces that constitute it, the things that occupy that space, and the time of those things. Keiller’s film begins with the vexing question, ‘What is England?’ but insists that this question can only be answered after a spatial enquiry, a tour of the nation that will facilitate a piecing together of the system and the formulation of a larger organising logic, both spatial and temporal, behind it.

Despite its seeming lack of what one might traditionally call action, *Robinson in Space* maintains a certain narrative momentum and its analysis of England is generated out of the juxtaposition of the information conveyed by the narrative voice and the images composing the film. Attention to virtually any sequence of Keiller’s film reveals this method. For instance, one series of shots begins with the image of the road sign pointing the way to the Samsung factory in Middlesborough. This image is presented with information specifically related to the plant itself. The narrator tells us that Samsung received £58 million in government aid to build this plant that produces microwaves and computer monitors. Information that Middlesborough has the highest rate of unemployment in the UK and that the UK is the least-regulated labour market in the industrialised world precedes the image and shapes our reception of it. This trade information is followed by the seemingly unrelated detail that the Samsung plant is located in an industrial park not so far from the house in which Laurence Sterne wrote *Tristram Shandy* and *A Sentimental Journey*. The film operates through this kind of juxtaposition of oral and visual information and the montage of filmic images is matched by the parataxis of narrated information. Since neither Robinson nor the

\textsuperscript{10} Keiller 1999, p. 28.
\textsuperscript{11} Ibid.
narrator explicitly delineates the exact relation between Samsung and Laurence Sterne, the spectator is, by default, asked to speculate on possible connections.

This sort of speculation is, of course, very much part of the formal operations of montage, but *Robinson in Space* demands that the audience speculate at the narrative level as well. Keiller’s film contains a number of sequences, even individual shots, that reveal the way in which different visions of England run up against one another, producing spatial and economic juxtapositions that express temporal discontinuities. The presentation of Samsung and Laurence Sterne in sequence, but largely without logical connection, becomes more than a matter of sheer geography; it demonstrates the economic demands on the space of the nation. England attracts multinational capital and foreign investment through an array of tax breaks and corporate incentives, but it also harnesses its own national past and repackages it in commodified form. The cinema itself has been central to this process with the heritage film emerging as perhaps the dominant form in British film of the 1980s and 1990s. Merchant-Ivory productions such as *A Room of One’s Own* (1986) and *Howard’s End* (1992) are often identified as the key culprits here, since whatever critique these films may offer of bourgeois habits and behaviour tends ultimately to be absorbed by the grander spectacle of the past itself. It is, of course, a partial past that is represented, one in which ‘the nation itself is reduced to the soft, pastoral landscape of southern England untainted by the modernity of urbanisation and industrialisation’.¹² Such representations fuel a heritage industry that for the most part denies an industrial past and naturalises a conception of English national identity formulated around stately homes and an aristocratic way of life. Over the course of their journey, Robinson and his unnamed companion visit many sites of the sort typically used as locations in heritage cinema. These sites, however, are presented in such a way that suggests their imbrication in a larger economic system. Robinson realises that such juxtapositions of old and new, anachronistic and futuristic, are not really contradictions, but readily complement one another. England’s investments in high technology are concealed by the veneer of heritage. For all of New Labour’s desires to modernise, Robinson discovers that the persistent image of England as a nation in terminal, yet interminable, decline masks an extremely profitable and to a certain extent hidden manufacturing industry that produces

¹² Higson 1993, p. 114. The study of the complexities of heritage cinema has been at the forefront of contemporary film studies, especially within the UK. See especially Higson 2003.
weapons and chemicals as well as the more visible consumer commodities of the sort Samsung produces. The state investment in heritage and the perpetuation, by both the government and private interests, of the idea of an economy in decline obscures the ways in which England profits from less than savoury enterprises usefully hidden, as Robinson discovers, ‘at the ends of roads’.13

In terms of form, Robinson in Space draws on a number of cinematic antecedents. Insofar as Robinson is a man with a movie camera who has an interest in the state of the nation, the film draws on the work of Dziga Vertov, albeit it a Dziga Vertov stripped of all enthusiasm and seemingly suffering the symptoms of late-capitalist malaise. In terms of British national cinema, the conspicuous precursor is Humphrey Jennings who, in the very different historical context of wartime Britain, made films that examined what it meant to be British in his own characteristically idiosyncratic and non-jingoistic manner. The sounds and images of Listen to Britain (1942) and the voice-over narration of A Diary for Timothy (1945) both provide models for Robinson in Space. Keiller’s juxtaposition of voice and image as well as his fascination with statistics drawn from government publications is anticipated by the early films of Peter Greenaway, especially Windows (1974) and Vertical Features Remake (1978). For the form of the film essay, which blends philosophical rumination, historical investigation and personal reflection, Keiller appeals to the work of Chris Marker, most notably his 1982 film Sans Soleil/Sunless. And, if one can follow in the path of an unmade film, Robinson in Space manifests some aspects of Eisenstein’s proposed film of Marx’s Capital. In ‘Notes on a Film of Capital’, Eisenstein writes of how through montage alone one might cinematically express the concepts developed by Marx:

the first, preliminary structural draft of CAPITAL would mean taking a banal development of a perfectly unrelated event. Say, ‘A day in a man’s life,’ or perhaps even something more banal. And the elements of this chain serve as points of departure for the forming of associations through which alone the play of concepts becomes possible.14

Robinson in Space attempts to set in motion a similar ‘play of concepts’. Unlike Eisenstein’s proposed film, however, the structural principle that allows the

13 Keiller 1999, p. 233. The words are Keiller’s own, from an interview conducted by Patrick Wright and published as an appendix to the screenplay of the film.
14 Eisenstein 1987, p. 127.
formation of associations is not jettisoned. The travelogue that provides a frame for Robinson’s observations remains. For this reason, I will set aside the cinematic for the moment and consider the influence of the literary on Keiller’s film. The film’s narration frequently echoes the elevated diction and the refined wit of eighteenth-century travel writing. Domestic travel increased dramatically in the eighteenth century as a result of the construction of an elaborate system of turnpikes that facilitated treks throughout the country. The appetite for travelogues also increased as improved transportation routes forged greater economic and social links between disparate parts of the nation that were hitherto conceptually distant, if not actually so. Through these works the nation could be perceived as a whole and the travellers who wrote them played a major role in producing the idea of England as an integrated totality. As much as they trafficked in the spectacle of internal differentiation – the representation of internal others who lived far from London was marked by the identification of local and regional peculiarities – these writers also generated through their travels the idea of a unified and integrated English, even British, nation.

Robinson in Space is structured around seven journeys that Robinson and his companion take throughout England. Keiller borrows this structure from what is perhaps the most important of eighteenth-century travel narratives, Daniel Defoe’s A Tour Through the Whole Island of Great Britain, published between 1724 and 1726. Defoe’s journeys function as a model and map for Robinson’s investigations and, like Defoe’s Tour, Robinson in Space blends documentary observation with idiosyncratic personal commentary. Each hazards an investigation of the vexed question of national identity. Pat Rogers argues that, in the Tour, Defoe ‘deploys the resources available to a great imaginative writer, and it supplies less a picture of Britain than a vision of nationhood’. Defoe wrote the Tour at a time of great national uncertainty. The Act of Union was less than twenty years past, and Britain in the 1720s remained an insecure venture. Defoe’s earlier work, Robinson Crusoe (1719) and The Journal of the Plague Year (1722), had presented fictional tales as factual accounts and were an index of the author’s ‘remarkable ability to fuse documentary and novelistic forms in order to describe and explain the world’. Keiller’s work, like Defoe’s, draws on both a documentary impulse and the

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form of the picaresque to create a text that is generically hybrid. Such an appeal to fiction does not compromise the force of the evidence or of the argument presented, but instead lends them an additional sort of legitimation. Like his namesake Robinson Crusoe, Robinson is meant to represent allegorically a certain condition of life as it is shaped by material conditions and circumstances. Although fictional, Robinson represents those who found themselves shipwrecked and stranded on the inhospitable island of Thatcherism and had to make the best of it to survive. Keiller’s film is a document of the conditions of life under Tory rule, but it conveys the sense of isolation via recourse to fiction and its allegorical possibilities. Defoe’s reflexive commentary on the form of his work also alleviates anxieties that might surround the vexed question of generic classification. Defoe categorises the Tour as an essay, and this resonates strongly with the form of Keiller’s film:

To describe a country by other men’s accounts of it, would soon expose a writer to the discovery of the fraud; and to describe it by survey, requires a preparation too great for anything but a public purse, and persons appointed by authority. But to describe a country by way of journey, in a private capacity, as has been the case here, though it requires a particular application, to what may be learned from due enquiry and from conversation, yet it admits not the observer to dwell upon every nicety, to measure the distances, and determine exactly the site, the dimensions, or the extent of places, or read the histories of them. But it is giving an account by way of essay, or, as the moderns call it, by memoirs of the present state of things, in a familiar manner.

Robinson in Space is best identified in the terms Defoe uses. It consists of ‘memoirs of the present state of things, in a familiar manner’. Defoe and Keiller both draw on statistical information and second-hand reports, yet they recognise that the sheer compilation of documentary evidence is insufficient. The principle that sets their respective trips in motion is that if one wants to

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17 Robinson’s isolation is exacerbated by his queerness. The narrator notes that while living in Reading, Robinson had been ‘taunted by groups of homophobic youths’ (Keiller 1999, p. 6). The relationship between Robinson and the narrator is never fully commented upon, yet forms one of the most hopeful aspects of the film. Their companionship, with its echoes of Boswell and Johnson, provides a model for intellectual curiosity and political camaraderie and escapes the inequality that plagues the relationship between Robinson Crusoe and Friday.

18 Defoe 1986, p. 239.

19 Ibid.
grasp truly the present state of things one must do so ‘by way of journey’. It is only by travelling that one can begin to draw the connections between seemingly unrelated social and economic phenomena dispersed in space.

This idea of connecting isolated phenomena separated by geography has recently become a central theoretical concern, as the flows of global capital link seemingly discrete locations within a totality that frustratingly resists comprehension due to its sheer scale and complexity. Most notably, Fredric Jameson’s call for a practice of cognitive mapping has ensured the emergence of spatiality as the key term in contemporary assessments of the postmodern condition. Film, as a medium intimately concerned with the representation of space, both in the basic phenomenological sense and in the various efforts to represent current global circumstances through the depiction of different spaces, seems a useful tool for this cartographic project that bridges the cognitive, the aesthetic, and the political. In a special issue of Screen on the theme of ‘Space, Place, and the City’, geographer Doreen Massey, in conversation with Karen Lury, maps out possible cross-pollinations between film studies and geography. Lury provides a list of recent works in film studies that draw on geography and the vocabulary of space and place in order to investigate cinematic representations of the city and to make larger claims about the experience of modernity or postmodernity. Massey applauds such cross-disciplinary affiliations, but identifies a rather curious elision in such efforts:

Let me just make a brief comment here, because we have already made a leap, and one which I think is very interesting. You begin by talking about ‘space’ and ‘place’ but, only a few paragraphs into our discussion, we have already specified this as ‘the city’. Now, in our case of course, we have every excuse – the concern of this issue of Screen is to weave around the three

20 Ibid. It is important to note the limits of the explorations each texts undertakes. Robinson abandons his journey before he has the opportunity to visit Scotland, Wales, or Northern Ireland. Although the film makes claims about the broader British economy, its primary focus is England. Defoe did travel to both Wales and Scotland, yet the latter presents an obstacle to Defoe’s efforts to present Great Britain as an integrated totality. Betty A. Schellenberg notes that Defoe’s ‘rather forced invocation of the term “North-Britain” . . . underscored the problem of the Scottish portion of the Tour: England and Scotland never quite become Britain, because Scotland has not succeeded in becoming England; or, in other words, because Defoe’s image of “Britain” is in fact one of England’. (Schellenberg 1995, p. 306.)

21 See Jameson 1991, pp. 51–4, and 1988, pp. 347–59, for his explanation of the way in which cartographic processes offer a metaphor for the effort to construe one’s position in the networks of global capitalism.
terms space/film/city. But I think it is worth reflecting on this as an elision which is commonly made, and with far less excuse.  

Keiller’s willingness to go into the countryside and to provincial towns and cities, drawn from Defoe’s equally enthusiastic impulse to light out for the territories, is thus a valuable corrective to the elisions that plague cinema studies. London may be central, but Defoe and Keiller are both fascinated by smaller centres and provincial ports from which a significant amount of international trade occurs. This port activity, increasingly taking the form of discreet operations trading in banal (Keiller’s privileged example is plasterboard) or controversial (chemicals and weaponry) commodities, operates below the radar of public consciousness, but nevertheless constitutes the bulk of English trade and demonstrates the continuing reliance on, and profitability of, an export economy.

Of course, neither Defoe nor Keiller would deny the importance of London. Defoe repeatedly notes the absolute centrality of London within the national and imperial economy. London is, in Defoe’s analysis, the absolute centre of the system. Early in his first letter, a report on his tour of East Anglia, Defoe remarks that the local economy is entirely dependent on markets in London. He notes that such dependence on the appetite of the capital for commodities is not the exception but the rule:

I am the more particular in my remark on this place because in the course of my travels the reader will meet with the like in almost every place of note through the whole island, where it will be seen how this kingdom, as well as the people, as the land, and even the sea, in every part of it, are employed to furnish something, and I may add, the best of every thing, to supply the city of London with provisions.  

Keiller’s film does not make as strong an assertion for the absolute centrality of London, but it does nevertheless recognise London as a key nodal point through which global capital flows and around which the British economy is organised. Indeed, London explores the spaces of the capital and observes there the juxtaposition of structural decay and an architecture of prosperity. London, in both the early eighteenth century and the late twentieth, is central to the economy and identity of the nation, but to understand its centrality, it

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23 Defoe 1986, p. 54.
is absolutely essential to explore that which is peripheral to it. To this end, Defoe and Robinson set out from London, and their investigations into the present state of things are a form of cultural and economic geography grounded in the belief that any answer to the problem of England lies beyond the metropolis.

This is not to suggest, however, that Defoe and Keiller confuse the actual geographic space of the nation for the nation itself. Instead, they work on the assumption that the nation, whether it is thought of as a discursive formation or imaginary construct, can be analysed through its cultural and industrial products as well as the overall configuration of its mode of production. Indeed, as Henri Lefebvre argues, the nation’s spatial organisation, the production of space itself, is perhaps the most crucial product of the nation. Defoe’s and Keiller’s focus on nationalism and economics can perhaps be accounted for by their particular historical circumstances. Defoe, writing in the first few decades of the eighteenth century, is historically situated at the moment of modern capitalism’s accelerated early development, which was spurred on by an almost uncontainable enthusiasm for financial speculation and investment, and resulted in the coming together of the idea of the nation-state in its modern form. Keiller is historically situated at the end of the Thatcher-Major era, characterised by both the Tory party’s jingoistic nationalism and leftist speculations on the imminent break-up of Britain. In both historical moments, the changing ideas of the nation are explicitly linked to radical changes in the workings of finance. Defoe writes in the age of the South Sea Bubble, the first major stock-market catastrophe caused by reckless speculation. Fraudulent investment schemes are a source of fascination for Defoe and he frequently avails himself of the opportunity to counsel his readers against the dangers of such schemes. Keiller films in an age when Britain is trying to redefine itself as a twenty-first-century economy centred around financial services and an array of high-technology industries. Robinson and his companion are wary of the process of privatisation and deregulation Thatcher insisted must underlie such a transformation. As Robinson’s research repeatedly shows, the process of creating a free market has only deepened the connections, even the equivalence, between the government and business élite. The free market has only ensured that such connections are more consciously obscured

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24 Lefebvre writes that ‘every society – and hence every mode of production with its subvariants . . . produces a space, its own space’ (Lefebvre 1991, p. 31).
by those who hold them behind a nefarious web of holding companies and wholly-owned subsidiaries.

While Benedict Anderson and others have identified the importance of narrative (both in the form of the novel and in the quotidian continuity of the newspaper) to the ideological formation and legitimation of nation-states, Patrick Brantlinger argues that public credit, or the national debt, is also a crucial condition of possibility for the ideological fiction of the nation-state. The national debt is the invention that underwrites the narratives which set up the nation as something in which one can both literally and metaphorically invest. Public credit operates on the assumption of a future. It assumes that a time will come when the debt will be reckoned. It is this permanently deferred future reckoning that allows the nation-state to come into being and grants it temporal extension. In this way, Brantlinger argues, the debt is a fiction out of which emerges the nation as an abstraction that nevertheless manifests itself as a tangible lived reality:

Nation-states are invented through a process of fetishistic misrecognition whereby debt, absence, and powerlessness are transubstantiated, mainly through class exploitation at home and war abroad, into their opposites – into wealth, a plenitude of laws and institutions, and power [. . .]. In economic terms, public credit underwrites this plenitude and power.26

The nation, then, has its origins, and maintains itself, through speculation – the idea of a future when it will honour it debts. So, when we look at the nation, we are asked to see what is not there; the wealth of the nation is founded on its debt and the nation itself consists primarily of the narratives that sustain it. This, of course, does not mean that the nation is mere fantasy or illusion, wholly dematerialised and without substance. Indeed, as Slavoj Žižek points out, there is nothing more real than a fantasy that generates material consequences. In their travels throughout England, Defoe and Robinson record the material effects of England conceived in terms of what Žižek would call a ‘real abstraction’.27 On the one hand, the nation is defined by its utter intangibility. It consists of narratives and fantasies, the accumulation of which

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27 For more on the concept of a ‘real abstraction’ and in particular the role that it plays in the logic of capitalist accumulation, see Žižek 2000, pp. 15–18. For an account of the role that fantasy plays in the creation and maintenance of nationalist attachments, see Žižek 1993, pp. 200–5.
grants it a kind of ontological consistency. On the other, this seeming intangibility nevertheless produces a landscape that gives material shape to the sustaining myths and investments of the nation. Landscape, however, is not a seamlessly effective vehicle for these ideologies of nationhood. It also registers the contradictions and compromises within the fantasy formation. So, as much as Defoe and Keiller produce compendia of the reigning mythologies of the nation in their respective periods, they are also afforded a glimpse of the inconsistencies that betray the conflicts within the formations themselves. Through their respective tours, they become close readers of the textualised geography of the nation, and as such come to see what is usually hidden in surveys written from a fixed vantage point content to remain on the surface of things.

Robinson takes us to the spaces outside the city, not only the disused industrial spaces of old England, but the largely unseen economic spaces of postmodern England: container ports, weaponry and chemical manufacturing plants, distribution depots, privatised prisons, and landfills. It is in this spatial investigation that we see the import of Doreen Massey’s comment, itself an echo of the passage from Raymond Williams I cite above, that the spaces and places of modernity and postmodernity are everywhere and not isolated to the urban. Keiller’s film uses static shots to force us to see what is there, this ‘there’ being the unseen spaces of late capitalism that lie not only on the fringes of the urban but in what seems like the middle of nowhere. The strength of Keiller’s film is that it gives a very different sense of space from how it has been used in various theorisations of postmodernity. The irony, of course, is that this insight is made possible through a form Keiller borrows from Defoe, and from an earlier, but no less tumultuous, era of economic transition. As Keiller strikingly demonstrates, the postmodern is figured not only in Jean Baudrillard’s visions of hyperspace or in Jameson’s much-prized example of Los Angeles’s Bonaventure Hotel, but also in places far more banal and much less cosmopolitan. In traversing these out-of-the-way places, Keiller constructs a very different view of contemporary capitalism, its wide array of social inequities, its diverse landscapes, and the people who inhabit them. As Doreen Massey writes, and, as Keiller quotes her in his film, ‘Much of life for many people, even in the heart of the First World, still consists of waiting in a bus shelter with your shopping for a bus that never comes’.28

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28 Massey 1994, p. 163.
Such images from the outskirts are too often elided from the glittering contemporary visions of postmodernity that see its transformations only in the urban or in the suburban spaces of the shopping mall or retail park. *Robinson in Space* by no means ignores commercial spaces, taking spectators to Merry Hill, near Dudley, which at the time was the largest mall in Europe. Yet, despite the importance of the retail sector, Robinson is more drawn to the elaborate network that supplies the system with goods: the distribution depots and lorries which travel to and fro are as much a sign of postmodernity as the malls so frequently identified as such. Thus, *Robinson in Space* re-orientates our perspective and, even if it never yields a conclusive solution to ‘the problem of England’ its protagonist sets out to investigate, it does show us another England, the hidden spaces that perhaps hold the key to an understanding of England, its place in the circulations of global capital, and the manufactured sense of crisis that help perpetuate its profound economic inequities.

But Keiller’s film serves as more than a valuable corrective to some of the blind spots of contemporary theorisations of the postmodern. In its focus on the apparent decline of the British economy, *Robinson in Space* also engages with contemporary political debates about the historical trajectory of the larger British economy and sounds a warning about the dangers of underestimating the strength of the system. Although it does not explicitly acknowledge them as interlocutors, the film engages with the work of Tom Nairn and Perry Anderson. In the pages of the *New Left Review* in the 1960s, Nairn and Anderson formulated a theory of British economic development. Over a series of articles, they argued that the ‘Origins of the Present Crisis’ (the title of Anderson’s inaugural article on the subject) lies in the peculiarity of the conditions of the development of British capitalism.29 The lack of a proper bourgeois revolution, combined with the overwhelming success of the British economy in the nineteenth century, left twentieth-century Britain utterly incapable of competing with those economies that developed later (France, Germany, and the United States). Its success came too early, as did the revolution that catalysed it, but since it never really purged itself of its pesky feudal remnants, the aristocracy, it never developed into a properly functioning modern capitalist economy. Indeed, in Martin Wiener’s extension of the Nairn-Anderson thesis, Britain is represented as constitutionally incapable of such modernising renovations.

29 The key articles are Anderson 1964, and 1968, and Nairn 1964a, 1964b, 1964c, and 1964d.
as if culturally inoculated against them. The decline of Britain thus hinges on its inability to modernise, to shake free of the success of its past and the anachronistic social structure that enabled it.

Robinson in Space, influenced by the work of W.D. Rubinstein, generates a very different reading of British historical and economic development. Rubinstein challenges the Nairn-Anderson thesis and argues that the concomitant ‘cultural critique’ that casts Britain’s economic decline as virtually inevitable blinds us to the success of English capitalism, however damaging and unprofitable it is to the wider populace. Keiller’s film adopts Rubinstein’s position, and in the film Robinson is given Rubinstein’s Capitalism, Culture and Decline in Britain: 1750–1990 by his employer. The argument of the film, and Robinson in Space invites such an old-fashioned formulation of its purpose, is that the scenes of decay visible throughout England are not an indication of a faltering economy or the results of the inherent faults of the system, but are, instead, the signs of the economy’s robust health. Robinson soon discovers that what lies behind the anachronisms of the heritage industry, the decline of the industrial sector, the seeming lack of a manufacturing base, the perpetual crises in agriculture, the ongoing unevenness of development, and the continued existence of an impoverished underclass is a successful economy that needs the appearance of crisis and decline to function most effectively. In opposition to the Nairn-Anderson thesis, Keiller suggests that the appearance of collapse and imminent economic peril serves a very particular ideological purpose. Crisis and decay obscure the signs of success and enable the perpetuation of an economic system that is hugely profitable for the select few.

The realisation of this seems to lie behind both the narrator’s melancholic tone and Robinson’s increasingly erratic behaviour. Each symptom points to the maddening disjunction between actual lived experience in contemporary Great Britain (the crumbling infrastructure, the perpetual cutbacks) and the

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30 Wiener 1981.
31 Although Rubinstein’s text, Capitalism, Culture, and Decline in Britain, 1750–1990, (Rubinstein 1993), plays a part in the film itself, there are a number of other texts which challenge the basic tenets of the Nairn-Anderson thesis. Originally published in 1965, E.P. Thompson’s ‘The Peculiarities of the English’, reprinted in The Poverty of Theory and Other Essays (Thompson 1978), was the first, and remains the most blistering, critique of Anderson and Nairn’s claims. More recently, Ellen Meiksins Wood’s The Pristine Culture of Capitalism (Wood 1987) takes issue with Nairn and Anderson’s original formulations as well as their later efforts to revise them. Keiller notes in an interview with Wright that although he discovered Wood’s book only after the film was released, its analysis resonated with his own, and ‘it is full of references to things I have been photographing for years’ (Keiller 1999, p. 233).
nation’s place in the upper tier of global economies. The film shows the destruction wrought by Thatcherite economic policies, but also considers the ways in which decay is put to political use. Accompanying the destruction of towns and communities, and indeed of entire ways of life, is the manipulation of these signs of decline to further a regressive political programme. Decay and decline are real enough, but what is especially pernicious is the way that contemporary capitalism (and I think it fair to generalise here, as such tendencies are not restricted to Great Britain) manipulates these signs to create an almost permanent sense of crisis. This, in turn, is used to justify a whole series of economic measures that are in no way meant to alleviate the crisis, but to manage it and exploit it for political ends. As such, crisis, though real enough, becomes a structural component in the operations of a system that uses decay and decline to conceal private wealth and prosperity. Keiller’s film examines this in terms of economic geography, the ways in which the spatial organisation of capital relies on both visibility and concealment to justify and perpetuate its claims and commitments. For instance, Robinson’s increasing obsession with military installations and the affiliated aerospace and weaponry sectors speaks to a recognition that the grassy expanses that surround the windowless sheds and seemingly innocuous corporate headquarters of such concerns not only naturalise them as part of an actual landscape, but do so within the economic one as well. The task of the film, then, is to defamiliarise that which, if seen at all, seems benign: a corporate logo for a company that, unlike the trademark of a producer of consumer items, has no popular purchase and is usually only glimpsed from a passing car. The peripheral zones between country and city are the habitat for such installations, and it is there that the British economy flourishes, unseen by most.

Writing in a very different historical moment, Defoe accounts for decay as part of natural cycles not yet explicitly connected to the processes of capitalist development. Although lamentable, decline enables growth elsewhere and is not a sign of any fatal disequilibrium within the system, but is rather part of a natural cyclical order. Defoe writes of the economic decline of the east coast of England with evident distress. However, he can nevertheless reconcile such scenes of impoverishment with his view of a prosperous nation:

From Albro’ to Dunwich, there are no towns of note, even this town seems to be in danger of being swallowed up; for fame reports, that once they had fifty churches in the town; I saw but one left and that not half full of people.
This town is a testimony of the decay of public things, things of the most
durable nature; and as the old poet expresses it,

By numerous examples we may see,

That towns and cities die, as well as we.

The ruins of Carthage, or the great city of Jerusalem, or of ancient Rome,
are not at all wonderful to me; the ruins of Nineveh, which are so entirely
sunk, as that ‘tis doubtful where the city stood; the ruins of Babylon, or the
great Persepolis, and many capital cities, which time and the change of
monarchies have overthrown; these, I say, are not at all wonderful, because
being the capitals of great and flourishing kingdoms, where those kingdoms
were overthrown, the capital cities necessarily fell with them. But for the
private town, a sea-port, and a town of commerce, to decay, as it were of
itself (for we never read of Dunwich being plundered, or ruined, by any
disaster, at least not of late years); this I must confess, seems owing to
nothing but to the fate of things, by which we see that towns, kings, countries,
families, and persons, have all their elevation, their medium, their declination,
and even their destruction in the womb of time, and the course of nature.32

Such reconciliation is no longer available, and Robinson comes to understand
the decay that he discovers throughout England to be an indication of, and
condition of possibility for, prosperity elsewhere. Rogers argues that the ‘main
rhetorical ploy’ Defoe uses ‘is the repeated use of contrast’.33 He does so in
order ‘to set off an idiom of growth – “rising” towns or “flourishing” country –
against counter-images of exhaustion – “barren” land or “broken” remains’.34
Although unnerved by scenes of decay, Defoe can nevertheless imagine a
larger harmony between growth and decline on a national scale with the
balance in favour of prosperity and development. However, he does not do
so by reference to a systematised political economy. Instead, he must rationalise
the fortunes of place via an appeal to the workings of fate and nature. What
Defoe can chalk up to various cosmic rotations, Robinson recognises to be
the result of a system that thrives upon the perpetuation of decay and a sense
of decline as part of its effort to centralise and consolidate its power. Decay
is thus not simply a sign of itself, but of its opposite as well.

The recognition that success flourishes under the cover of decline presents
various problems for those on the Left. The signs of crisis so frequently

34 Ibid.
generated by operations of capital itself, and so often taken as signals of the system’s imminent collapse, are in fact the mechanism by which the system sustains itself. As Paul Dave concludes in his article on the film,

the ‘problem’ of England that Robinson is asked to investigate in Robinson in Space is not, as he first presumes and as the ‘cultural critique’ understands it, the failure of English capitalism, but rather its success. Instead of a weak economy caused by an anachronistic culture, we have a vigorous capitalism that conceals its destructive effects under the cloak of oldness.35

Crisis is manipulated as a front, a means to justify stringent and repressive measures that serve only to strengthen the system. Faced with this predicament, Robinson’s behaviour becomes increasingly erratic. The narrator observes that his friend seems to have succumbed to paranoia. Robinson breaks into a British Aerospace assembly plant and steals a piece from a Tornado fighter jet, fulfilling his desire to engage, as it is speculated Defoe did, in espionage. News comes soon after that the advertising firm has terminated the contracts of Robinson and his companion and that a Tornado fighter jet has crashed in the North Sea.

Robinson’s descent into paranoia connects the film to a larger leftist thematics. Faced with a system of global capital that seemingly exceeds our ability to perceive it in its totality, let alone represent the density of its interconnections, a sense of conspiracy soon gives way to the temptations of paranoia. Robinson in Space hardly takes the form of the sort of conspiracy thriller that Fredric Jameson has identified as tapping into the profound anxieties, suspicions, and hopes of the present moment.36 Nevertheless, it manages to establish a bracing narrative out of information usually banished to governmental reports or the business sections of the newspapers. Given its conclusion, the film seems to be yet another symptom of the same late-capitalist malaise that it seeks to diagnose. The success of Robinson’s investigations, measured in terms of the connections between phenomena he is able to uncover, results only in paranoia, which hardly seems a politically productive state of mind. Despite this, and despite his being decommissioned, the film implies that Robinson nevertheless forges on. The film, a document not merely of his travels but of what can be revealed by way of journey, exposes the logic that guides the construction of England as a fantasy formation. The perpetual

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state of crisis is not a sign of capital’s imminent collapse, but is manipulated by the state and corporate interests, including the media, to make the system stronger. Likewise, the appearance of economic decline serves to obscure the success of the system, and to justify the stringent measures taken, which it is often said must be taken, to make Britain competitive in the global market. Decline is neither artificial nor illusory, and crisis is by no means a matter of mere ideological appearance. They are both real enough. Yet Robinson in Space points to the ways in which decay and decline have been used to disenfranchise further those who bear the brunt of it in the first place.

During his journey through the North Midlands and Yorkshire, Defoe renews his pledge to give his reader a full account of British industrial production and remarks on his commitment to see and convey the visual evidence of the results of that production:

as I was resolved to have a perfect knowledge of the most remarkable things, and especially of the manufactures of England, which I take to be well worth a traveller’s notice, as the most curious thing he can meet with, and which is so prodigious great in this quarter, I made no less than three journeys into, and through, this part of the country.37

The desire to see underlies Robinson’s investigations as well. For the contemporary traveller the landscape conceals as much as it reveals. While research and observation will force some of the secrets from the landscape, much has to be gleaned from what cannot be seen. Robinson tenaciously pursues the unseen, and Keiller’s camera frames that which usually goes unnoticed. Even if Robinson succumbs to paranoia, the spectator emerges with a deeper understanding of the resilience of English capitalism and a deeper suspicion of the political uses of crisis.

Yet, for all of Keiller’s tenacity in exposing the mystifications inherent in the discourse of decline, the film does lapse into nostalgia for an earlier phase of capitalist production during which Britain produced a greater amount of tangible consumer goods. The film itself acknowledges this nostalgia when Robinson and the narrator visit Portsmouth. There they see the Victory, Nelson’s flagship and a symbol of the strength of the British Empire and the global economic supremacy Great Britain secured in the eighteenth century through its command of the seas and its control of export routes. During the initial stages of their journey, the narrator comments, The narrative of Britain since

Defoe’s time is the result of a particularly English kind of capitalism.38 The particularity and peculiarity of English capitalism lies in the way that, even in the moment of its greatest industrial productivity, it remained a capitalism organised around ‘land, finance and commercial services’.39 As such, the visible decline of an industrial economy that produces consumer goods obscures the continuing success of the financial services sector as well as the transformation of the economy into one that produces for export all manner of non-consumer items that by and large remain invisible to ordinary Britons. The narrator laments the absence of the sort of economy that can be seen:

Those of us aesthetes who view the passing of the visible industrial economy with regret, and who long for an authenticity of appearance based on manufacturing and innovative modern design, are inclined to view this English culture as a bizarre and damaging anachronism, but if so, it is not an unsuccessful one.40

It is thus the film establishes a fetish of visibility, and to a certain extent, a renewed fetishism of the commodity. Robinson and his companion are nostalgic for a time when England produced things and a journey throughout the whole of the nation would have allowed them to see the material and commercial signs of English economic strength.

The absence of these signs of strength alerts Robinson and his companion to the more pernicious operations of a hidden economy, but it also catalyses in them a tremendous sense of loss. Thus, Keiller’s static framings at times take on the attributes of the picturesque, even if they differ in choice of subject. In its traditional guise, the picturesque took as its subject a rural landscape populated by agricultural labourers whose way of life was rapidly disappearing. The picturesque was, in effect, a way of seeing this transformation. The degradation of those within its cognitive frame was aestheticised in such a way that sentimentalised and naturalised the inevitability of their destruction. Keiller evacuates his frame of human subjects (other than incidental passers-by, human subjects are absent from Keiller’s cinematic gaze) and focuses on the melancholic images of industrial decay. Juxtaposed with the sleekness, anonymity, and newness of distribution warehouses and aerospace installations, these images record the passing of an era, and are invested, even suffused,
with a powerful emotional resonance that one might initially think a scrap-heap or disintegrating industrial unit could not possibly bear. In an article for *Sight and Sound*, Keiller suggests that the cinema is particularly capable of representing everyday landscapes in a manner that leads to their re-enchantment. Speaking of films such as *La Jetée* and *Listen to Britain*, Keiller remarks, “the memory of these films remained as a glimpse of utopia, a world in which actually-existing airports, museums, canals, railway stations, streets – the ordinary surroundings of everyday life – were transformed, became part of a changed world.”

A sense of nostalgia may be the by-product generated by the absences, innocuous fronts, and signs of decline that Robinson and his companion confront in their travels, but this feeling of loss and their tremendous psychic investment in the residual remnants of an earlier era of production suggest that there exists a form of nostalgic longing that serves to sustain political hope in the darkest moments. Perhaps the surest symbol of this comes near the end of the film when the travellers visit Blackpool. Under gloomy skies, the illuminations glow and Robinson’s companion quotes E. Prentice Mawson, the designer of Blackpool’s Stanley Park, who claimed ‘Blackpool stands between us and revolution’. Speaking at the moment of the 1926 General Strike, Mawson perhaps imagined that the transformation of Blackpool into a space of pure spectacle would ease the growing tensions between industry and labour. The illuminations and distractions of the seaside playground may have been meant to absorb the transformative energies of a restless working class, but the film offers another reading of Mawson’s claim. Robinson, we are told, was born in Blackpool and the city ‘holds the key to his utopia’.

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41 In his efforts to seize a sense of hope from a landscape shaped by the inequities of capitalism that does not simply celebrate that heritage or gloss over its brutalities, Keiller finds an ally in Patrick Wright, his interviewer in the appendix to the screenplay of *Robinson in Space*. In *On Living in an Old Country*, he argues that landscape and history cannot be conceded as the natural property of the Right: ‘Perhaps we should start in the knowledge that the “national past” doesn’t fully exhaust or fully express everyday historical consciousness, and that everyday nostalgia therefore has a critical, subversive potential as well…. While it can indeed be expressed jingoistically, the everyday sense of historical existence also testifies to the radical needs which – finding neither realization in present everyday life nor recognition in the complacent grandeur of official symbolism – may still be reaching out to “seize hold of a memory as it flashes up in a moment of danger” (Benjamin)’ (Wright 1985, p. 26).

42 Keiller 1994, p. 35.
43 Keiller 1999, p. 194.
Instead of being an obstacle to revolution, Blackpool, as Robinson imagines it, is a stage on the way to a future utopia. Brash, noisy, and even garish, Blackpool is not merely a distraction factory in the service of industrial relations, but represents what Keiller himself calls ‘the carnivalisation of everyday life’. As such, it affords a vision, sometimes glorious, sometimes nightmarish, of the world thrown off its usual axis. In this sense, then, Blackpool holds the key not simply to Robinson’s utopia, but to the reading of the film itself. In an era when the possibilities for meaningful change seem all but extinguished, the decaying buildings, degraded objects, and dismal landscapes held over from an earlier historical moment are invested with a utopian charge. They attest to the transformation of circumstances even in those darkest moments when revolution seems impossible.

References

Keiller 1999, p. 230. Keiller has the surrealists more in mind here than Bakhtin when he speaks of carnival: ‘if Louis Aragon had come to England and someone had taken him to Blackpool, he might have been intrigued, and England wouldn’t have been left off the surrealist map of the world. . . . The statement is based in revolutionary subjectivity; it’s not about hitting the streets, it’s about Blackpool as an alternative to hallucinogenic drugs. Which it seems to be: you can go to Blackpool and have a good day, but you can also go to Blackpool and have a bad day’ (Keiller 1999, p. 230).


Massey, Doreen 1994, *Space, Place, and Gender*, Minneapolis: University of Minnesota Press.


Jim Kincaid


Some introductory notes may be helpful to readers unfamiliar with recent Marxist debates about money and finance. The nature of money and how it interrelates with a capitalist economy is a major theme in the early chapters of *Capital*, Volume I, but it is not the easiest part of that work for modern readers to assimilate, given the closely argued dialectical mode in which Marx unfolds this part of his overall argument. In *Capital*, Volume III, there are several hundred pages which summarise the results of the huge amount of labour which Marx devoted to the study and analysis of capitalist finance and the role played by bank overlending and financial speculation in the recurrent economic crises of his period. Marx followed closely, and wrote much about, the intense debate among contemporary economists about whether central banks such as the Bank of England could or should use their power to prevent or limit the damage inflicted by economic recession and crisis.

However, because of illness and exhaustion, Marx was unable to organise and write up this vast mass of material for publication. The chapters about finance and monetary policy in *Capital*, Volume III were
cobbled together after Marx’s death by Engels, out of what he called ‘a disordered jumble of notes, comments, and extract material’. When studied closely, much of Marx’s argument about finance is not in the least incoherent, but the untidy and fragmentary presentation has deterred many readers. A further reason for neglect has been a widely held view that this sector of Marx’s work has become out-dated, given the dramatic economic changes of the past 150 years: the vast and intricate development of modern financial markets; the unprecedented powers of the twentieth-century state to influence the financial system; and the move away from gold – now no longer a key form of money as it was in Marx’s period. Recent students of Marx have mostly considered that what the twentieth century needed from Capital was its accounts of the real economy of capital accumulation, the forces of competition by which capitals are driven, the labour process, exploitation, profitability, uneven development and so on. Compared to these, what Marx had to say about gold or bills of exchange in mid-nineteenth-century England seemed of little interest. On the financial dimensions of modern capitalism, Hilferding’s 1910 Finance Capital has long been considered by many socialists to be the most useful starting point for a Marxist perspective, just as it was for Lenin.

However, from the 1970s onwards, a number of scholars began to publish serious and careful accounts of Marx’s work on money, credit and the financial dimensions of capitalist crisis. In 1999, two of these, Makoto Itoh and Costas Lapavitsas, joined forces to publish The Political Economy of Money and Finance. This book was notable, not just for its review of the role of money and credit in Marx’s overall account of capitalism, but for a series of chapters in which the authors argued for the relevance of Marx’s monetary analysis to the post-World-War-Two evolution of finance in the advanced capitalist countries. What is more, the book was the product, not just of two individuals, but of an intersection of two theoretical traditions which until then had evolved quite separately from each other.

Unoism meets value theory

In Marxist political economy as practised in Japan, Kozo Uno (1897–1977) has been by far the dominant influence in recent decades, and Itoh is one of
his outstanding followers. Uno’s own work is mainly known in the Anglophone world through the devoted efforts of a group of scholars in Canada, led by Tom Sekine and Robert Albritton of York University in Toronto. Unoists, both in Japan and elsewhere, differ about many questions, but agree about a number of fundamental principles. Uno saw Marx’s approach in *Capital* as directly permeated by the influence of Hegelian dialectic. Intense study of Hegel’s *Logic*, as well as *Capital*, led him to argue for a clear separation of three dimensions in Marxist theory. (i) The pure theory of capital and its dynamics – a stripped-down account of the inner logic of capitalist competition and exploitation, free from historical complications. Here, rigorous and highly abstract forms of Hegelian dialectic are seen as required to trace the essential way in which the system works and how it can be explained scientifically. (ii) An account of the various stages of development of capitalism as a mode of production, identifying a historical sequence starting with production as organised by mercantile capital (for example, the putting-out system), then classical liberal capitalism, and, finally, imperialist capitalism organised by large financial and industrial companies. (iii) Historical narratives which would take account of the complicated and messy detail of actual economies, both past and present.

The severe insistence of the Uno school on keeping separate these three elements in Marxist analysis has limited interest in its work among non-Japanese scholars. A well-known critique by Simon Clarke, published in 1989, summarised the reasons why the Unoist approach had been treated with some suspicion. Reviewing a book by Itoh, Clarke attacked the separation of theory from history and from the real world. He indicted the Unoists for ‘scholastic formalism’ and for devising a stages theory which was ‘arbitrary and existed only to provide a link between theory and history’.

However, the Unoists are able to mount a strong defence of their approach. Clearly, Marx’s *Capital* is not primarily a work of narrative history, although it contains many passages in which historical developments are vividly and powerfully explained. *Capital* has a logical order which is other than that of historical sequence. The theoretical logic which Uno identified in *Capital* was

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3 See, for example, Sekine 1997 and 1998; Albritton 1985, 1991 and 1995. Uno 1980 is the only book by him so far translated into English.

4 Clarke 1989, p. 134. Clarke also criticised the analytical separation of form and substance of value in Uno, though they are seen by Unoists as united in capitalism. See also the critique of Uno in Bidet 2001.

5 See, for example, Arthur 1993 and 1998 for arguments against the logico-historical reading of *Capital* which are surely decisive.
distilled by Marx from the historical sequence of capital development. To establish the interconnections between the logic of capitalism as presented in *Capital* and actual historical development is not easy and the Uno approach had at least the merit of highlighting the difficulty. The Unoists are not saying that there are no interconnections between these levels, only that it is scientifically essential to acknowledge a degree of discontinuity between them.6

Among Unoists working in Japan, it was Makoto Itoh whose work became widely known in the West after the publication in 1980 of his book *Value and Crisis*. Here, some of the true strengths of the Uno tradition are amply in evidence – lucid summaries of the basics of Marx’s theory of value and of money, and above all, a remarkable exploration of the apparently varying accounts of crisis in Marx’s own work, and the conflicting positions taken in the twentieth-century debates about the causes of capitalist crisis. And, although Itoh argued that the basic cause of capitalist crisis was labour shortage in the boom phase of the business cycle, and the undermining of profitability by consequent wage increases, he also noted the important role which Marx himself ascribed to the destabilising effects of the banks and stock-market speculation in intensifying economic crisis in the mid-nineteenth century.

Costas Lapavitsas came from a different direction. Trained in economics at London University, his PhD dealt with Marx’s theory of money, and was supervised by Ben Fine who, in the 1970s, and in collaboration with Lawrence Harris, helped pioneer a value-theory reading of Marx’s political economy. As developed by Fine and Harris, and by others, this has become one of the central explanatory paradigms in Marxist economics. It was originally forged in opposition to a view, fashionable in the 1970s, that Marx’s theories of value and money were irrelevant – Hegel-inspired mysticism which should be

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6 Compare for example, Roy Bhaskar’s argument that historical materialism, like any other attempt to produce scientific knowledge, must recognise ontological stratification, and an associated discontinuity in scientific explanation. See Bhaskar 1993, pp. 18–23 where he attacks what he calls ontological monovalance – the collapsing into each other of three distinct dimensions of reality: the real, the actual and the empirical. This effaces the multidimensionality required for what Bhaskar considers (I believe correctly) the essence of dialectic – ‘the central category of the dialectic is absence and absenting’ (Bhaskar 1993, p. 83). For a vivid and entertaining account of epistemological stratification in the natural sciences and ontological discontinuity in nature, see Cohen and Steward 1995, especially Chapter 1 in which they discuss how the operation of the highly abstract, and essentially simple, laws of physics can create a concrete world of endless complexity. See also Cartwright 1983. She argues persuasively that the laws of physics are untruthful because highly abstract – that is, they provide no account of how they act to produce the phenomenal surface of the world, riddled as it is with contingency and random noise.
junked. In contrast, value theory took seriously what Marx had actually written in Capital, and studied closely the logical construction of Capital – the careful way in which Marx had ordered his dialectical argument. 7

In the early 1990s, as part of his academic work, Lapavitsas learned Japanese, and spent a year teaching economics in the same department as Itoh at Tokyo University. Their 1999 book is the product of a sustained theoretical encounter between Japanese Unoism and Western value theory. 8 It strongly reflects the shared stress of both approaches on the importance of the order in which concepts are sequenced in Marxist political economy. In dealing with any specific element in the theoretical structure, it is vital to be clear about the level of abstractness or concreteness involved. In his introductory discussion of money in Capital, Volume I, Marx explored the various functions of money – how it acted as measure of value, as means of exchange, as store of value, as means of debt settlement and so on. The Uno tradition placed great emphasis on what they saw as necessarily implicit in Marx’s argument: namely, the essential nature of money itself – what money had to be like in order to perform these functions. 9 This was an approach which Lapavitsas found sympathetic. What both he and Itoh developed in various ways were the implications of Marx’s account of money as being, in its essence, ‘the general equivalent’, enabling its owner to buy whatever is for sale – monopoly over the ability to buy. 10
Some topics in the symposium

One effect of a close attention to the logical structure of Marx’s discussion of money and finance is to clarify some of the crucial ways in which his account differs from that of other variants of economic theory. Here, the mapping of different paradigms which Gary Dymski provides in his contribution to this symposium is exceptionally useful, although its compressed presentation requires careful study by the reader. As Dymski makes clear, Marx belongs with those economic theorists who highlight: (i) the situation of uncertainty in which capitalists and other economic agents make their decisions, hence Marx’s emphasis on money as a store of value, as owners of money accumulate savings to try to increase control of their future situation; (ii) that lending or investment take place in real historical time – in both processes, money is advanced, and there is a risk that it may be lost. In credit or investment processes, owners of money must exercise trust. Here is the basis on which Lapavitsas has constructed his innovative account of trust as one of the crucial non-market elements in a capitalist financial system. In a richly developed account, he traces the many ways in which the power of capital is used to try to reduce uncertainty, and control credit and investment processes. He illustrates the particular difficulties the system faces in the international arena, where trust is particularly difficult to achieve, given the lack of a world central bank and a quasi-world currency, the dollar, which is not independent of US national state power.

One important dimension of this symposium is that it raises again the question of the contribution which Unoism, in its many variants, can make to the future creative development of Marxist political economy. As all of the contributors in different ways have insisted, in Marx the various forms and functions of money are analysed as closely linked to the rhythms of competition and accumulation, and intricately involved in the recurrent crises which afflict the capitalist economy. Despite what has often been held in the West, the Unoist separation of pure theory from historical narrative in no way involves a degrading of history to a secondary status. The historical passages in Capital, the economic history of Marx’s period, and the economic policy debates of the period, have been studied intensively by Japanese scholars. One of the best sections of the book by Itoh and Lapavitsas consists of the chapters which deal with how the financial system interlinks with the circuits of capitalist production, the role of finance in the business cycle – and above all, the manner in which economic crises are intensified by bank overlending, financial
speculation, and the way the handling of crises by the Bank of England in Marx’s period reflected the interests of the propertied classes.

A symposium of the sort we publish here is more than a series of long book reviews. Contributors were asked by Historical Materialism to introduce discussion of issues which they considered distinctive and necessary elements in a Marxist approach to financial questions. Gary Dymski, using Soweto as an example, explores questions of finance at local community level, and the possibility of organisation to contest the disadvantage which results from the red-lining policies of banks and financial institutions. From Australia, Rafferty and Bryan argue that derivatives should be considered as the latest form of world money evolved by capitalism. Their account illustrates the huge role which derivatives have come to play in the international financial system, and the potential instability of a system in which gigantic bets are being constantly made on the future movement of such variables as interest rates or of exchange rates. Their discussion raises sharply the question of how a Marxist political economy should define money. In his reply, Lapavitsas returns to his fundamental argument that the essence of money is purchasing power over commodities. By this definition, although derivatives may be massively lucrative to the money capitalists who make correct bets, they are not money because have no direct purchasing power.

The contributions from Japan in this symposium illustrate the rich diversity of Uno-inspired political economy. The discussion by Kazutoshi Miyazawa of the fundamentals of a Marxist theory of money exemplifies the rigour of argument which is characteristic of the Unoist tradition, and the scholarly attention it gives to the political economy debates of Marx’s period. Makoto Itoh’s writings over the past fifteen years are a standing refutation of the image of Unoism as erecting impassible gaps between theory and history. In this period, he has produced a large body of work which uses Marxist theory to explain in detail the successive phases of the long crisis of stagnation in Japan which was initiated by the severe financial crash in 1990.11 It is significant that, in his symposium article, he takes Lapavitsas to task for an analysis of questions of finance, trust and power which Itoh considers to be still too abstract, and urges that the themes of this research programme be developed in future work in the most concrete and empirical way that can be achieved.

The arguments in Lapavitsas’s latest book are complex and not easy to summarise. But a number of its themes are especially original and challenging in their implications for Marxist political economy. The book is organised around the contrast between two forms of social relationship – the commodity and the gift. The commodity-form is central to the imperatives of profit and competition in capitalist society. In the gift relationship are encapsulated what Lapavitsas calls, ‘the non-economic requirements of social cohesiveness, solidarity among people, moral obligation towards the poor and the weak, respect for social customs, and care for the environment’. Lapavitsas notes that the current anticapitalist movement, in its critique of commodity-society and its commitment to the possibility of another world of social justice and gift relationships, has not drawn on Marxist political economy as much as might have been expected or hoped. One reason, he believes, is that Marxist political economy has focused too much on markets, and theory has neglected the moral, customary and power aspects of social life. His book is designed as a corrective.

Most of its argument deals with non-market processes in capitalist society. But there are also important sections in which the mode of operation of non-capitalist economies is examined, using anthropological as well as historical evidence. Here, I found myself led, as I hope many other readers will be, into reviewing a fascinating literature on the use and meaning of money in tribal and ancient societies – from Malinowski’s analysis of money in the societies he studied in the Trobriand Islands of the southwest Pacific in 1915–18, to recent work on ancient Greece by scholars such as Leslie Kurke. At stake here is a crucial element in the ideological rationale which bourgeois economics provides for the view that capitalism is the only world possible – that is, by suggesting that economic practices equivalent to those in capitalism are virtually universal, and also appear in non-capitalist forms of society.

Lapavitsas 2003, p. 2.
See Kurke 1999. A remarkable book by Richard Seaford appeared in 2004, too late to be used in Lapavitsas 2003. Using newly available research sources, Seaford develops an exciting and powerful account of questions first explored by scholars such as Alfred Sohn-Rethel and George Thompson, namely what kind of links can be traced between the development of money and trade in Ancient Greece, and the inauguration of Western physics and metaphysics in the Aegean region. These wider themes are not directly relevant to Lapavitsas’s argument and are not examined in his book. However it is to be hoped that the recent work of Kurke, Seaford and others will encourage a revival and renewal of the earlier Marxist debate about the links between economic and intellectual developments in and around Ancient Ionia.
Marx noted for example how one economist of his period, Robert Torrens, found the origin of ‘capital’, ‘in the first stone which the savage flings at the wild animal he pursues, in the first stick that he seizes to strike down the fruit which hangs above his reach’.14 What Lapavitsas examines carefully is the two main ways in which the emergence of money has been explained in bourgeois economics.15 In neoclassical economics (as, for example, in the influential variant advanced by the Austrian Karl Menger), money is seen as emerging naturally in processes of market exchange, as clever traders seek ways to overcome the inconvenience of direct bartering of commodities (that is, how do you give change when exchanging a cow for a slave, and so forth). The alternative group of theories in bourgeois economics and anthropology does try to make allowance for the role played by religion, custom or political power in precapitalist societies. Here, money is often seen as emerging because of the need for an abstract unit of account, a standard of value. Keynes, for example, was impressed by the chartalist theory of Georg Friedrich Knapp. In this, it was argued that some kind of legal process (whether involving the custom-based authority of tribal leaders or the power of a state) underlay the development of money as an abstract standard of value measurement, unrelated to the use of money as a means of commodity exchange. Keynes notes that on the cuneiform records of ancient Sumerian and Babylonian, incised on baked bricks, non-market values, such as debts and contracts, are expressed in forms of accounting money which include barley or silver.16

Lapavitsas summarises research by Philip Grierson into the tribal laws of Anglo-Saxons and Celts which concludes that,

money emerged in these societies in the practice of *wergeld*, that is payment of compensation for social and individual wrongs. . . . Public assemblies commensurated injuries against one’s person and determined compensation. The principles employed were those of assuaging anger and making good the loss of reputation.17

In a work which has exercised enormous influence in agendas for the reform of capitalism, Karl Polanyi challenged the ideological universalism and ahistoricity of mainstream economics, insisting that there is no economic theory that is valid both for ‘primitive’ and for modern economies. ‘Money’

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16 Keynes 1930, p. 3.
in pre-industrial societies is very limited and specific in how it can be used and what it can buy. The role of markets and haggling is in general marginal compared with custom, religious and magical beliefs and practices. There is nothing comparable to the general command over social resources of all sorts which is characteristic of money in modern societies. Nothing like the interconvertibility which allows all forms of money in a capitalist economy to be interchanged.\(^18\)

Lapavitsas is highly critical of both of the major alternative theories of money outlined above. He is certainly not recommending that the anticapitalist movement turn for inspiration to Polanyi’s type of reformism, or to the classic book by Marcel Mauss on *The Gift*. He is highly sceptical of theories which argue for money as legally defined money of account, isolated from processes of commodity exchange. ‘The typical unit of account in history is also . . . a means of exchange’.\(^19\) For example, in the Homeric world, oxen and ‘talents’ of gold and copper were far more frequently used as means of account (for example, in assessment of personal wealth) than as means of exchange. Yet, as Lapavitsas comments, ‘it does not follow that their original monetary use was as abstract units of account’.\(^20\) He refers to research by Kim which ‘emphasises the role played by economic factors in inducing monetisation in Archaic Greece’.\(^21\) In Anglo-Saxon society, Grierson argues that commodities were too varied to allow commensuration, and thus that monetary value was first established in compensation disputes, then its use spread to bridewealth, and only later to commodity-exchange. As Lapavitsas points out,\(^22\) it is hardly a persuasive argument that ‘injuries are less varied than commodities’, given that Grierson’s own list includes different types of murders, rapes, several varieties of personal insults, and so on.

Lapavitsas argues that a Marxist account of the historical development of all forms of society must begin with *capitalist* society.\(^23\) And most of his book

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18 See Polanyi 1944 and 1957.
19 Lapavitsas 2003, p. 121.
20 Lapavitsas 2003, p. 149.
21 Lapavitsas 2003, p. 149. See Kim 2001. However Lapavitsas also notes that recent work by other scholars such as von Reden 1995, 1997 and Kurke 1999, lays greater stress on the symbolic and broadly non-economic role of money in Ancient Greece (p. 149).
23 Compare Marx 1973, p. 105. ‘Bourgeois society is the most developed and the most complex historical organization of production. The categories which express its relations, the comprehension of its structure, thereby also allows insights into the structure and the relations of production of all the vanished social formations out of
is devoted to exploring many of the ways in which the operation of the capitalist market and commodity production is underpinned by relations of property, power and hierarchy. These are depicted as having a capitalist character, and so too are the moral, customary and ethical dimensions present in societies dominated by capital. While accepting that ‘primitive’ societies work differently, Lapavitsas nevertheless argues that capitalist markets and money can act as templates for analysis of market in other societies, provided that the distinction between substance and form of value is appreciated fully. Analysis of the form of value is capable of producing a general theory of money, without lapsing into the ahistoricism of neoclassicism.24

Markets and money may be more marginal in non-capitalist societies, but, to the extent that they are present, then the form of value is also present. The category of form of value in Marx is complex and multidimensional.25 But, as Lapavitsas emphasises, it includes one crucial element, namely: that money’s essential characteristic is that it acts as the general equivalent – that is, has a monopoly over the ability to buy whatever is for sale. That monopoly, Lapavitsas claims, is no different for money in precapitalist society. What is different is that a very much smaller proportion of economic resources is available for sale, as compared with a modern society. Lapavitsas acknowledges the role of custom in the emergence of money as general equivalent, able to buy whatever is for sale. He argues that, in all forms of society, money’s capacity to measure value derives from its use in buying and selling.

But he argues also for the decisive importance of non-market factors such as trust. Wherever lending takes place, trust is a central element – and credit is omnipresent in capitalism. In accordance with Unoist theory, Lapavitsas portrays the banking and credit systems characteristic of a capitalist economy as a layered pyramid, with a national central bank at the apex, providing guarantees to sustain the trustworthiness of banks and financial companies at lower levels – in effect, a socialisation of trust, backed by the power of the national state. In recent years, non-economic elements in economic processes such as, for example, trust, have been the focus of major new theoretical developments in mainstream economics. Lapavitsas contends that Marxist

whose ruins and elements it built itself up... human anatomy contains a key to the anatomy of the ape.23

Lapavitsas 2003, p. 130.

See Kincaid 2005 for a detailed exploration of the value-form category in Marx.
political economy should meet this challenge by evolving equally innovative analyses of trust and other related processes within its own theoretical framework. He shows, in a range of ways, how the power of financial capital is used to ensure that the systems of trust embedded within banking and financial systems are kept subordinate to, and placed at the service of, capital accumulation. Capitalist trust never loses its class content. Correspondingly, he traces the ways in which the lack of an effective world central bank means that trust is highly problematic in the international arena – and thus risk and instability remain endemic in the transnational financial system.

**Evaluating Lapavitsas**

I have space here to make only a brief comment of my own about the many questions which are raised by Lapavitsas’s *Social Foundations* book. He argues convincingly that, in Marxist political economy until recently, non-economic dimensions of capitalist accumulation and reproduction have been neglected. The approach adopted has generally been too economistic. The thinking which Lapavitsas develops in this book about the essentially social nature of money, and how trust is made subordinate to the power of capital, is both path-breaking and searching. It is also *timely*, in a period when mainstream economics is reacting both theoretically and practically to the many failures of crude neoliberal reformism. There has been a sharp rejection of the simple-minded assumption that privatisation and the forced introduction of market processes will lead automatically to the emergence of viable capitalist economies. Lessons have been learned from the disasters of IMF/G7 shock therapy in Russia and elsewhere, and the unimpressive record of World Bank structural adjustment policies. It is now widely accepted that successful capitalist development needs effective mechanisms of governance, and requires control and restructuring of the customs and institutions of the social lifeworld. Given this, Marxist political economy needs to rethink its own perspective on the social dimensions of the capitalist economy.

But there are significant limitations in Lapavitsas’s book, and, as Itoh argues below, its arguments will need to be developed and refined in further work. Most noticeably, the links between the financial system and processes of accumulation are not given much attention. Questions of the role of money and of financial system in the business cycle, or in capital allocation, are left as marginal. There is almost no discussion in the book of the flows of
surplus-value which sustain the profitability of banks and other financial capitals, and which underwrite the stability of credit systems. The effect is that one of the strongest elements in the Unoist tradition – the centrality it gives to the analysis of capitalist crisis – is too little in evidence. Even in the treatment of trust, there are some caveats which I think should be made. The counterpart of trust is risk. But, in Lapavitsas’s book, the question of risk is left without adequate direct theorisation. As a consequence, the contradictions of the system are not sharply enough posed, and not enough attention is given to the ways in which the driving mechanisms of competition, through the logic of their operation, generate dangers and instability for individual capitals, and for the overall system.26 The account given of the deployment of capitalist power to socialise trust needs to be complemented by a much more searching discussion of the forms and sources of risk and uncertainty which capital is trying to master through control of trust. For example, money-capital risks devaluation by inflation, or by exchange-rate changes; capital advanced can be lost if invested in unprofitable enterprises, or lent out to borrowers who default on repayment. A more detailed specification of the range of risks would allow a more concrete analysis of strategies which attempt to limit these risks, for example, the unloading of the costs of failure onto other capitals, or onto workers or consumers. Or the use of power to persuade or compel the state to assume responsibility for the costs of failure, while leaving private capital in secure control of any profits of success – a highly important form of socialisation of risk, which Lapavitsas might have

26 The Marxist theorisation of money and finance in David Harvey’s work deserves more attention than it gets in much recent scholarship. Harvey’s important book The Limits to Capital published in 1982 is referenced in neither of the two books under discussion in this symposium. But, for example, using a value-theory approach, Harvey argues that the ‘nested hierarchical character of monetary institutions’ is made necessary by ‘the underlying contradiction between money as a measure of value and money as a means of circulation’ (Harvey 1982, p. 249). Harvey lucidly develops Marx’s insights into the tensions between the credit and the monetary systems of capitalism. His elegant account shows how the logics of competition and profitability in both the industrial and financial sector of capital create a tendency to move to forms of money which are cheaper to use but threaten to undermine the role of money as measure of value. The emergence of modern clearing bank systems and current techniques of central-bank management of the financial sector are seen as attempts to limit the undermining of money as a measure of value, given competitive pressures to move to a cheaper monetary system. But, as Harvey puts it, ‘at the international level, within the hierarchy of monies, the “notion of money as a measure of value refuses to die”’ (Harvey 1982, p. 295). Such an analysis could usefully complement Lapavitsas’s own discussion of the consequences of the non-existence of a world central bank.
explored more fully. He does examine in an illuminating way how the power of capital is used to distort social trust in the service of accumulation. But not enough attention is given to a wider array of strategies to reduce risk by enlisting the coercive legal powers of the state to ensure contract compliance. Nor is there a discussion of the trading of risk in the insurance and derivative markets.

It is true, however, that the aim of this book is to develop in a rigorous way some crucial thinking about trust, not to provide a general review of the mechanisms by which capital reduces risk. However I would suggest that, in future work, the arguments of Social Foundations will need to be reassessed by being directly integrated with an account of the contradictory dynamics of finance and accumulation such as is provided in the earlier book by Itoh and Lapavitsas.

Against linguistic segregation in Marxism

For Historical Materialism, this symposium marks a further step in what we consider to be one of the vital tasks which faces Marxist scholarship today. In recent decades, and for complex reasons, separate theoretical traditions of Marxism have evolved within the major linguistic zones. There has been a scandalously inadequate level of serious cross-engagement between scholarly work published in, respectively, Japanese, English, German and other major languages. Many important Marxist works have yet to be translated into any language other than that of their original. To give an example, in recent years the dialectical logic of Capital and the nature of the Hegel-Marx connection have come under renewed and intense scrutiny in the work of the so-called ‘new dialectics’ writers (and their critics). Scholars writing in English, such as Tony Smith, Chris Arthur, Fred Moseley, Martha Campbell, Patrick Murray, and others, have, individually or in combination, produced a string of major books. Yet in this large body of work, there is remarkably little sustained critical engagement with the powerful strain of German work on the role of Hegelian logic in the construction of Capital – or with relevant scholarship

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27 See Economist 2004 for a useful summary of contemporary forms of risk (and ‘risk management’) in contemporary capitalism. This explains how techniques which ostensibly are supposed to reduce risk can be hijacked by capitals seeking speculative profits – with the result that overall levels of risk and volatility are increased – as for example in the case of derivatives.

in French or Spanish.\textsuperscript{29} And, as I noted earlier, with the important exception of the group in Toronto, and of Itoh himself, the theoretical work of the various Unoist schools has been generally treated as marginal in Europe and North America. Yet anyone who begins a comparative study of these linguistically discrete traditions of scholarly work will quickly become aware of challenging and fascinating patterns of conceptual similarity and divergence. Such resonances and conflicts can be an enormous stimulus to theoretical progress. We believe that the creative future of Marxist thought will, in part, depend on the ability and willingness of scholars to work in a more cosmopolitan mode than in recent decades.

References


\textsuperscript{29} The \textit{Historical Materialism} Book Series hopes over the next few years to publish English translations of key works on Marx’s political economy by Hans-Georg Backhaus, Helmut Reichelt, Michael Heinrich, Jacques Bidet, and Enrique Dussel. An important article by Reichelt is forthcoming in \textit{HM}. The symposium on Chris Arthur’s recent work which was published in \textit{HM} 13.2 includes contributions by Albritton and Bidet. Arthur himself, in work so far unpublished, has recently written about the relation of his value-form reading of \textit{Capital}, to the approach of Uno with which it has some similarities.
of Marx’s Method, edited by Fred Moseley and Martha Campbell, Atlantic Highlands: Humanities Press.


Notes on terminology

Banking school: Nineteenth-century economists who rejected the quantity theory of money, arguing that an increase in the circulation of banknotes was a result, not a cause, of price rises. In periods of crisis, and irrespective of the size of the gold reserves, the banks should be allowed to increase their lending to businesses in trouble, provided only that they had sufficient deposits and reserves to protect themselves against collapse if loans were not repaid. Marx argued that banking-school analysis more accurately reflected the realities of a capitalist economy. He studied closely the course of the 1847 commercial crisis in England in which the restrictions on the issue of paper money by the banks following the Bank Act of 1844 had the effect of raising interest rates to penal levels, pushing more businesses into bankruptcy and deepening unemployment. The Bank Act had to be suspended, and banks allowed to increase lending. Marx argued that such measures could help alleviate downturns in the business cycle, but that neither the banking nor the currency schools understood the fundamental causes of capitalist crisis.

Commodity money: money whose value is based on the labour required to produce it, for example, metallic money such as gold or silver.

Credit money: IOUs issued by banks and other financial institutions which are then used as money, for example, banknotes historically issued by commercial banks and in some developing countries today; cheques signed against deposits; electronic payments made using credit cards.

Currency school: Nineteenth-century economists who claimed that increasing use of banknotes rather than gold coins was likely to lead to inflation. They were influenced by Ricardo, who had argued that the overall level of prices was determined by the quantity of money in circulation – similarly to modern monetarists. Currency-school theory was implemented by the passage of the Bank Act of 1844, which tied the volume of notes that the Bank of England could issue at any one time directly to the size of its gold reserve.

Derivatives: financial instruments, including futures, options and swaps, which are based on other underlying assets, such as bonds, company shares, bank deposits, oil, and so on. Derivatives are contracts promising to buy or sell in the future, or giving the right to buy and sell, or swapping the right to receive interest from underlying assets. Their value depends on that of the underlying asset, allowing companies and individuals to hedge and speculate. For example, if interest rates rise, the value of bonds held by a pension fund will decline: managers could hedge by selling bond futures now. By the same token, speculators could also make profits by trading in derivatives.

Fiat money: notes or coins whose purchasing power is based on the power of the state to determine that they are legal tender, the most famous example of which are the Assignats of the French Revolution.
Gary A. Dymski

Money and Credit in Heterodox Theory: Reflections on Lapavitsas

1. Introduction
The past decade has seen a flowering of research on monetary and financial questions by both orthodox and heterodox economic theorists. Social scientists outside economics have also developed many ideas about the place of money and finance in social relations.1 This paper considers two questions generated by this outpouring of work. First, is there a distinctive heterodox approach to money and credit relations? Second, why do different heterodox theorists have such different understandings of the role of financial elements in economic processes and crises? Throughout my paper, I use the term ‘heterodox economists’ to refer to those who disagree with the core orthodox assertion that undisturbed market forces tend to yield socially optimal outcomes.2 Heterodox economists draw inspiration from theorists such as Keynes, Marx,

1 Especially crucial are Harvey’s writings on Marxian theory 1982, urban processes 1988, and postmodernism 1990. Leyshon 1997 and Leyshon and Thrift 1997 review this literature.

2 The term ‘socially optimal’ in this sentence encompasses not just the rate of economic growth, but the extent of equality in opportunities and outcomes for members of society.
Kalecki, Sraffa, and Veblen – thinkers who have been erased from the intellectual terrain of contemporary orthodox economics.

Costas Lapavitsas has written two books in the past five years, one with Makoto Itoh, that develop very specific answers to these two questions. First, Lapavitsas asserts that Marxian theory provides a sufficient basis for a heterodox approach to money and finance. Second, he argues that differing interpretations of financial aspects of economic crises are rooted in core theoretical assumptions about how money and finance enter into economic processes. In 1990, I published a paper which made a similar argument regarding the second of these two claims, whilst rejecting the suggestion that any one theory, Marxism included, could provide a sufficient basis for heterodox economic theory. In this essay, I take the opportunity of a discussion of Itoh’s and Lapavitsas’s *Political Economy of Money and Finance* (2001) and Lapavitsas’s *Social Foundations of Markets, Money, and Credit* (2003) to think anew about the role of underlying assumptions in models of financial processes and of capitalist dynamics. After developing a conceptual frame of reference in Section II, in Sections III and IV I summarise and critically discuss Lapavitsas’s ideas. Section V concludes with reference to a reflection on Makoto Itoh’s recent work on the Japanese crisis, within which I give special attention to the interaction between the crisis of accumulation and the monetary and social crises that have accompanied it.

II. Analytical approaches to money and finance in heterodox theory

In the Walrasian general equilibrium model which anchors neoclassical theory, money and credit are inessential, second-order phenomena. For the orthodox theorists that use the Walrasian equilibrium as their point of reference, financial markets are fundamentally no different to other markets. Monetary markets present special challenges because of the link between monetary policy and the price level. However, if upright central bankers manage financial aggregates and markets in a sober way, agents in markets will be able to properly evaluate price signals and price risk, and crises can be minimised or avoided. The frequent occurrences of financial crises in recent years are troubling, but not an indictment of neoclassical theory: they simply illustrate the dire consequences of losing monetary and banking
control, and the importance of restoring discipline. When properly supervised, these markets function efficiently. ³

By contrast, virtually all heterodox theorists agree that financial processes are a key source of contemporary economic crises. However, they differ about the mechanisms that link finance with crisis. I have previously offered a way of unpacking the analytical basis of heterodox models of money and credit in the framework summarised in Figure 1.⁴

**Figure 1: Uncertainty and Real-Time Choices in Monetary Models**

<table>
<thead>
<tr>
<th>Degree of uncertainty:</th>
<th>Cash or certainty-equivalence [Money as a store of value]</th>
<th>Fundamental (Keynesian) uncertainty [Money as a means of exchange]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real-time environment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units are self-financing or have self-liquidating finance [No financial commitments over time]</td>
<td>Money, credit inessential</td>
<td>Money essential as a store of value Marx: money as a means of hoarding (MH)</td>
</tr>
<tr>
<td>Schumpeterian credit flows carried over real time</td>
<td>Credit essential; its volume is accumulation dependent Marx: money as means of circulation (MMC) (cell 2a,1)</td>
<td>Money, credit essential; credit and liquid reserves independent of accumulation</td>
</tr>
<tr>
<td>Speculative credit flows carried over real time</td>
<td>Credit essential; its volume is independent of rate of accumulation (cell 2b,1)</td>
<td>Marx: MH, MMC, money as a means of payment (MMP) (cell 2,2)</td>
</tr>
</tbody>
</table>

Figure 1 locates theoretical approaches relative to their ‘distance’ from the assumption set embodied in Walrasian general equilibrium. The horizontal dimension of Figure 1 depicts the theoretical choice that determines the role

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³ For a neoclassical view of the Asian financial crisis, see Corsetti, Presenti, and Roubini 1999; recent empirical work on financial crises is summarised in Demirgüç-Kunt and Levine 2001. For overviews of models of international financial crises, see Dymski 2003 and Erturk 2004.

⁴ Dymski 1990.
of money: whether events are certain or are exogenously uncertain. Exogenous uncertainty refers to circumstances in which variability in the outcome of a transaction is unrelated to the actions of any parties to it; by contrast, endogenous uncertainty exists when the outcome of a transaction can be affected by the actions of any party to it. Money can function as merely a means of exchange, required to acquire other goods; or it can serve as a store of value. When the outcomes of all processes and all transactions are certain or certainty-equivalent, there is no need for money as a store of value; assets such as bonds or stocks are better vehicles for that purpose. Certainty-equivalence means that returns vary, but in a predictable way; so probabilities can be used to calculate expected returns, and even to insure against the risk of an adverse return. Things change, as Keynes argued and Paul Davidson elaborated, when agents must make decisions whose outcomes are fundamentally unknowable. In such situations, confidence and conventional beliefs are important in deciding for or against more uncertain options. This matters for accumulation because the longer-term investment decisions that support aggregate demand and shape productive capacity are (‘Keynesian’) uncertain in this sense. When confidence fails and beliefs collapse, many agents run to security – that is, to money as a store of value.

The vertical dimension of Figure 1 asks whether a framework employs ‘real time’. An agent faces real time when decisions made now commit resources that cannot be unwound until some longer term. If all outcomes are known in advance with certainty, this simply creates co-ordination challenges; but if they are not – if circumstances may change in the sequence of short-terms that comprise the longer term – then making longer-term (irreversible) commitments now exposes agents to illiquidity and insolvency risks.

The first row supposes there is no external finance, or that all credit is self-liquidating within the short-term. Then, as Ingham puts it, ‘Money enters in only in the modest role of a technical device’ – as does credit playing the role of money. In the two following rows, expenditures and income are mismatched in (real) time; so financing relations over time are essential. In the middle row, this credit is used only to facilitate production and exchange; its volume thus depends on the pace of accumulation. Credit relations envisioned in this way are termed Schumpeterian, in recognition of his vision of credit markets as the ‘engine room of capitalism’. The bottom row, in turn,

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5 Exogenous uncertainty refers to circumstances in which variability in the outcome of a transaction is unrelated to the actions of any parties to it; by contrast, endogenous uncertainty exists when the outcome of a transaction can be affected by the actions of any party to it.

6 Keynes 1936, Chapter 12; Davidson 1978.

7 Ingham 1996, p. 508.

permits the possibility that credit over time may be used speculatively. ‘Speculative’ here can have any of several meanings: it can denote the financing of activities whose expected rate of return is less than the cost of borrowing, activities with a very low prospect of success, or simply activities that do not in any way enhance the future income stream of the borrowing unit. Minsky,\(^9\) in particular, made much of the rise of speculative credit over the business cycle. Clearly, speculative credit flows fully emerge only under exogenous uncertainty.

This figure asserts that only if an economy is located along the second or third rows of Figure 1 is credit analytically essential; and only if an economy is located in Figure 1’s right column is money analytically essential. Figure 1 then fits Marx’s ideas about money and credit into these categories.\(^10\) Marx is no Walrasian; even his simple reproduction schemes involve accumulation-dependent credit, that is, money as a means of circulation (MMC), wherein one capitalist providing another with credit to facilitate the more rapid circulation of commodities. When uncertainty is introduced, money – that is, relatively safe financial assets – enters in as a means of hoarding (MH). Insofar as money is removed from circulation (as MH) rather than thrown back into accumulation as MMC, the pace of accumulation slows. In an economic crisis, credit shrinks and payment in cash (money as a means of payment, or MMP) is demanded by capitalists besieged by creditors. The presence of some capitalists in financial dire straits spreads financial distress and causes localised crises to become generalised. Marx anticipated Keynes and Minsky in suggesting that borrowing intended to facilitate accumulation can turn speculative when the pace of accumulation slows.

Figure 1 suggests that ‘Marx... offers no single approach to money and credit’.\(^11\) This framework can also be used to classify heterodox models regarding the role of money and credit in economic crises. For example, Lipietz can be placed in cell (2a,1) as he emphasises that over-rapid credit expansion, even if not used speculatively, can generate crises by triggering inflationary pressure.\(^12\) De Brunhoff, Itoh, and Magdoff and Sweezy, by contrast, suggest per cell (2b,1) that speculative credit flows often trigger or

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\(^9\) Minsky 1975.
\(^10\) Each of the distinct Marxian approaches to money and credit identified here can be found in the first twenty-five chapters of Marx 1977.
\(^11\) Dymski 1990, p. 41.
\(^12\) Lipietz 1982.
worsen crises: credit demand overheats and leads to either interest-rate spikes, inflationary pressure, or both. Crotty, among others, has developed Keynesian/ Marxian models in which both uncertainty and credit-imbalance factors matter, as per cell (2,2).  

In my 1990 essay, I discussed neither post-Keynesianism, circuitist analysis, nor Keynes himself within Figure 1. Fontana and Gerrard take up these lacunae. They argue that Keynes had a cell-(2,2) approach; but contemporary post-Keynesianism belongs in cell (1,2) because of its quasi-complete focus on uncertainty, to the virtual exclusion of credit linkages within capitalist production. These authors argue that a ‘monetary production economy’ approach, as developed in circuitism, reunites Keynes’s framework with key aspects of Marx’s, and shifts analysis definitively into cell (2,2).

III. Lapavitsas on money and finance in the capitalist economy

Costas Lapavitsas’s articles and books on Marxian monetary theory extend over a decade. While he does agree with the point made above that ‘Marx’s writings on money . . . contain a variety of arguments capable of sustaining different views on the origin of money and its economic role’, he has worked hard to identify a specific Marxian approach within monetary theory. In 1994, Lapavitsas asserted that Marx extended the banking-school view, but was also critical of it for paying insufficient attention to the ‘organic relation’ of the different forms of money to ‘the system of economic categories as a whole’. In Lapavitsas’s view, it is crucial in Marx’s monetary approach to maintain a privileged role for gold and for state fiat money.

Lapavitsas follows Marx in working through the labour-value equivalents of the mass of commodities, and of gold, in conceptualising prices and fiat money. Indeed, Lapavitsas understands variable money hoards in the context of two analytical problems. He supposes with the banking school that causation runs from prices to money (not vice versa, as per the currency school); he also supposes a systematic relation between the total (embodied labour) value of social capital and the value of money. Consequently, only

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14 Fontana and Gerrard 2002.
15 Further, Dymski 1990 made only passing mention of asymmetric information, failed to mention race or gender inequality, and ignored the role of space.
16 Lapavitsas 2003, p. 53.
so much money is required to reproduce capital within the Marxian circuit M–C–M'; unneeded money will be hoarded. Lapavitsas writes, 'Marx’s work . . . treats the processes which bring money into circulation, and the processes which create money hoards, as endogenous to the accumulation of capital and determined outside the sphere of exchange'.

By the value of money, Lapavitsas does not mean the labour-value embodied per unit of whatever commodity functions as money. This interpretation, which Foley used in his resolution of the transformation problem, is explicitly rejected in Lapavitsas. Instead, Lapavitsas argues that money in circulation equals the total labour-value produced in a given period. This permits him to be relatively indifferent between whether commodity money or fiat money plays the role of ‘money as means of exchange’. Significantly, Lapavitsas himself has not taken on the problem of the consistent determination of the labour-value of produced commodities. For example, he writes in his 2000 article:

> whether value is created in production or in exchange, and the conceptual subtleties involved, are entirely outside our scope. This article obviously adopts an ‘orthodox’ view, namely that abstract labor is the substance of value that is created in production under capitalist conditions.

This approach to hoarding and to the value of money provides Lapavitsas with a complex position relative to other poles in debates about monetary theory. He agrees with post-Keynesians that money is endogenous, but not that the value of money is arbitrarily determined; and he agrees with quantity theorists that the Keynesian liquidity preference motive is relatively unimportant in monetary dynamics, but disagrees with their assertion that prices vary with money supply. Moreover, he affirms an orthodox approach to the role of labour-value and surplus extraction in capitalist production, but without engaging in the underlying debates about the value/price transformation problem.

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19 Foley 1982.
20 Lapavitsas 2000, p. 632.
22 Lapavitsas 2000 admits that Marx recognised the psychological aspects of hoarding which Keynes was to term liquidity preference; but he insists that hoarding fundamentally regulates the exchange-value of money. Foley 1998, in an essay that largely agrees with Lapavitsas’s approach, argues that speculation can arise because of disagreement among market participants about the impact of technical change on future asset prices.
This brings us to the book that Lapavitsas co-authored with Makoto Itoh. This 1999 volume aims at demonstrating that the instability of money and finance within the global capitalist system over the past two decades is due not to ‘erroneous and misguided management of money and finance by the authorities’; rather, ‘the roots of capitalist monetary and financial instability are to be found . . . within the process of capital accumulation itself’. The authors’ Marxian approach ‘rejects the psychological and subjective elements of Keynesianism, and attempts to construct a socially founded theory of money and finance’.24

These authors support the banking-school perspective, but write that ‘even this strand of the classical school remained firmly wedded to the naturalistic view of money as a harmonious element of capitalist exchange’.25 As in Lapavitsas’s earlier work, links are established between the value created in capitalist production, the value of money, and commodity money. They acknowledge that

Marx’s argument that gold is the most appropriate form of world money has not stood the test of time particularly well. With hindsight, the form of world money has varied according to the development of the global credit system . . . and to political relations among the capitalist states.26

Banking credit plays a ‘social function’; specifically it ‘facilitates the reallocation of labor and other resources’ and thus is, along with commercial credit, among the ‘mechanisms used by the competitive capitalist economy to realize the law of value’.27 Itoh and Lapavitsas move on to discuss the breakdown of the ‘Golden Age’ of capitalism and the emergence of the neoliberal era.28 They assert that an overaccumulation crisis emerged in the postwar period and led both to the global disorganisation of capitalism and to the dissolution of regulated national banking systems. The many outbreaks of financial instability in the past two decades are recognised, but attributed to the deeper crisis of global capitalism per se.

21 Itoh and Lapavitsas 1999, p. xii.
28 These authors’ analysis of core elements of capitalism and of postwar capitalism embodies Uno’s method (Uno 1980), which distinguishes between the pure theory of the capitalist economy, the analysis of stages of capitalist development, and applied analysis.
Itoh and Lapavitsas go on to criticise post-Keynesian conceptions of money and credit. The notion that all money is credit money, maintained by Wray\(^\text{29}\) and others, is criticised as historically inaccurate;\(^\text{30}\) they insist that contemporary money and credit relations have their origin within the framework of capitalist relations. More generally, ‘the question of why money exists cannot be answered by general reference to uncertainty and the irreversibility of time’.\(^\text{31}\) In effect, these authors deny the relevance of the right-hand column of Figure 1 in financial dynamics.

Lapavitsas’s 2003 volume re-iterates these money/credit themes, sets out a broader theory of capitalist accumulation, and discusses some of the concepts developed by non-economist social scientists. The second of these tasks is taken up in an exposition that closely resembles that of Marx,\(^\text{32}\) and that avoids mention of monetary or financial issues. Lapavitsas’s explanation of crisis emphasises the contradiction between the generation of surplus-value and the absorption of the goods and services generated by capitalist production. This solidifies his (‘orthodox’) perspective that non-monetary sources of disturbance are the central problem under capitalism. Lapavitsas notes that crisis tendencies are readily seen via Marx’s circuit of capital approach. He then introduces the circuits of money capital and finance that accompany and reflect the circuits of capital per se. The monetary ideas summarised above are largely repeated here; while he adds an attack on the idea that money as a unit of account preceded commodity exchange, and criticises the chartalist view that money is state-created.\(^\text{33}\)

Lapavitsas also engages in an exploration of some aspects of the ‘social relations’ involved in production. He first reviews the debate on whether the gift relation is an antithesis to the commodity relation, focusing on Gregory.\(^\text{34}\) Gregory suggests that gift relations provide an alternative to capitalist society as a basis for exchanging goods and services. Lapavitsas disagrees, arguing that fully developed gift exchange depends on commodity exchange, and indeed relationships of reciprocity and social trust as antithetical to commodity exchange.\(^\text{35}\) To the contrary, trust and reciprocity are critical in capitalist

\(^{29}\) Wray 1990.
\(^{30}\) Itoh and Lapavitsas 1999, p. 232.
\(^{31}\) Itoh and Lapavitsas 1999, p. 233.
\(^{32}\) Marx 1977.
\(^{33}\) The author is reacting to Ingham 2001, a paper that criticises Fine and Lapavitsas 2000.
\(^{34}\) Gregory 1982.
\(^{35}\) Lapavitsas 2003, Chapter 2.
production; trust must often be given in advance of production, especially between borrowers and lenders. So, relations of trust, far from constituting an alternative to capitalism, are required to fuel production via credit and contracts in advance.

Lapavitsas then goes on (especially in Chapter 4) to describe the credit system. He writes:

money’s power over people and resources allows its owners constantly to establish new hierarchies of wealth and privilege. . . . Capitalist credit, even in the most developed social forms, is ultimately founded on the ability of industrial capitalists to generate profits through the exploitation of workers. The credit system lends a social and objective aspect to trust and power, but only in order to place both at the service of capitalist exploitation.36

Lapavitsas notes that credit (hence, trust) is extended to borrowers whose resources make them default-proof, and otherwise to borrowers regarded as especially able to discipline and extract surplus-value from their workers. The author regards the emphasis given to moral-hazard problems in credit markets as overdone, because commercial credit permeates business, and commercial credit depends on commercial trust; and to retain access to this credit, borrowers’ prior need – stronger than any desire for short-term gain through defaulting – is to maintain the trust of other firms in their spheres of business.37

Lapavitsas is generally dismissive regarding the role of banks; they ‘are neither engaged in production . . . nor . . . produce value and surplus value – banks merely employ their capital in the business of transforming one type of promise to pay into another’.38 However, he does note that banks expand the basis of trust by give a more social basis to creditworthiness.

Lapavitsas then discusses several other approaches to social relations as they affect economic dynamics. The first is social norms, which are ‘now explicitly incorporated into neoclassical theory’, without disturbing its defining characteristics (in particular, methodological individualism and rational choice). Lapavitsas argues that the Marxist framework is better suited to comprehend the ‘social content of the various norms incorporated into economic analysis’.39

Information asymmetry is discussed next; it ‘offers precarious foundations

37 Lapavitsas, 2003, pp. 73–6.
38 Lapavitsas, 2003, p. 79.
on which to base the economic analysis of capitalism and its markets’. 40
Information has a social dimension that is not appropriated well in a model
that explains social norms in terms of individual agents’ motivations and
actions. Regarding social capital specifically, Lapavitsas argues: ‘The result
of collapsing capitalist social relations into social capital is to obscure the
caracter of these relations, rather than broaden the analysis of the economy.’ 41

IV. Some considerations on Lapavitsas’s approach to heterodox
monetary theory

Both Lapavitsas’s recent work and my 1990 paper take the approach of
attempting to identify the implications of core theoretical assumptions in
heterodox models of money and credit. Nevertheless, our understandings of
what constitutes a basic theoretical choice are very different. I have argued
that a theorist’s basic choice in thinking about money and finance concerns
the issue of whether uncertainty and real time should be incorporated into
her core framework. If so, money and credit will affect economic outcomes,
have roles to play, and even generate crises; if not, these will be only second-
order phenomena. Financial models can be classified, then, based on their
treatment of time and uncertainty.

For Lapavitsas, by contrast, the basic theoretical imperative in modelling
money and finance is to work outward from the dynamics of capitalist
surplus extraction and accumulation. Lapavitsas refers in several places to
the historical origins of money and credit, but his interest is exclusively on
capitalism as an historical phenomenon. For him, the task of theory is to
exposit how the logic of capital accumulation underlies phenomena observed
in the economy today. To proceed otherwise is to elaborate on behaviour in
isolation from the fundamental economic dynamic of our historical era. Thus, to
understand a phenomenon – such as ‘trust’ and its role in social interactions –
is to see how it affects the internal logic of capital accumulation; this is the
point of Lapavitsas’s extended remarks on trust in credit markets and in
capitalist firms’ contracts.

Lapavitsas has thrown down a provocative challenge to other heterodox
theorists. Most, myself included, agree that capital accumulation is a fundamental
imperative for firms and corporations, and hence for understanding the global

41 Lapavitsas, 2003, p. 111.
economic system, the nation-states within it, and local communities within nations. However, Lapavitsas takes this point to an extreme by insisting that the only topic eligible for systematic investigation by heterodox political economists is precisely the logic of capitalist relations, that any characters introduced onto the economic stage be defined according to their roles in the drama of capitalist accumulation.

This *is* a way of putting all social dynamics into one context. But there is a heavy analytical price for it. Micro-processes and firm strategies are irrelevant, since they are subsumed within broader social dynamics. Financial phenomena are relevant only insofar as acknowledging them adds further insights into the accumulation process.

This approach forces an analytical pre-commitment that only a very few theorists are prepared to make. For the theorist is not asked whether there are insights in Marx that can be developed into her discourse; the theorist is asked to adapt her discourse to a particular approach. This seems inconsistent with one of the most attractive features of the Uno school’s approach\(^2\) – the fact that it permits movement between different levels of abstraction and historical specificity. The notion that different social phenomena have differing degrees of importance at higher or lower levels of abstraction could readily be applied to money and credit issues. Lapavitsas has argued too strongly that examinations of money and credit issues must embed the logic of the capitalist accumulation process.

But are we entirely creatures of capitalism, even as economic beings? Are we not social and psychological beings, as well as economic agents? Are our fears and our insecurities, as these enter into our financial decisions, entirely coloured by capitalism? Do we stop or go in investment decisions primarily according to macro-rhythms of the accumulation process? Can a theory centred on the capital accumulation process explain every aspect of social reality in this historical period? Will processes of habit formation and idea gathering be different in another mode of production than capitalism? If we are locked inside a capitalist dynamic, is the reduced-form logic of this dynamic sufficient to capture all the details that matter? Is there only one socio-economic dynamic that is relevant, enduring, and independent in our social experience? The answers to these questions seem clear enough; Lapavitsas has chosen in the works under review here to operate at a high level of abstraction that

\(^{2}\) See note 7.
discounts the social and psychological, that theorises only the macro-rhythms of global capitalism. This brings some things into sharp focus, and leaves others in shadow.

The limits to Lapavitsas’s approach are illustrated by his discussion of banking. As noted, he views banks as merely redistributing the financial claims and assets that are emitted by surplus-value-generating units. For one thing, this is wrong as an empirical matter. Lapavitsas writes about credit markets as if only capitalist firms ever borrowed. He finds no place for the mortgage and consumer-credit markets that are pervasive in virtually every nation. Presumably, this is due to his focus on capital accumulation as such. However, an analysis of credit markets in any nation would be impossible without including mortgage and consumer-credit flows, and, in turn, the forces operating on the financial firms that operate in these markets. A closed-form model of the circuit of capital can capture only a small share of this. Ironically, Lapavitsas’s comment about banking firms is analytically equivalent to Eugene Fama’s view, wherein banks have no effect on equilibria in efficient financial markets. Of course, Lapavitsas does not adhere to efficient markets theory; but, through his disregard of intermediate levels of theory, including any attention to banking-firm strategy and behaviour, there is nothing to use to think about such questions. All we are given is the raw architecture of the accumulation process.

Let us shift to an even more concrete situation – for example, a study of the money and credit markets in Soweto, South Africa. In such a study, the key role of informal financial markets would become readily apparent. This raises the question: is it right to use the capital accumulation process per se as the defining framework for investigating these informal markets? The background of capitalist domination in South Africa cannot be denied; but much else has shaped Soweto, both historically and today – legacies of colonial oppression, ravages of apartheid, bonds of trust and community complicity, and so on. Certainly, a class analysis of Soweto’s situation in the context of global capitalism will reveal many insights into its economic dynamics, much as Magubane’s book did in the apartheid era. Nevertheless, many social dynamics in Soweto intersect with the impulses of capitalist

43 Fama 1980.
44 Dymski 1999 discusses the evolution of banking strategy and of mortgage and consumer credit markets in the US.
45 Magubane 1979.
accumulation, without being determined thereby. Johannesburg is also the site of processes of social exclusion and discrimination, and of crises of fiscal austerity and political legitimacy; and all of these factors combine to produce money and credit practices in the townships. At different points in time, these informal markets have operated on the basis of the recirculation of money held among marginalised residents, the monopolistic behaviour of opportunistic petty-bourgeois operators, and most recently, new instruments provided by formal banks headquartered in South Africa and elsewhere.

The global crisis of capital accumulation is clearly one of the forces operating in this evolving scenario; but there is also the crisis of South Africa and its social inequality itself, and the crisis of banking firms in the era of deregulation, and so on – all these aspects have effects on this evolving scenario. Is the impulse of capitalist accumulation necessarily there, with the same force and logic, in each of these space-time instantiations of informal credit markets in the townships? If an analysis of Soweto’s money and credit markets is to proceed in the context of Marxian analysis, either (i) some aspects of social experience must be ruled out; (ii) the scope of what is captured in the term ‘capital accumulation’ is broadened; or (iii) processes and behaviours that do not reduce to the accumulation impulse must be permitted. The first choice seems too strong. Viewing social experience as irrelevant except insofar as it sheds light on capital accumulation per se will limit the field of inquiry into money and credit phenomena, especially at a time when informalisation is becoming more widespread. The middle path seems more sensible, but remains problematic. Can it be argued that the evolving informal credit-market practices in Soweto are governed by an overarching logic of capital accumulation? Not easily. Instead, other practices and behaviours, including (at different points) trust, communal and ethnic bonds, and racism all play a role. The third approach seems most useful. Why not view capital accumulation as a formalised process embodied in particular institutions – say, the big banks in South Africa – which may engage and disengage, at different points in time, with economic units and processes in the townships? In effect, we can affirm that the profit imperative determines these banks’ behaviour; but this imperative plays out in evolving markets that interact, sometimes unpredictably, with non-market social dynamics.

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46 Beall, Crankshaw, and Parnell 2002.
To turn to the money-credit dimensions highlighted in Figure 1, surely fundamental uncertainty afflicts the workers, households, and businesses who are contending with life in Soweto; and surely they must take steps to counter its impact; and the inability of businesses there to finance economic activity over time actually stunts the emergence of robust capital-labour relations within Soweto – as a consequence of which, capital-labour relations continue to bear the stamp of colonial and racial domination. To assert that ‘the’ capitalist accumulation process is visibly or invisibly steering all relevant economic events seems too strong in this case. Surely the same is true for any analysis of the favelas of Rio de Janeiro or the barrios of East Los Angeles.

Lapavitsas has, in effect, chosen the first option (of the three identified above). Unquestionably, he is not attempting to re-assert the kind of totalising discourse that drove so many intellectuals away from Marx. However, if we accept this, then he and we must set aside the premise that developing heterodox theory is co-extensive with the development of the core framework of Marxian accumulation. Why cannot the construction of heterodox theory mean fighting for subaltern populations, nations, and classes, and not simply engaging in class analysis? Why cannot there be conceptual space for taking seriously the social and communal links that, say, embody some forms of micro-banking, and then introduce a critical analysis from a class/accumulation perspective?

Elsewhere in the terrain of Marxian theory, debates over core concepts such as exploitation and class have concluded that these concepts are hard to both define precisely and use inclusively. Do we need a more precise definition of capital accumulation as a framework for social theory? Following the discussion of the three ‘choices’ above, the answer is: only if it is broadly agreed that Marxian theory is a privileged explanatory framework. But this is no longer the case in virtually any social-science setting. Many theorists who are sympathetic to Marx, as Zelizer points out, are at the same time exploring non-Marxian concepts such as social capital and ethnic networks. Such theorists will not welcome theoretical blinders.
V. Conclusion: underlying assumptions and ‘models’ in heterodox theory

Marxian accumulation theory and heterodox monetary theory are both important referents for understanding socio-economic dynamics in the contemporary world. Of course, many other entry points provide insights into social inequality, interactions between intentions and behavioural outcomes, subject-object relationships in perception and experience, and so on. Nevertheless, no one entry point disqualifies another. Distinct entry points lead to distinct theoretical knowledges and ways of seeing. Marxian crisis theory is not rendered redundant by the emergence of non-Marxian, agent-based theories of economic disorder. Insights from postmodernism do not make Marxian insights about class and crisis unusable.

To the contrary, analysing class-based accumulation dynamics can be readily complemented, in a non-reductionist way, by knowledges based on other starting points, such as gender, racial inequality, or colonial oppression. Different writers use different entry points, use theory very differently, and vary widely in the institutional specificity of their analyses. In addition, one thing is certain about heterodox theorists producing texts today: their frameworks and entry points vary and are in no sense uniform. It might be noted that heterodox monetary theorists vary as widely as do any other subset of theorists in this regard. Further, this is not a debating game with one set of rules, wherein winner and losers will be proclaimed. Rather, participation is voluntary for all concerned. Judgement requires adherents in a rule of law and the silence or impotence of the accused; so it is not clear that heterodox theory can afford judgement. By implication, members of that unruly band known as heterodox social theorists have an obligation to make themselves aware of the limits and implications of their own discourses, and also an obligation to take heterodox theorists with different starting points seriously.

For contemporary heterodox political economy, then, analyses that are co-respective and open, and that provide road-maps between different theoretical formations, are especially valuable. This point certainly obtains for the intersecting realms of money and credit theory and accumulation theory. The considerations in Section IV imply, as does Section II, that no single approach to money and credit theory is feasible or desirable. There are

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50 Harvey 1990.
too many phenomena to be considered at the macroscopic and microscopic scales to fit comprehensively into one modelling design. As complexity theory shows, even apparently simple frameworks can yield infinite patterns. This perspective permeates the analytical framework suggested in Section II. Keeping track of assumptions about real time and uncertainty, as Figure 1 suggests, clarifies the analytical roles of money and credit, and makes it possible to keep track of the financial elements that are active or passive in a given model (and of the effects of these elements).

Marxian accumulation and exploitation processes can be evaluated either in isolation from real-time and uncertainty considerations (contexts in which credit and money are inessential), or in full cognisance of these considerations. Financial dynamics reduce purely to accumulation dynamics, as argued above, only if accumulation dynamics are broadened considerably or if financial elements are defined in such a way that they have no analytical roles to play. The same conclusion follows for models exploring other dimensions of social existence, such as gender inequality, discrimination, racism, and social exclusion.

It is to be hoped that this approach to money/credit issues will encourage conversations for those with different entry points, even across disciplinary lines. This is especially important because social theorists who have in common a rejection of economic orthodoxy may nonetheless have problems ‘finding’ each other: for they will in most cases choose different ways to deviate from the ur-neoclassical framework, the Walrasian assumption set.

Makoto Itoh’s reflections on the Japanese economic crisis
There is no doubt that finding a balance between one’s theoretical commitments and historical/institutional analysis is a daunting challenge for any theorist – especially when more than one theoretical entry point seems relevant. Interestingly, one contemporary Marxian theorist who has taken on this challenge is Makoto Itoh, co-author of one of the two Lapavitsas volumes discussed here. It will be useful for our purpose to examine Itoh’s construction of his ideas – especially because Itoh has different answers than does either Lapavitsas or me to the question of the relationship of Marxian accumulation theory and money/finance theory, posed at the beginning of this essay.

Itoh’s earlier work on Marxian crisis theory\(^\text{51}\) was acknowledged above. In Itoh’s Uno-school framework, this work focused on pure theory. In the past

\(^{51}\) Itoh 1978.
several years, Itoh has shifted his attention to the third (least abstract) level of analysis: the conjunctural crisis that has affected Japan’s economy and society since the 1980s. These explorations have resulted in one English-language book and in two chapters in other volumes.52

We can start with the chapter that Makoto wrote for a book comparing the US, Korean, and Japanese systems of housing finance.53 His topic was the search of Japanese households for affordable housing during the different phases of Japan’s postwar experience. In this chapter, he shows how affordable and adequate housing has been beyond the reach of most Japanese households throughout this period, due to Japan’s industrial policy, to a liquidity-driven housing-price bubble, and, most recently, to the interaction between Japan’s stagnation, its changing labour force, and its corporations’ labour-market practices. Housing is more expensive because of the lingering effects of the bubble; Japanese corporations are not able to employ as many ‘salarymen’ with secure wages; and while more women have entered the workforce, their low wages and forced withdrawal from the workforce as ‘education mothers’ prevents most husband-wife households from overcoming the housing-price gap, even with interest rates near zero. Both Itoh’s chapter and that of Mariko Adachi54 in the same volume illustrate that the social crisis of women, including their discriminatory treatment, is at the heart of the contemporary Japanese crisis.

Itoh extends this analysis in his 2000 volume, which moves from housing in Japan to the causes of the Japanese economic crisis as a whole. Itoh writes in the preface to this volume:

Methodologically, this volume is at the level of concrete empirical analysis of contemporary capitalism, and certainly not at the level of principles of political economy, or at the intermediary level of stages theory of capitalist development – to use K. Uno’s distinction. Following Uno’s methodology, I have avoided direct application of basic theories to the level of empirical analysis.55

Itoh goes on to note that the ‘theoretical background’ of his other works, including Itoh and Lapavitsas,56 ‘though not directly applied here, still guides

52 Itoh 2000; 2001a; 2001b.
53 Itoh 2001a.
55 Itoh 2000, pp. xi–xii.
56 Itoh and Lapavitsas 1999.
my analysis by providing the following broad historical perspective'. 57 Itoh
goes on to describe how capitalism after the nineteenth century became, in
Uno’s view, ‘impure’ due to the adoption of Keynesian policies and international
rivalries; now, however, global capitalism is ‘moving again strongly toward
a more competitive market with a reduced role for the state’. 58

This 2000 volume contains five sections, dealing respectively with the
economic dynamics of capitalism in Japan, the consequences of technological
change, changes in industrial and family structure, Japan’s financial and
asset-price bubble, and finally the impact of the latest wave of globalisation.
Overall, he sees Japan’s growth as slowing from the double impact of a
stagnant global economy and a profound internal structural crisis. His
analysis of the crisis of the Japanese household is more detailed than in Itoh; 59
it describes Japanese family life as ‘empty’ and suffering from ‘internal
fission’. 60 This leads into a discussion of the declining Japanese population,
which is one underlying factor in the slowing accumulation rate of Japanese
capitalism. Itoh considers several possibilities for increasing the size of
the Japanese labour force; one involves addressing problems of gender
discrimination in the workplace and labour market. He ends this chapter
with a call for men to have more time to help in household chores and
child-rearing, in the name of constructing a ‘sounder human social order’. 61

The chapter on the Japanese bubble asserts that Minsky’s characterisation
of financial instability captures very well what has occurred in Japan. He then
notes,

the fact that in a capitalist economy it is possible for financial bubbles to
emerge . . . [is not] sufficient to explain . . . financial instability in the Japanese
economy in this period. We also have to reconsider the role and the functions
of the government of Japan and the Bank of Japan. 62

57 Itoh 2000, p. xii.
in expositing the Uno-school approach for their readers, use the family as an example
of an impurity in capitalism, since it is not structured as (and does not work like) a
capitalist firm. The authors go on to note that for Uno, ‘such impurities were
dispensable at a level of research; the impurities had no functional role for the basic
system as a whole’. For Uno, crises are curative in pure capitalism but not in other
forms of capitalism, according to these authors.
59 Itoh 2001a.
60 Itoh 2000, p. 68.
61 Itoh 2000, p. 75.
62 Itoh 2000, p. 77.
He then embarks on a detailed investigation of the evolution of Japanese financial markets, banks, and government policy during the past twenty years.

In effect, Itoh’s analysis of both the Japanese family and asset-bubble crises highlights social forces and institutional factors that are not reducible to elements in the logic of accumulation, and yet which profoundly affect Japan’s rate of accumulation. He does not attempt to explain how these social forces and institutional factors emerged with the birth of capitalism in Japan. To the contrary, he recognises some elements – for example, ‘communal family life’ – that pre-date capitalism in Japan; he shows how family structures and gender roles affect capitalist outcomes, and vice versa. Itoh also acknowledges some social phenomena – notably, gender discrimination in the economy – that are inconsistent with the achievement of a maximum rate of capitalist accumulation; that is, he does not insist that every phenomenon introduced into explanation must have the social function of augmenting the rate of accumulation.

Makoto Itoh’s approach to the relationship between the Japanese crises of social reproduction and capital accumulation is the approach suggested in this paper for analyses of money and credit relations. It is not possible in some sense, to reduce money and credit relations to the dynamic of non-financial capital accumulation. When one analysis utilises money/credit concerns as an entry point, and another, the capital accumulation process per se, then there is no neutral way to investigate what causes what – at least at the level of theory.

Itoh may be open in this respect because he has defined his analysis as a ‘level three’ (empirical observation), not ‘level one’ (pure theory of capitalism) exercise. This can be read in two ways. In one reading, phenomena like credit crises, breakdowns in monetary order, gender-role conflicts, and so on, are epiphenomenal and not accepted in the core of ‘pure theory.’ In another reading, contemporary Uno-school theorists such as Itoh can be interpreted as walling off the notion of a ‘pure theory of capitalism’ as depicting a situation which may be a reference point but which is unattainable or unobserved in the world today. Thus, discussions of current economic and social problems can readily mix in elements not included in this ‘pure theory’. Level-one

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63 Itoh 2000, p. 68.
64 Itoh’s sweeping analysis of the development of global capitalism over recent centuries (Itoh 2001b) also notes the importance of the survival of precapitalist institutions and practices after the appearance of the capitalist mode of production.
theory is, in effect, a closed system like the Walrasian general equilibrium; it exists as a theoretical possibility, but is not embodied in the real world in which we live. It is a reference point for Uno-school theorists, just as the Walrasian model is for those trained in neoclassical economics. As Itoh notes, the decline of the Keynesian state is reducing one set of ‘impurities’ that have masked the workings of the capitalist cycle identified in ‘pure theory’. However, this development is arguably offset by other ‘impure’ factors such as the market manipulations of powerful multinational corporations and the unique global role of the US economy as both lender and consumer of last resort.  

Itoh appears willing to live with this tension between ideal-logic-of-capitalism-as-reference-point and lived-capitalist-systems. Consider this extended passage from his concluding chapter, in which the author poses and answers a question:

How can we find a way out of this crisis? … Following [Marx's] approach, we should start from an objective analysis of the dynamism of the Japanese economy and identify the roots of the difficulties confronted by left-wing movements. Compared to Marx's age, our own era is witnessing much more active movements among workers, environmentalists, feminists and other social and political groups which could potentially cooperate with each other.

It is hard to read this passage except using double theoretical vision. On the one hand, the author insists on the importance of a specifically Marxian approach to Japan’s economic crisis. On the other, he acknowledges the place of other ‘active movements’ who can ‘potentially cooperate’. In not making a choice – in insisting on the role of Marxian analysis and at the same time of non-Marxian analysis, in inserting analytical elements identified by theorists of these ‘active movements’ into his own explanation, Itoh maintains his own form of theoretical consistency and, at the same time, retains theoretical openness.

Asymmetric power and borders in heterodox monetary theory

For me too, theoretical openness is a prerequisite if heterodox theory as a whole is to advance. As noted, there are many ways to deviate from the

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65 Dymski 2002.
66 Itoh 2000, p. 137.
assumptions of Walrasian general equilibrium, and thus to create non-reducible theoretical roles for money and/or credit.

This said, we briefly take note of two other deviations from Walrasian assumptions that have special implications for financial relations, and that create opportunities for heterodox model-building. One is the idea of asymmetries in market participation. Information asymmetries in credit and other markets are now well recognised in economic theory.\textsuperscript{67} Less understood is that asymmetric power often accompanies asymmetric information – as Bowles and Gintis\textsuperscript{68} observe, those on the short side of the market may use the leverage this provides, possibly to compensate for information disadvantages. Asymmetric power is certainly a factor in some financial markets: consider the contemporary phenomena of predatory lending, check-cashing, and payday loans. To the extent that Marxian analysis is concerned with social domination as well as exploitation, investigations of financial phenomena should be expanded to encompass asymmetric power.

Second, the presence of borders between lenders and borrowers, or between savers and dissavers, can profoundly affect financial processes. Lending across national borders in the presence of uncertainty creates the preconditions for a financial crisis. The sudden withdrawal of credit by offshore lenders can create a financial crisis no matter what the state of the domestic business cycle.\textsuperscript{69} Further, accumulation, employment, and debt levels in lower-income ethnic communities are profoundly affected by the lack of access of many such communities’ residents to formal money and credit markets. Given the absence of formal financial infrastructure in these communities, informal financial markets can operate in a very exploitative manner on residents, especially those lacking exit options.\textsuperscript{70} Again, power and social domination come into play. Some years ago, I argued that the Marxian conception of exploitation pertains to this latter case.\textsuperscript{71}

Considering the implications of asymmetric power or of national or social borders on money and credit processes does not in any way negate the relevance of capital accumulation to theory-building. To the contrary, firms’ drive to accumulate and social/spatial inequality may interact in any number of ways. The implication here, as for Figure 1 itself, is that models

\textsuperscript{67} Stiglitz and Weiss 1981.
\textsuperscript{68} Bowles and Gintis 1986.
\textsuperscript{69} Dymski 1998.
\textsuperscript{70} Dymski and Li 2003.
\textsuperscript{71} Dymski 1996.
taking money and credit seriously will identify more possibilities of crisis and more co-ordination challenges than those that do not. Nevertheless, this is what it means to introduce money or credit into an analysis. Money and credit relations do not reduce to epiphenomena of the capitalist accumulation process; instead, when considered in the context of uncertainty and real time, they illuminate more profoundly why capital accumulation is crisis-prone and unstable.

References


Dick Bryan and Michael Rafferty

Money in Capitalism or Capitalist Money?

The wealth of societies in which the capitalist mode of production prevails appears as an immense collection of commodities...¹

From the very first sentence of Marx’s Capital, we know that capitalism is characterised economically by two essential features: the commodity and the competitive drive to accumulate. As the analysis of both has evolved, money is too often depicted as just the handmaiden, the oil that lubricates commodity exchange and that facilitates accumulation, but without being itself central. With money so readily pushed to the background, it is not surprising that much of Marxism tends to dissociate a ‘real’ economy of goods and services, class relations, and value, from a monetary world of representation (and misrepresentation).

The recent resurgence of an interest in money and finance is most welcome, for the new prominence of finance on a global scale has forced Marxists to go back to some basic questions about the nature of money in capitalism. The work of Costas Lapavitsas

¹ Marx 1976, p. 125. We wish to thank Roni Demirbag for research assistance and advice and Sam Gindin and Leo Panitch for comments on an earlier draft. The research was funded under Australian Research Council Grant A10009141.
has been a significant contribution, both in recent clarifications of Marx’s theory of commodity money and credit, and in debates about the contemporary relevance of Marxist analyses of money.

Few Marxists, and certainly not Lapavitsas, would want to embrace the above juxtaposition as just stated: money does matter in a capitalist economy. But this paper poses a further question: what is distinctively capitalist about money in capitalism – how is capitalist money different from non-capitalist money, and how does money itself in capitalism reflect the dual dimensions of commodity and accumulation? In most characterisations, this question is not posed. Money may play distinct roles within capitalism, but money itself is not distinctly capitalist.

Accordingly, monetary histories generally focus on the development of monetary units, reaching their zenith with the formation of the modern state, which enforces these monetary units, the beginnings of prudential supervision, and fiat money. From there, it is a story of the extension of money’s role, the development of ‘the credit system’, and technological innovations in monetary transactions. It is as if, with the development of fiat money and the credit system, money reached its highest imaginable stage of existence. The rest of monetary history is mere refinement.

A conspicuous effect is that the quantitatively largest development of capitalist finance – global derivative markets with their transactions amounting to multiple trillions of US dollars per day – is simply ignored in Marxist discussions. In this paper, we argue that financial derivatives transform fundamentally our understanding of money in capitalism.

Financial derivatives take the connection of money to both commodity exchange and accumulation to a new level. It is not just, as with credit, that derivatives are used as advances for capitalist accumulation. Financial derivatives are themselves an expression of capitalist accumulation. Nor is it just, as with notes and coins, that derivatives facilitate the exchange of commodities. Derivatives are themselves commodities. They are produced and traded, not just as titles to ownership, but as packaged systems of

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2 See especially Lapavitsas 2000.
4 Indeed, Itoh and Lapavitsas 1999 provide an incisive account of the development of money.
5 Here, we refer not to credit as deferred payment, but promises to pay circulating as means of payment, especially under the auspices of banks.
conversion between different forms of assets (or revenue streams). Derivatives are distinctively capitalist money, and a recognition of their role serves to transform debates about Marxist theories of money.

We have all read references to derivatives as tools of speculation, which need to be stamped out. Forget about these analyses, for they miss the importance of derivatives in accumulation! The same condemnation was being made in the mid-nineteenth century about the formation of the joint-stock company – that the share market divorced ownership from responsibility, encouraged speculative ownership, and increased the risk of fraud and financial crises. We know that the stock market did (and still does) provide forums for speculation, but it also transformed fundamentally the nature of capital, and created a form of ownership that is distinctively capitalist and could not exist under feudalism or socialism. Our argument is that financial derivatives are doing to the nature of money what limited liability and the stock market did to the nature of ownership.

**Derivatives: an introduction**

First, a brief definition, but one that is hardly complete, for those less familiar with derivatives. Formally defined, financial derivatives are assets whose value is linked to, and usually understood to ‘derive’ from, another asset (hence the label ‘derivative’). Derivatives are well understood, and have a multiple-thousand year history, as futures contracts. A futures contract locks in a price at a future date. The futures contract may then itself be traded, with its price varying according to the current and expected price of the commodity.

More generally, the underlying attribute of the range of different sorts of derivatives is that they are means for trading risk. Derivatives do facilitate what is usually called ‘speculation’ when some people desire taking on risk. But they primarily provide facilities to lay-off risk – called ‘hedging’. In agricultural markets, futures contracts provide a hedge for both buyers and sellers on the effects of drought, disease, and so forth and, accordingly, this

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6 We note the fact that Pryke and Allen 2000 have previously made the argument that derivatives represent a new form of money, although they develop this via an engagement with money signs and money’s ‘imaginary’ rather than with theories of value.

7 See Kay 1991 for a clear Marxist analysis of the importance of the joint-stock company for capitalism.
is where the long history of derivatives lies. But what makes derivatives so important in the current era, and gives them an explicit monetary function, is both the unprecedented scale of derivative markets, and the fact that they are now overwhelmingly used to hedge different sorts of financial assets and money, rather than physical commodities.

In terms of scale, the Bank for International Settlements triennial survey shows that in 2004 global daily turnover in foreign exchange and interest rate derivatives contracts, was $7 trillion per day ($4.7 trillion in exchange traded derivatives and $2.3 trillion in OTC markets). To be sure, part of the derivative trade is simply gambling on exchange rates and interest rates, but most of the remaining transactions involve corporations engaged in hedging. Corporations of all sizes are utilising derivatives to hedge against interest-rate and exchange-rate (but also other financial) volatility. This is not a marginal activity but is central to conventional corporate risk-management strategies. Unfortunately, this usually only comes to light when risk mis-management leads to corporate crashes, such as with Long Term Capital Management, Worldcom, and Enron, but it should not hide the fact that derivative transactions of the same scale as these three cases are being handled daily by all large corporations. Once we see beyond ‘speculation’ and look at the forces that have driven the growth of derivative products for financial assets, the theory of money on a global scale looks rather different from the one that most Marxists engage.

**Money’s social relations**

In explaining financial derivative growth, our analysis has jumped ahead of itself. The most recognised answer to the question of the capitalist nature of money emphasises not financial derivatives but the social relations that money

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8 See, for instance, Working 1953 for the importance of derivatives to accumulation in agricultural production and circulation.


10 OTC, or over the counter derivatives, are contracts tailored to two parties, where a financial institution is the ‘matchmaker’. These are different from exchange-traded derivatives, where the contracts are bought and sold without the counter party being necessarily known. While exchange-traded derivatives were predominant in the 1980s, OTC derivatives are now larger, signalling the shift to formal and planned hedging strategies by corporations. However, between 2001 and 2004, exchange-traded derivatives grew in turnover relative to OTC derivatives (Bank for International Settlements 2005, p. 3).
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mediates. It is important to review this role, especially as it is central to Lapavitsas’s analysis of capitalist money.

Money plays the role of a social nexus between strangers, but it also epitomises alienated social relations – the relations between people appearing as the relations between things. Here, the emphasis is on two issues: the social power that money brings, and the trust that lies implicit within complex financial relations that are extended both temporally and spatially. Both of these have been addressed extensively, and need but the briefest re-iteration here.

Money as social power emphasises that those who hold money command resources. For Lapavitsas:

Money affords its owner power over others. It is misleading to think of the market as a locus of democratic equality because, presumably, commodity owners have exactly the same rights and obligations as each other. . . . The individuals who possess more money can also command more commodities and natural resources and, in the capitalist mode of production, more workers. The economic power of money is the source of its social power, making it possible for the owner to impose his or her will on others by advancing or withholding money. In turn, money’s power over people and resources allows its owners constantly to establish new hierarchies of wealth and privilege.11

In its basic form, this is a power over distribution, in other words, the familiar argument that people with a lot of money get more than their share of resources. For Marxists, there is a particular focus on command over one particular resource: labour-power. From this follows the proposition that command over labour-power gives command over surplus-value production, command over accumulation, and hence command over the reproduction of social power. It is an important story, but it must be recalled that it is primarily a distributional story, in which the resource ‘labour’ is just a theoretical special case that invokes the sphere of production. Moreover, even for this special case, social power over labour is just as much a story of feudalism or slavery, as it is of capitalism.

The second dimension of the social relations of money is trust.12 Trust, it is said, is what makes money social, although, insofar as trust is implicit in

12 Aglietta 2002, somewhat surprisingly, provided a sweeping review of the history and future of money that centres on the issue of trust.
all arms-length exchanges, it is required throughout the process of accumulation. Furthermore, relations of trust are implicit in exchange in mercantile and even feudal societies. The issue of trust in relation to money is generally applied to both the domain of immediate exchange (that the physical monetary unit is convertible into ‘real’ goods and services), and the domain of credit (that the institutional money system will convert book entries into physical money). Following principally the seminal work of Georg Simmel, author of *The Philosophy of Money*, the issue of trust is associated with the general, unifying, standardising dimensions of money. Exchange creates, in Simmel’s term, ‘an inner bond between men – a society, in place of a mere collection of individuals’. For Lapavitsas, the principal relations of trust are intra-capital, and are associated with the credit system:

Credit is originally a private and subjective relation of trust and power between capitalists, deployed to promote their individual economic activities. However, relations of trust and power are transformed in the course of credit transactions, and gradually acquire a social and objective character. . . . Relations of trust and power are transformed with the credit system and acquire an increasingly social content by involving banks, markets, and other credit institutions. The requirements of credit also become increasingly social, especially with regard to the information required to support trust. At the same time, the class nature of the capitalist mode of production makes itself apparent at all levels of the credit system.

As with social power, trust and the credit system express the tension implicit in capital. As a claim on future surplus-value, generalised, ‘objective’ credit assumes all individual capitals’ shared conflict with labour. But, as a contract that specifies the distribution of surplus-value between interest and profit, credit expresses one aspect of the tensions inherent in competition between individual capitals. Hence the ‘trust’ that is integral to capitalist money is always an alienated trust. After all, Simmel, while deeply critical of Marxism, was a close colleague of Georg Lukács: trust is false consciousness!

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13 This latter domain should certainly be qualified: it is not just credit, but all non-cash forms of money that require trust. We are posing financial derivatives as a form of money, and these, like credit, require trust for their widespread acceptance. The point here is to challenge the association of trust just with theories of credit money.

14 Simmel 1978, p. 175.

15 Lapavitsas 2003, p. 69.

16 For a discussion, see Turner 1986.
The notions of social power and trust in these domains are probably straightforward in principle. But the form of social power and trust is always different in different ‘communities’. Hence, theories which focus on these dimensions of capitalist money are always vulnerable to the problem of comparing power and trust across ‘communities’. While our concern is with global finance – capitalist money beyond the nation-state, it is useful to look first, and briefly, at the problematic of money across different social contexts.

The contribution of Zelizer\(^\text{17}\) has become well known for its forthright challenge to Marxists (and others) emphasising the capitalist nature of money. Her sociological studies of money in different social contexts contend that money plays different roles in different contexts, and is thus socially embedded. According to her, there can be no theory of ‘money-in-general’, there can only be a theory of ‘multiple monies’.

This is a criticism that Lapavitsas has sought to challenge so as to re-assert the legitimacy of a Marxist theory of money.\(^\text{18}\) Fine and Lapavitsas argue that:

For Zelizer, money is bound by social factors and customs, hence it is heterogeneous in nature. We argue instead that, precisely because it possesses a homogeneous aspect, money can fluidly express a variety of social relations.

Our argument . . . is that abstract labour provides the common aspect of commodities but diverse concrete labours become systematically commensurate only under specific social and historical conditions, that is, capitalism.\(^\text{19}\)

The argument then unfolds predictably: money, as the universal equivalent form of value, provides the means to commensurate the substantive abstract labour embodied in the form of concrete labour.

Now, many readers may, at this point, wish to challenge Fine and Lapavitsas’s reliance on the form and substance dichotomy.\(^\text{20}\) We will stay with their response as it is posed, and point to a simple consequence: the ‘substance’ to which they point is neither founded in the domain of trust or of social relations.

\(^{17}\) See especially Zelizer 1994.


\(^{19}\) Fine and Lapavitsas 2000, pp. 360; 364.

\(^{20}\) In particular, we leave to one side the proposition of Lapavitsas that ‘capitalist markets and money can act as templates for analysis of markets in other societies, provided that the distinction between substance and form of value is appreciated fully’ (2003, p. 130).
power, in which Lapavitsas grounds his social theory of capitalist money, but in the domain of commodity relations. In doing so, Lapavitsas and Fine back themselves into a corner, for the focus on trust and economic power cannot be readily reconciled with an abstract-labour theory of money. Simmel, who gave focus to the issue of trust and the unifying, binding social role of money, was clearly opposed to the direction of analysis proposed by Fine and Lapavitsas. For him, economic power and trust are concepts that point to a purely sociological explanation of money. Economic power and trust help to explain the evolution of money, not its distinctly capitalist role. Hence, Max Weber was apposite when he criticised Simmel for failing to distinguish between a ‘money economy’ and ‘capitalism’.

The problem is that a Marxist theory of money-in-general cannot invoke the social power of money and trust, unless it is to adopt an ahistorical theory of power and of trust, which would deny, or at least exclude, precisely the issue of the capitalist nature of money under capitalism. Ultimately, Ingham was right: in invoking a general theory of money via abstract labour, Lapavitsas and Fine need a commodity theory of money, for only commodity money can be framed in terms of the universal equivalent form of value. Unfortunately, few Marxists, including Fine and Lapavitsas, wish to go down the commodity-money path in explaining contemporary money-in-general. Marxist value analyses, however, need to resolve this question of commodity money. It is a requirement for a Marxist general theory of money.

So what is the connection between commodity money and a theory of money-in-general? Lapavitsas has sought to reconcile this reliance on a theory of commodity money with the apparent contemporary dominance of ‘valueless’ (fiat and credit) money. The argument, in essence, is that commodity money is the ‘fundamental’, ‘elementary’ form of money, but ‘in the performance of

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22 Weber 1965, p. 185.
23 Ingham 2000.
24 Lapavitsas’s (2000) excellent summary of Marx’s theory of money shows clearly the centrality of commodity money to Marx’s analysis of money. But twenty-first century money is another matter, and Lapavitsas’s analysis of contemporary money (e.g. 2003) has left commodity money aside.
25 We are drawn to Fleetwood’s (2000) explanation of the necessity of commodity money to the integrity of Marx’s theory of value, but not to his (tentative) conclusions that the abandonment of commodity money means the end of a universal equivalent form of value. Nor is there the question of why nation-states have abandoned the universal equivalent and the value-form. This appears a rather instrumentalist approach to value theory, and, more critically, fails to open up the terms on which Marxian value theory can be used to understand new forms of money.
its functions, it develops into more advanced, and typically valueless forms of money.\(^26\) The problem here is that, for Lapavitsas, ‘valueless’ money can be seen to emerge out of commodity money, but it also leaves commodity money behind, for he contends that contemporary, ‘valueless’ money no longer has an anchor in commodity money. Commodity money is thereby just part of the history and, Lapavitsas would have it, the logic of evolution of credit and fiat money. But, and this is critical, commodity money does not give us access to the workings of contemporary money. On the contrary, as accumulation advances, commodity money falls away. Fine, in another recent context, struggles to explain the contemporary connection to commodity money:

Marx’s theory of money is in part based upon the notion that commodity money is displaced by symbols of money and, hence, indirectly, symbols of value – although ratification of such symbols ultimately requires intervention by the state. Paradoxically, it is precisely this displacement in its most modern form, in which the functions of commodity money or gold are more or less confined to the reserves of central banks, which leads many to reject Marx’s monetary theory where they have genuinely considered it. How can a theory of commodity money, based on value theory, be of relevance when commodity money is no longer in use. In riposte, it can be argued that Marx’s monetary theory implies the displacement of commodity money. How this occurs needs to be explored in theoretical and empirical context, moving beyond the mere symbolic circulation of values as commodities to incorporate the symbolic, at times fictitious, circulation of surplus-value. But, this is to anticipate, although it does root consideration of the currently evolving financial system within the bounds of the production system on which it depends for its profitability however much it might wish otherwise.\(^27\)

There is some unease in reading this sort of statement. It is an articulate depiction of the current state of Marxian theory in relation to money, but it does not ultimately work in tying money to abstract labour. Chapter One of Volume I of Capital does not work if money is just a symbol. Of course, no Marxist would want to argue that the issues of Chapter One have been ‘displaced’ by historical developments within capitalism. Moreover, what is the analytical path ‘back’ from symbols to labour time? As we see, from Fine

\(^{26}\) Lapavitsas 2000, p. 654.
and Lapavitsas’s critique of Zelizer, the form of money cannot be allowed to
matter, for as soon as it does, there is no path back from particular forms to
substance – except by assertion. Moreover, the state has sneaked, unannounced,
into Fine’s proposition, ratifying the representations of commodity money –
a proposition which itself opens more questions than it resolves.

Our argument is that Marxists should not be so defensive about commodity
money. It is as if any contemporary reference to commodity money
automatically condemns Marxism to the nineteenth century and to current
irrelevance. This point is made rather starkly by Ingham,28 when he argues
that the ‘emphasis on the production of commodities fails to grasp the relative
autonomy of the development of the means and social relations of production
of modern bank and state credit-money’. Similar to the linguistic turn that
has been employed to denote the shift in philosophy, we see in Ingham’s
analysis what can be labelled a ‘monetary turn’.

The problem is that Marxists, and most critiques of Marxism, have come
to equate commodity money simply with gold. Ingham’s critique of Fine and
Lapavitsas (and of Marxian theories of money) reflects this conflation.29 In
rejecting a Marxist theory of money, Ingham’s immediate recourse is to quote
Marx himself back at Fine and Lapavitsas: ‘“Throughout this work”, Marx
tells us on the first line of Chapter 3 of Capital Volume I, “I assume gold as
the commodity money”’.30

Marx did indeed adhere to that assumption in Capital (although, in other
work, he described bullionism as superstition) and, as Ingham emphasises,
that was the convention of the time. It was the convention because gold was
then the basis of money, and had a value in socially necessary labour time.
But we do not have to take gold as the basic commodity for theorising capitalist
money: it was merely the particular dominant commodity money of the
nineteenth century. Nor should we now necessarily be looking for a commodity
money unit that is ‘like’ gold. Maybe the money commodity need not be
single commodity, and maybe not a physical commodity at all!

Marx’s instincts about money were probably more astute than his analysis.
His instinct was that money had to have commodity characteristics, but it
had also to be abstracted from the characteristics of a particular commodity.

Indeed, the problem with gold was that it was only a particular commodity among many, albeit one that could, for a long time, ‘double up’ as the special money commodity.

Moreover, and to return to our starting point, gold was never distinctly capitalist money. It is pre-capitalist, even ancient money, cast (literally) into a capitalist role, and for the most part, under capitalism, it has laid idle in bank vaults while paper tokens represented it in virtually all monetary functions. There is nothing more absurd in a capitalist context than having abstract labour lying idle so that its form (gold) can symbolically play the role of the equivalent form of value. Distinctly capitalist commodity money would be a living part of accumulation, not a congealed, dormant, labour numeraire!

An alternative perspective is that Marxists should not so readily avoid the implications of commodity money but look to re-construct commodity money in a form more appropriate to its capitalist role. The problem, and it shows clearly in Fine’s quote above, is that if we start with a national notion of money, we need to rely on the state’s role in the provision and guarantee of symbolic money, and thus lose any possibility for a (re)conception of commodity money. For that reason, we prefer to shift the analysis to the level of global finance, where the nation-state cannot assume the role of *deus ex machina* in Marxism’s struggle with the status of commodity money.

**Global finance**

At this point, we ask the reader to hold alive this issue of the need for a re-consideration of commodity money, for we will return to it shortly. We now turn to a parallel, though narrower, issue: the foundations of global finance. While Zelizer emphasised the social embeddedness of money in an anthropological/sociological sense, we can pose the same issue in the context of global finance. The parallel is that we talk of a global financial system and globally integrated financial markets, but there is no global state and no global unit of account (global currency). There are just national units of account circulating extra-nationally. So the parallel question is: what is the substance of global money-in-general?

Before providing an answer, we must note that the issues of communal trust and social power as means to define capitalist money look less robust in this global context than in the (implicitly assumed) closed community
posed above. The explanation of money as social power still ‘works’ on a
global scale as Lapavitsas characterises it, at least as a depiction of the relations
between rich and poor, though (apparently) random shifts in exchange rates
make the power associated with a quantum of money appear arbitrary.\textsuperscript{31}
However, issues of trust become more difficult to interpret in a global context.

The trust question is conventionally posed in a closed economy with state-
issued money because the monetary system is prudentially regulated by the
nation-state, and the law of contract is enforced within a single or unified
jurisdiction.\textsuperscript{32} On these premises, we can recognise that trust does indeed play
the role characterised by Lapavitsas. But once we leave an idealised national
money system and look at global financial relations, the trust issue becomes
more difficult to interpret. A unit of global money cannot be guaranteed by
any nation-state, or even co-operating nation-states, unless exchange rates
are permanently fixed – the variability in exchange rates means that the
equivalence between any two money units and ‘real’ goods and services is
uncertain. Moreover, the monetary system itself becomes subject to (nationally)
exogenous shocks, and the prudential supervision of the extra-national
operations of ‘local’ financial institutions is ambiguous, often escaping the
jurisdiction of the institution’s ‘home’ state. Trust becomes more complex
and potentially disengaged from the state. Whether the nation-state (or its
central bank) will play lender of last resort to an institution with imprudent
international exposure – be it Long Term Capital Management, Barings, or
Enron – is a conjunctural political decision.

Ingham has noted this point in arguing that ‘there does not appear to be
a clear enough distinction between state and market power in the production
and management of world money’.\textsuperscript{33} Furthermore, and following Weber, he
argues that markets have a constant tendency to generate ‘unofficial’ or
near-money, especially at the level of the world economy. Yet, beyond the
realm of state money, the question of the basis of a general theory of money

\textsuperscript{31} This is a theme Itoh and Lapavitsas 1999 develop at more length, under the title
‘loss of control over money and finance’. Here we can see them tending to pose
internationalisation as part of the loss of control nation-states have experienced over
money and thus as a potential source of disorder.

\textsuperscript{32} On this issue, Simmel (1978, p. 172) was clear: ‘only in a stable and closely
organized society that assures mutual protection and provides safeguards against a
variety of elemental dangers, both external and psychological, is it possible for such
a delicate and easily destroyed material as paper to become the representative of the
highest money value’.

\textsuperscript{33} Ingham 1994, p. 31.
remains unresolved. While Ingham has emphatically rejected Marx’s (gold) commodity money, in preference for post-Keynesian state money, the global scale presents a profound problem.

It is in the context of this rather different monetary system, where money cannot be explained by reference to the state – where volatile shifts in exchange rates are inexplicable and beyond state regulatory capacity34 – that derivatives, particularly interest-rate and cross-currency interest-rate swaps, have come to the fore. Derivatives provide what nation-state fiat money could not provide on a global scale: they secure some degree of guarantee on the relative values of different monetary units.35 Derivative markets and derivative products emerged from relative insignificance in the 1970s precisely because of a loss of trust in the global stability of monetary units after the end of the Bretton Woods régime of fixed exchange rates and tight national capital controls. With high rates of cross-currency capital conversions and volatile exchange rates, the value of money became uncertain across currencies. International credit markets could not guarantee real costs to debtors or returns to creditors, and national central banks, individually and collectively, could not remedy the situation. In this context, where the material foundations of trust were absent, derivatives offered hedging facilities that could reduce the costs of exchange-rate volatility for individual capitalists. They did not, thereby, create trust in currency values, but they neutralised the consequences of this loss of trust. Formal contracts guaranteed (for a price) the value of money in a way that spot foreign-exchange markets and central-bank regulations could not.

But, it must be added, the end of fixed exchange rates and the growth of exchange-rate volatility were just the proximate catalyst for derivative growth in the 1980s. Since then, they have developed a much wider and more pervasive presence across financial markets. Hence, it is important not to overemphasise the connection between these markets and the crisis of ‘trust’, as if they were simply a response to a crisis of instability, for financial derivatives more generally are not so driven.

An irony for our state-centred theorists now becomes apparent. Derivative issuance and trading had to locate in a space beyond national regulation.

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34 Alan Greenspan, Chairman of the US Federal Reserve and hence the world’s leading banker, has observed that ‘despite extensive efforts on the part of analysts, to my knowledge, no model projecting directional movements in exchange rates is significantly superior to tossing a coin’. Greenspan 2004.

35 By the mid-1990s, around one-half of transactions in financial derivatives involved a non-domestic counterparty (White 1998).
Their capacity to compensate for the loss of trust in global financial stability logically required that they existed outside the domain of nation-states. Yet, in these markets, issues of contractual enforcement, often between mutually unknown parties, became a legal minefield. The inability of a counter-party to meet their contractual obligations in this highly leveraged market is always a possibility, thus raising the problem of which jurisdiction should serve to enforce the law of contract: the jurisdiction of the country of the issuer, of the counter-party, of the location where the transaction was negotiated or the contract traded, or, in the case of OTC derivatives, of the country of the service provider? Hence, ‘trust’ no longer rests on a reliable national money unit of account, but on the enforceability of contracts: an issue that applies in any sort of exchange, not just to money.

Indeed, in a global setting, issues of trust in relation to money and finance start to look different, for there is no neat nexus between trust, the nation-state, national territory and money. If we were to engage the issue of ‘trust’ in relation to derivatives markets, we would observe that it is no less critical for derivatives than it is for fiat money, for, in both cases, the money unit is itself not valued in terms of embodied labour time. But, unlike fiat money, trust in derivatives is not contingent on nation-states, nor on nationally-conceived communities. The major source of ‘regulation’ of derivatives, which ensures compliance with contracts, is now the derivative ‘traders’ industry organisation, the International Swaps and Derivatives Association (ISDA), whose members transact around 80 per cent of all derivative contracts. The ISDA requires that all members adhere to the Master Agreement on the enforcement of contracts, which secures ‘trust’ in derivative contracts more effectively than nation-states or international courts. This is not trust based around conventions of nations or communities, it is capital collectively commodifying trust! We know, thereby, that it has a particular vulnerability to failure and hence financial crisis.

**Derivatives and global money**

To return to the core theme: what is the substance of global money when the monies of account that make up global finance are a wide spectrum of national

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36 ISDA 2002.
37 Accordingly, we argue, counter-party risk more than scenarios of ‘casino capitalism’ represent the likely scope for financial crisis.
currencies, and the rate of conversion between them is variable, sometimes volatile, and certainly beyond formal explanation? If Fine and Lapavitsas’s proposition that money-in-general is based on abstract labour looked tenuous in the context of a single community (with a single currency, a single value of labour-power, and a single state) it looks even more stretched in this global context.

Here is where derivatives become important, for they play the role of commensurating financial assets whose conversion rates between currencies, and their interest-rate régimes, cannot be otherwise guaranteed. Moreover, these are not simply locked-in single conversions, such as futures or forward contracts that specify an exchange rate at an agreed future date (effectively privately fixed exchange rates), but involve more complex conversions that have the effect of giving one form of asset the characteristics of another form of asset – such as a bond, in Japanese yen, whose rate of interest is indexed to the S&P500. They have the characteristics of both bonds and equities. In this last example, they give the holder an exposure to US stock values, but without exposure to the US dollar. The possibilities of such asset blending are endless, and there are, accordingly, thousands of different derivative products tailored to specific customer needs.

Because they are traded in enormous volumes, the effect of these contracts is to broadly commensurate all different forms of financial assets across the world. The contract just identified blends bonds and equities, but there is also a plethora of other conversions that blend, for example, particular currencies with particular equities, currencies with commodity prices, or bonds with indices of house prices. The blending is virtually limitless, creating a complex web that links, directly or indirectly, all varieties of assets in all locations and across a spectrum of temporalities. They provide continuity to the global financial system and, for individual traders, offer stability in the rate of conversion between different assets. In the context of global finance, derivatives do what nation-states cannot: they provide a market-driven guarantee of convertibility over time.

In terms of money, they perform the role in international finance that gold played in the nineteenth century: they anchor the global financial system.

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38 We will not here pursue the issue that the value of labour-power is location-specific. But it is a major problem for a theory of global money-in general, as least as Lapavitsas and Fine have conceived it.

39 As one finance researcher observed, ‘[d]erivatives make international asset substitution relatively simple’ (Vrolijk 1997).
While gold was a fixed anchor (all national currencies and commodity prices had to adjust to gold), derivatives provide a floating anchor; an on-going, flexible web of conversions that binds the world’s asset markets.

The comparison with gold is important, for one may recognise that derivatives now play some aspects of the role gold once played as a globally-recognised facility of equivalence. But the critical difference is that gold’s value was determined (notionally, at least) by the socially-necessary abstract labour involved in gold’s production. Derivatives do not have this same, simple link to embodied labour. The $2,300 billion per day traded in OTC derivative markets is not obviously related to embodied labour in ‘derivative production’. It is made up of the notional amount of financial assets that are tied up in derivative contracts, and, only in miniscule proportions, of the value of the labour of financial service providers (mainly banks) that compile and execute the contracts. Indeed, this miniscule amount of labour alone does not make derivatives commodity money any more than labour at the national mint makes fiat money commodity money. It is what this labour ‘sets in motion’ that is critical. Derivatives are not merely contracts. They embody within them on-going mechanisms of re-calculation, so that the value of our bond (above) is continually adjusting to movements in the yen and the S&P500. Each such derivative contract is, in itself, a continually adjusting element in the financial commensuration process. Yet, insofar as derivative contracts are ‘produced’, the in-built mechanisms of calculation their production set in motion give derivatives the capacity to commensurate different forms, locations, and temporalities of capital. They are thereby commodities that play multiple monetary functions. This commodified commensuration is what makes financial derivatives fundamentally different from other paper titles, such as fiat money and shares.

Fiat money derives its price from its political acceptability in circulation. There must be explicit and calculated state controls on the quantity of fiat money produced (put in circulation), or the money unit itself is debased via inflation. But this is not the case with derivatives, and so issues of trust are entirely different. Each derivative contract pertains to specific extant assets: options, futures and swaps must be settled according to a particular derivative contract, and there are no derivatives that do not have counterparties. This is inherent in the role of derivatives play in commensurating different parts (forms, localities, temporalities) of capital. It ensures a material basis to the quantity and value of derivatives in circulation.
How, then, do derivatives differ from shares? While derivatives and shares both have a foundation in capital, and in a necessary but not sufficient sense labour, shares are not money.\textsuperscript{40} The key difference between the two in a monetary sense is that any monetary function of shares is largely incidental – a side-effect of growing liquidity in stock markets. The critical and distinctive attribute of shares is ownership of a (notional) bit of a corporation, and thus shares play a role in the market for corporate control. Shares are also direct claims to dividend streams. This attachment to ownership gives shares a materiality, but also ‘grounds’ them in a particular and unique asset. The sale or purchase of shares is first of all about changing titles to ownership, not about establishing equivalence.\textsuperscript{41} Derivatives, however, do not relate to the ownership of any particular, unique ‘bit’ of capital, for derivative transactions remain entirely within the monetary sphere without any necessary ‘conversion’ into concrete assets.\textsuperscript{42}

It should now be apparent why we want to identify derivatives as money, instead of just insurance contracts. It is because derivative contracts ‘set in motion’ a computational process that builds bridges between, and reconciles, different forms of capital into a singular empirical concept of capital. Derivatives, therefore, give us access to capital-in-general through which the path from abstract labour to money-in-general must run.\textsuperscript{43}

The corollary is that we have to countenance the notion that the commodity money may be very different from the meaning attached to gold. Although

\textsuperscript{40} Of course, in a technical sense, they can perform monetary functions when, for example, shares are used to settle a debt but any commodity can be used in this function, so it can safely be ignored. The liquidity characteristics of many shares now certainly rival bank deposits, so we are here making no strict distinction between money and near money or money substitutes.

\textsuperscript{41} Put another way, shares are tied to particular individual forms of capital, but are not used to commensurate other forms of capital. IBM shares are not used directly to price Daimler Chrysler shares, and more importantly to commensurate oil prices. But it is this commensuration process that is ‘built into’ derivatives that gives them a money function.

\textsuperscript{42} Importantly here, almost all commodity derivatives are settled in cash, and more importantly, the overwhelming number and value of financial derivatives are transacted in forms denominated in fiat or near money.

\textsuperscript{43} It can be noted that there is a vague parallel here with neoclassical economics. In their own unique abstraction of perfect information and perfect markets, the neoclassicals contend that financial derivatives serve to ‘complete’ markets. In this sense, they have been called Arrow-Debreu securities.

In a different context, Wennerlind argues via a linguistic parallel: ‘capital tries hard to eliminate . . . rigidities and barriers so that the ideal speech situation for money can be established’ (Wennerlind 2001, p. 568).
this alternative commodity money is not based in primitive notions of preciousness, or on neoclassical notions of scarcity, it is not as challenging for Marxist theory as it may first appear. Marxists are, after all, not physiocrats, for they value not the physical qualities of the money commodity, but its clear representation of equivalence based in abstract labour. This representation comes not from taking the concrete labour of a particular physical commodity (historically gold) and endowing it with universal meaning. The attachment to gold was not to abstract labour, but to particular concrete labour, because there were no clear mechanisms to commensurate labour in gold with all other labour. Hence, under the Gold Standard, gold could never trade at its cost of production.

On the contrary, the representation of abstract labour can only be found within capital-in-general. Company shares or bonds, both individually and collectively, cannot express capital-in-general in the same way, for they are tied to a particular ‘bit’ of capital. Derivatives, on the other hand, though not individually but collectively, actively commensurate all these different ‘bits’ of capital, and thereby create an empirical notion of capital-in-general. In short, derivatives break the distinction between ‘money’ and ‘capital’, and thereby make ‘money’ an integral part of capitalist accumulation.

Conclusion

To return once more to our starting point: derivatives are not just money within capitalism; they are distinctly capitalist money, for they embody, in their very ‘design’, the process of competition and accumulation. Unlike gold, their generalised use in transactions would have no meaning in feudalism.

Derivatives provide the key to a general theory of capitalist money, rather than just an example of money under capitalism. To be sure, not all money is derivatives, and daily life is transacted in symbolic money, designated in ‘local’ state-administered units of account. But a general theory of money must ask what is the substance that unites these various local monies. Zelizer asked this question at the micro-level, and concluded that all monies are ‘different’. With Fine and Lapavitsas, we want to contend that they have something in common, but we believe that the key for a general theory lays at the global level, not just the national level. At this level, issues of social power, trust, and nation-state guarantees do not provide the foundations for a general theory. A focus on trust and state money can offer insights in the
evolution of money, and social power must be recognised as a function of money (of whatever sort); but none offers an explanation of money itself.

In a globally-integrated, but not unified, financial system, the question is: how does capital itself secure the substance of the global money unit? The answer is that it continually transforms part of capital into financial derivatives. This does not mean that capital abandons state money, for the various state monies provide the various units of account of global finance, but the range of state guarantees for the integrity of each currency is simply not sufficient. Derivatives bind the global financial system into an integrated unity in a way that states cannot.

We can thereby posit derivatives as the expression of a distinctly global money, operating at a higher level of generality than national currencies. Moreover, we can see here a path back to commodity money – not just via an analogy with the role of gold in the nineteenth century, though there are elements of that, but also via a contrast with gold as the chosen commodity money. As commodity money, gold stood outside of accumulation. Its production was part of accumulation, and that gave the critical definitional (but purely definitional) connection to labour time. But beyond that point, the labour embodied in gold ceased to be part of accumulation. It assumed the status of a religious icon, locked up in Fort Knox and other national repositories – and even these are being sold off. Derivatives, on the other hand, are not physical commodities. Embodied labour cannot be locked up in them because it is ‘alive’ within the derivatives themselves through the conversions and the commensuration that these derivatives accomplish. Gold was a static commodity money – a benchmark against which other values could be measured. By contrast, derivatives, via their flexibility, constitute a diverse, dynamic, and distinctly capitalist commodity money, which is better suited to the new conditions of accumulation we now live in.

References


Makoto Itoh

Political Economy of Money, Credit and Finance in Contemporary Capitalism: Remarks on Lapavitsas and Dymski

A characteristic of Marxian political economy is the theoretical elucidation of the history of capitalism, the latter being based on the market economy. In this respect, Marxian political economy must always be aware of historical materialism as 'a guiding thread'.\(^1\)

The task of Marxian political economy, however, must also be relatively independent of particular ideological worldviews, and in its scientific research it should follow historical facts and the objective logic of capitalist market economies. At the same time, by elucidating the fundamentally anarchic and autonomous economic order that is grounded on the market economy, Marxian political economy can provide the scientific basis that underpins historical materialism, especially with regard to the distinction between, and the interrelations which link, the economic substructure and the non-economic superstructure of societies.

However, the theoretical treatment of the history of capitalism is far from an easy task. For one thing,

\(^1\) Marx 1970, p. 20.
the historical nature of capitalism is not simple. It should be distinguished from forms of market economy that long preceded capitalism. The nature of the capitalist market economy, moreover, has itself changed in the course of global history. In order to appreciate the nature of contemporary capitalism, we should avoid overgeneralisation of many its current economic characteristics in the light of historical stages of capitalist development.

In contrast to Marxian political economy, other schools in economics, particularly orthodox neoclassical economics, tend to be ahistorical and to over-generalise the contemporary features of market economy on the basis of abstract fundamental theory. In addition, orthodox neoclassical economics generally believes in the harmonious efficiency of the workings of the market economy. In our 1999 book, Costas Lapavitsas and I set out to criticise such tendencies in the orthodox neoclassical economics. The book illustrated the strengths of Marxian political economy as a systematic monetary theory, this being derived from its ability to demonstrate the fundamentally unstable and crisis-ridden character of capitalist market economy.

Using that joint analysis as a basis, Lapavitsas has extended his work in *Social Foundation of Markets, Money and Credit* published in 2003. Here, he attempts to incorporate the roles of broad social norms, customs, institutions and flows of information into the Marxian political economy of money and credit, by critically reviewing recent academic literature in anthropology and sociology, as well as institutionalist and information-theoretic economics. In this book, Lapavitsas has contributed to reviving our fundamental interest in the issue of relating economic theories of money and credit to historical materialism.

However, I believe that his attempt needs further clarification, both methodological and supplementary considerations regarding contemporary features of money, credit and finance. I will briefly examine those issues, taking as my point of departure the contribution of Gary Dymski in this issue of *Historical Materialism*.

1. Methodological issues

Dymski asserts that heterodox monetary theory should incorporate uncertainty and real time into its core framework. He argues that a Marxian approach can contribute to such heterodox monetary theory, but that it has no exclusive claims to being able to do so: it is one among several entry points provided by a range of different theoretical perspectives. According to Dymski,
for Lapavitsas, by contrast, the basic theoretical imperative in modelling money and finance is to work outward from the dynamics of capitalist surplus extraction and accumulation. . . . For him, the task of theory is to exposit how the logic of capital accumulation underlies phenomena observed in the economy today. . . . Thus, to understand a phenomenon—such as ‘trust’ and its role in social interactions—is to see how it affects the internal logic of capital accumulation.

At the same time, Dymski refers favourably to recent work by myself as presenting an approach different from that of either Lapavitsas or, indeed, of Dymski himself. According to Dymski, ‘Itoh appears willing to live with this tension between ideal-logic-of-capitalism and lived-capitalist systems’. Dymski refers, for example, to my analysis of the Japanese system of housing finance, as well as of the role of money and finance in the Japanese speculative asset-bubble crises of the past twenty years. This analysis takes into consideration relatively independent social factors, such as changes in family structure, gender discrimination, declining birth-rate, and economic policies, while also accepting the relevance of post-Keynesian formulations of financial instability.

Three major points can be made in relation to Dymski’s statements. Firstly, as Dymski well recognises, the works of mine to which he refers are methodologically located at the third, most concrete, research level of analysis of contemporary capitalism. This is grounded on the first research level of the basic principles of capitalist market economy, as well as on the second research level of the stages of world-capitalist development. This methodological approach follows Uno’s systematisation of the entire field of political economy. At the second and third levels of research, relatively independent social-historical factors can be taken into consideration in relation to the actual process of capitalist accumulation, such as various non-capitalist producers (including peasants), changes in family life, concrete industrial technologies, and actual economic policies. Thus, at these levels of research, there is considerable room and flexibility for Marxian political economy to co-operate with other streams of heterodox economics.

In my reading, Lapavitsas’s 2003 book concentrates mostly on the first level of research which deals with the basic principles of political economy. If the author were to move to the second or third level of research, he would readily

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work with ‘a balance between one’s theoretical commitments and historical/institutional analysis’ as Dymski suggests. In earlier work, Lapavitsas has already produced such an analysis in examining the Japanese banking system.3

Secondly, at the level of basic principles, Lapavitsas in his 2003 book aims to introduce the role of behavioural norms, social customs and institutions into the theory of money and credit. Further, he intends to avoid the approach of vulgar Marxism, in which all non-economic processes are deemed to derive from capitalist economic processes. Thus he attempts to examine the interplay between the economic and the non-economic relations in a capitalist market economy more flexibly. In this respect, his intention is to broaden the scope of the fundamental Marxian theory of money and credit in order to incorporate significant elements of non-economic human behavioural norms and customs. Dymski misses this aspect of Lapavitsas’s work, implying that it is not far removed from the economic determinism of vulgar Marxism.

Thirdly, however, Lapavitsas’s work does contain weaknesses that appear to expose it to such criticism. The following statement, made, it would seem, against vulgar Marxism, leaves some doubt as to how far his position actually is from the latter:

Rather, two related claims are made in this book. First, the capitalist economy is permeated by non-economic relations that are specifically capitalist, and directly reflect the economy’s class character. Typical examples are workplace relations of power and authority between capitalists and workers, but also of solidarity among workers. Second, there is a profusion of other non-economic relations in the capitalist economy that are systematically marshalled and placed at the service of capitalist enterprises. Familial relations among parents and children, for instance, are integral to creating the ability to work and securing a regular supply of workers in industry. Money and credit, moreover, represent relations of trust and power in capitalist markets that are mobilised to facilitate the profit-making activities of industry. As a consequence, relations of trust and power acquire a social and specifically capitalist character.4

It would have been desirable, especially in view of the concerns of non-Marxist readers, such as Dymski, to have a more concrete explanation by Lapavitsas of his definition and analytical treatment of non-economic relations.

3 Lapavitsas 1996.
4 Lapavitsas 2003, p. 3.
in the theory of money and finance, especially the differences with economic
determinism in vulgar Marxism.

Relations of trust and power either within the capitalist workplace or within
the capitalist credit system, for instance, may still be economic under a certain
interpretation, and not particularly non-economic. When it is conceived outside
the simple approach of neoclassicism that identifies the market order totally
with economy, the distinction between the economic and the non-economic
is not self-evident methodologically. Again, if Lapavitsas were to work at
more concrete levels of research, he would find it easier to identify actual
non-economic social relations, such as political power and the policies of the
state, or gender relations, outside of the market and to clarify their interactions
with the dynamics of a capitalist market economy.

However, in making a favourable assessment of my work as empirical
analysis at the third level of research, Dymski has raised a further methodological
question which is both complex and significant.

This [Itoh’s approach at the third level] can be read in two ways. In one
reading, phenomena like credit crisis, breakdowns in monetary order, gender
role conflicts, and so on, are epiphenomenal and not accepted in the core
of ‘pure theory’. In another reading, contemporary Uno-school theorists
such as Itoh can be interpreted as walling off the notion of a ‘pure theory
of capitalism’ as depicting a situation which may be a reference point but
which is unattainable or unobserved in the world today. . . . Level-one theory
is, in effect, a closed system like the Walrasian general equilibrium; it exists
as a theoretical possibility, but is not embodied in the real world in which
we live. . . . As Itoh notes, the decline of the Keynesian state is reducing one
set of ‘impurities’ that have masked the workings of the capitalist cycle
identified in ‘pure theory’. But this development is arguably offset by other
‘impure’ factors such as the market manipulations of powerful multinational
corporations and the unique global role of the US economy as both lender
and consumer of last resort.

Principles of political economy derived by Uno-school theorists at level one
of research are sometimes indeed compared with Walrasian or other neoclassical
micro-economic theory, due to their pure and complete character. However,
in contrast to neoclassical theory, these principles are derived from Marx’s
*Capital* and elucidate the historical character and the fundamental contradictions
of the capitalist economy. Thus, credit crises and the breakdown of monetary
order in a phase of classical business cycles are analysed as expressions of
the internal contradictions of the capitalist economy. However, the more specific historical reasons for the breakdown of the Bretton Woods international monetary system, which led to the inflationary crisis at the beginning of 1970s and initiated the decline of the Keynesian state, has to be treated at level three of research, while considering the theory at level one as a reference point.

However, I am not entirely certain how to respond to Dymski’s suggestion that Uno theorists are ‘walling off’ the notion of a ‘pure theory’. We need to be careful not to abandon or change the fundamental theory in *Capital* simply on the basis that it is an outdated theoretical model that cannot deal with the recent features of capitalism. We have seen how revisionists have failed in their attempt to alter the basic principles of political economy in *Capital* to take account of changes in capitalism since the late nineteenth century. The attempts among non-revisionists to replace *Capital* by the theoretical models of monopoly capitalism, or imperialism, or state monopoly capitalism have also proved too hasty. The basic theory of capitalism at level one of research remains relevant as long as the capitalist economy retains its fundamental character as distinct from precapitalist or socialist societies. In addition to the basic principles derived at level one, the intermediate theory of the stages of capitalist development at level two, including the theory of imperialism and models of more contemporary capitalism, is then necessary as a frame of reference for more concrete analysis of contemporary capitalist economies at level three. In this regard, I am reluctant to ‘wall off’ the pure theory of capitalism in order simply to restructure basic theory in accordance with contemporary changes in economic life.

On the other hand, it is worth noting that, in Uno’s 1964 book, ‘pure capitalist society’ – chosen as the theoretical abstraction adequate for depicting the internal logic of capitalism and deriving the principles of political economy at level one – was based on the historical tendency to approach such a society in the UK until the mid-nineteenth century. This society mainly consisted of just three social classes, namely, capitalists, wage-workers, and landowners. In contrast, other Uno theorists, including myself, have asserted that the basic principles of political economy can be deduced directly from the actual history of world capitalism and not from a presupposed hypothetical ‘pure capitalist society’, limited to the historical period in which Marx lived. Thus, while still maintaining the nature of ‘a pure theory’ of capitalist economy at level one, some Uno-theorists are attempting to incorporate developments subsequent
to the middle of the nineteenth century, such as the growth of joint-stock capitals, the emergence of the capital market, and the resultant financial instability. They also endeavour to explore the theoretical implications of all aspects of principles derived at level one for understanding the real world. Thus the interaction between the basic principles at level one and the stages theory of capitalist development, as well as concrete empirical research at levels two and three, are areas of study which are being more actively pursued than previously. Lapavitsas's 2003 book is in line with such work by Uno-school theorists, especially in its attempt to incorporate 'non-economic' social factors such as customs, trust, power, and institutions into the basic theory of money and credit.

II. The historical basis of theoretical abstraction

As Marxian political economy theoretically elucidates the history of the capitalist market economy, the choice of the historical basis for its theoretical abstractions is always a crucial issue. The following points are relevant in this respect and are related to the previous arguments, though not directly. Lapavitsas writes that, 'it is assumed that capitalist social relations provide apposite terrain for analysis of commodities' and therefore also of money and credit.  

Similarly, he suggests that:

- analysis of capitalist commodity trading allows for concepts to be formulated and conclusions to be drawn that afford insights into other trading. This theoretical position derives directly from Marx for whom the fully developed form of social phenomenon provides vital insights into its less developed forms.  

However, in my reading, theoretical concepts in Marx's Capital are not abstracted exclusively from the fully developed capitalist market economy. Marx well recognises an older and broader range of historical forms of market economy (and a variety of functions of money), which precede and provide an essential basis for capitalist economy. Marx writes as follows:

Had we gone further, and inquired under what circumstances all, or even the majority of products take the form of commodities, we should have

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found that this only happens on the basis of one particular mode of production, the capitalist one. Such an investigation, however, would have been foreign to the analysis of commodities. The production and circulation of commodities can still take place even though the great mass of the objects produced are intended for the immediate requirements of their producers, and are not turned into commodities, so that the process of social production is as yet by no means dominated in its length and breadth by exchange-value.... If we go on to consider money, its existence implies that a definite stage in the development of commodity exchange has been reached. The various forms of money (money as the mere equivalent of commodities, money as means of circulation, money as means of payment, money as hoard, or money as world currency) indicate very different levels of the process of social production, according to the extent and relative preponderance of one function or the other. Yet we know by experience that a relatively feeble development of commodity circulation suffices for the creation of all these forms.7

This broad historical characterisation of the forms of market economy, including various functions of money, is presented here to demonstrate the specific historical nature of capitalist economy, grounded upon the commodity form of labour-power. We can further add the forms of merchant capital and interest-bearing capital to the forms of market economy in general, these being older and more widespread than the capitalist economy. I am concerned that the importance of Marx’s distinction between the forms of market economy and the capitalist market economy may be obscured by the fact that, from the start, Lapavitsas concentrates on capitalist commodity exchange to provide a theoretical basis for his abstractions. Indeed, even in a capitalist society, the forms of commodity and money serve not only capitalists but broadly facilitate the economic life of wage-workers, as well as peripheral non-capitalist producers. Capitalist exchange utilises the wide range of existing commodity relations as a social basis to promote profit making. Dymski’s concern that Lapavitsas’s theory is too narrowly derivative from capitalist surplus-value-extracting relations may partly relate to this point.

The logical necessity that the emergence of money must be treated as commodity money originating in anarchic relations of commodity exchange, is easier to understand if we take as a historical basis of abstraction, not just

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the capitalist economy but also the older and broader historical existence of commodity circulation. Indeed, Lapavitsas himself often refers to this older and more extensive history of money when analysing money’s emergence, especially in his discussion of anthropological work which examines the role of social custom and habit.

The theoretical distinction between the forms of market economy and capitalist market economy is also implicit in Lapavitsas, since he stresses that the law of value (as the law regulating commodity exchanges on the basis of labour-time socially necessary to produce commodities) is to be demonstrated theoretically not by analysing the mere forms of market economy, but only by considering the social system of capitalist production. This is very much in line with the tradition of the Uno school.

Without a clear theoretical account which distinguishes the general forms of market economy and the specific market forms of capitalism, the theoretical possibility of market socialism, or socialist market economy, discussed in the last chapter of Social Foundation of Markets, Money and Credit and in Political Economy of Money and Finance, would remain unclear, or difficult to understand in the light of the fundamental theory of money and credit.

In contrast to money, the growth of systematic and sophisticated credit mechanisms (including various types of credit money) is clearly a product of capitalist exchange. In this regard, we should probably separate the historical basis of abstraction of the theory of money from that of the credit system. In addition, we have to reconsider the historical changes in the capitalist market economy by looking more closely at a number of further issues that concern money and credit system more specifically in relation to contemporary capitalism.

III. Remaining issues on contemporary capitalism

(i) The social foundation of credit and finance

In Chapter 4 of his 2003 work, Lapavitsas deals with the social foundation of credit relations. The core mechanism of classic credit relations is analysed by examining two major forms, namely commercial (or trade) credit and banking credit. Commercial credit is spontaneously formed as trading of commodities takes place among capitalists. Payment may be deferred, thus giving rise to commercial bills. Banking credit 'transcends commercial credit
and broadens the basis of trust among capitalists by giving a more social character to credit.\footnote{Lapavitsas 2003, p. 81.} It ‘presupposes the creation of pools of idle money in the normal course of industrial capitalist accumulation’.\footnote{Lapavitsas 2003, p. 71.} A bank can give credit to capitalist borrower by merely making available to the borrower the bank’s own promise to pay or by issuing a deposit to the borrower in exchange for a commercial bill. It is noted that not merely the economic factor of a potential generation of profit, but also broader social factors, such as family ties or access to political power (which might imply a guaranteed access to money for repayment) can play a considerable role in forming such credit relations.

This theoretical treatment of the core mechanism of the classical capitalist credit system is derived from Marx’s \emph{Capital} and is in line with the Uno school’s analysis of the principles of the credit system. Basically, it presents a theoretical schema of the classical credit system as a social mechanism that utilises idle capital internally and mutually among industrial and commercial capitals. It should be mentioned that another approach can also be found – one which treats interest-bearing capital as a credit relation between money capitalists and functioning capitalists. However, given the basic principles of the capitalist economy, it is hard to conceive of mere money capitalists who abstain from directly investing their capital to make a profit, or of mere functioning capitalists who lack their own capital for investment. The supply of idle money from landowners, retired capitalists, rentiers, the middle class, and even from wage-workers, would (more or less) indeed flow into banks, but would then be mobilised in accordance with the dynamics of the internal core mechanism of classic credit system.\footnote{Itoh 1988, p. 259.} In treating the classic credit system on the model of the system in mid-nineteenth-century England, as is the case in \emph{Capital}, the approach in Chapter 4 of Lapavitsas’s book is thus legitimate.

However, if we also consider the capital market for shares in joint-stock companies (and state bonds) as an important component of the financial system, in combination with the credit system – thus extending the historical basis of our abstraction into late capitalism – the role of the \emph{external} supply of idle money funds cannot easily be dismissed. Money capitals in the UK

\footnote{Lapavitsas 2003, p. 81.}
\footnote{Lapavitsas 2003, p. 71.}
\footnote{Itoh 1988, p. 259.}
economy, for instance, held by the rentier and landowner classes, and accumulated in the British financial system, tended to become more and more separated from industrial investment, and were directed instead to investment in foreign securities. Thus Keynes’s inflationary policy had the aim of bringing euthanasia to rentiers in order to promote industrial investment and employment.

In the post-World-War-II period, household saving among the working class in the advanced countries grew increasingly, including pension funds and various kinds of insurance trust funds. During the period of Japanese high economic growth until 1973, for instance, roughly 15 per cent of household income was saved in banks and other financial institutions and mobilised as a source of long-term fixed-capital investment by big businesses. This was the basis of a pattern of over-lending by the main banks to favoured firms with which they had close links. Since the 1980s, big companies have expanded self-finance both by reducing real capital investment, and by increasingly raising equity finance in the capital markets. As a result, Japanese household saving became increasingly channelled by banks and other financial institutions into medium and small businesses, real-estate business, housing finance and other forms of consumer credit, as well as into speculative asset trading. Financial bubbles have been one consequence, and another has been an increase in a variety of forms of foreign investment.

Thus, the social foundation of capitalist credit and finance is now no longer limited to an internal utilisation among firms of each other’s idle capital, but has expanded to include household saving and borrowing by workers. In this regard, inflation that brings occasionally even negative real interest rates on saving, speculative bubbles that burst destructively, as well as high interest rates for housing loans and other forms of consumer credit – all of these significantly affect the economic life of working-people and can operate as modes of exploitation. Keynesian inflationary policies, as well as the bursting of financial bubbles, would now destroy not only the income from employment of workers, but the real value of their savings as well. The economic situation of working people, including their pensions after retirement, is more directly vulnerable as a result of instability in the financial system.

Although the social foundation of the core of classic credit system must be modelled as the internal mobilisation of idle money capital as between functioning capitals, as analysed by Lapavitsas, we should note that the social role and foundation of capitalist credit and finance are actually broader than
this, and have a more direct impact on the economic life of workers and other socially vulnerable groups, as exemplified in Dymski’s and Isenberg’s edited volume, *Seeking Shelter on the Pacific Rim: Financial Globalisation, Social Change, and the Housing Market*.11

(ii) *The proliferation and changing forms of credit money*

Marx writes that,

credit money springs directly out of the function of money as a means of payment, in that certificates of debts owing for already purchased commodities themselves circulate for the purpose of transferring those debts to others. On the other hand, the function of money as a means of payment undergoes expansion in proportion as the system of credit itself expands. As the means of payment money takes on its own peculiar forms of existence, in which it inhabits the sphere of large-scale commercial transactions. Gold and silver coin, on the other hand, are mostly relegated to the sphere of retail trade.12

Commercial bills (such as bills of exchange or promissory notes used in commercial credit), cheques on bankers, bankers’ bills and banknotes (including central banknotes) are typical forms of credit money which emerged under the gold standard system. In the classical capitalist credit system, credit money served as a means of transferring commodities among capitals, but it did not enter the sphere of retail trade, or transactions between capitals and workers. Even banknotes, as Marx pointed out, ‘are simply the small change of wholesale trade’, and tended to circulate only among capitals.13 The lowest value Bank of England note, for instance, used to be 5 pounds sterling, which was too much to be used for either wage payments or retail purchases.

Marx distinguished such credit money from ‘inconvertible paper money issued by the state and given forced currency’.14 Unlike credit money, such state paper money emerges out of the function of money as means of circulation, easily flows into the general commodity circulation including retail trade, and may cause inflation when over-issued.

In the course of the historical evolution of capitalism, especially following the destructive shocks of World Wars I and II, as well as the great economic

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11 Dymski and Isenberg (eds.) 2001.
12 Marx 1976, p. 238.
crisis of the 1930s, the classical gold standard system broke down and central banknotes in most countries became inconvertible into gold. Inconvertible central banknotes were made legal tender in capitalist economies in order to economise on the domestic use of gold coins. Under the Bretton Woods international monetary system after World War II, only the US dollar was officially convertible into gold, while other currencies maintained fixed exchange rates with the US dollar. After the breakdown of the Bretton Woods system and transition to the floating exchange-rates system in 1973, inconvertible central banknotes were delinked even more fully from gold money.

Inconvertible central banknotes are called managed currency. They are issued in the form of bank credit given by the central banks to other banks or to the government, and after their use to make payments flow back to the central banks in the same manner as the classical convertible central banknotes. However, their validity no longer relies on convertibility to commodity money – gold – but is based on legal guarantees provided by the state, in the same way as state paper money. Without having a gravitational anchor in convertibility to a certain amount of gold, inconvertible central banknotes easily tend to cause inflation, that is, a reduction in their exchange-value, through over-issue, again in the same way as state paper money. Keynesian theories held that the pace of inflation, or rate of loss of exchange-value of inconvertible central banknotes, could be controlled through the deliberate operation of fiscal and monetary policies.

Nevertheless, the complex mechanisms that enable inconvertible central banknotes to circulate generally as non-commodity money, despite being delinked from gold, and while maintaining a fair degree of stability, are deeply related to a long historical process of growth of institutions and customs surrounding the use of credit money in ways which would allow capital accumulation to proceed. State power would not have been effective without such historical and socio-economic preconditions in the process of making inconvertible central banknotes into contemporary representative general money. Current academic research on the roles of habits, customs and institutions in the field of money and credit, as discussed in Lapavitsas’s book, must directly or indirectly reflect the recent shift to a market economy which has non-commodity money at its heart.

In this regard, it is surely desirable that Lapavitsas should trace in more detail the theoretical implications of his treatment of money, credit and various kinds of credit money (together with the roles of non-economic social factors)
with respect to the contemporary capitalist market economy. On this, three further points can be made here which are also of importance.

First, as Chapter 8 of our cowritten book attempted to show, a credit system based on inconvertible central banknotes cannot always be managed politically to maintain relative stability. Indeed, fundamental instability has increased under contemporary policies of ‘managed currency’. Along with changes in basic conditions for capital accumulation, we have experienced vicious inflation in the 1970s, build-up of huge speculative bubbles in the 1980s and 1990s, and the deflationary spiral characteristic of the Japanese economy during the 1990s and since. It has become apparent that monetary assets based on inconvertible central banknotes may cause not only inflation, but also the deflation which results from an acceleration in hoarding. Though psychological changes in habitual attitudes, and the propensity to save or consume, are certainly a factor behind such contemporary monetary phenomena, we must still endeavour to analyse such situations more objectively in relation to changes in the conditions of capital accumulation through the production, circulation and financial spheres in both the domestic and the world markets.

Second, we have to ask how it has been possible for the US dollar to expand its role as world (universal) money in the world market despite being delinked from commodity money (gold) and without having been formally accorded the status in international markets of forced currency, which it has in the US domestic economy. Moreover, the dollar has come to play this role while the USA has year after year accumulated huge amounts of both international and domestic national debts. Is it possible, through some large-scale model of a developed form of credit money, to explain the privileged position of the USA, which is able to purchase goods and services in the global market using its own inconvertible central banknotes – and thus piling up debts? How can we explain the present relative stability in the exchange-value of dollar, despite the ever-present danger of a collapse in its value as a result of the huge accumulation of US international debt? What limits are there to the unique global role of the US economy as both lender and consumer of last resort? To what extent do these phenomena depend on customs, habits and international institutional structures? Although Lapavitsas concentrates on more basic theories of money and credit, his analysis of the interplay between non-economic and economic factors within a contemporary historical-materialist approach needs to be extended to such significant issues. In my view,
satisfactory answers to these questions have not yet been presented by any school of economic theory.

Third, we are witnessing the proliferation of various kinds of quasi-money or credit money, as well as the formation of large-scale transnational currency unions, such as the euro. In this regard too, the impact of information technologies on the capitalist market system has been profound. Credit cards, pre-paid cards, electronic money, bank cards, and local community money, such as LETS (Local Exchange Trading System) are obvious examples. Unlike the classical credit system and credit money, discussed in Chapter 4 of Lapavitsas’s book, most contemporary forms of credit money are no longer restricted to transactions among capitals but are widely utilised by working people in the retail market. The capitalist credit mechanism has extended its operations to organise more fully the savings and borrowings of general working people, as well as to promote retail sales, including digital internet commerce, using personal computers. Most of these proliferating forms of quasi-money or credit money are spontaneously created outside state power. In this respect, they are unlike national currencies such as inconvertible central banknotes, and testify to the essentially spontaneous and anarchic nature of market, money and credit. Together with transnational currency unions, these developments demonstrate a reduction in the power of the nation-state to control the money and credit mechanisms of the capitalist market economy. They help explain why traditional Keynesianism has lost so much of its effectiveness and why a neoliberal belief in the rationality of free markets has become seemingly a much more appropriate ideology for the contemporary monetary economic order. It remains as an important theoretical task for us to contest and overcome this powerful ideological tendency by use of the perspectives of Marxian political economy, in co-operation with other currents of heterodox economics. We have to undertake a sustained and objective study of the role of historical necessity in the contemporary proliferation of new forms of quasi-money and credit money, and we need also to explore the future potential and the contradictions involved in such developments.
References


Kazutoshi Miyazawa

The Anarchic Nature of the Market and the Emergence of Money

Both Political Economy of Money and Finance (1999) and Social Foundations of Markets, Money and Credit (2003) are critical analyses of the capitalist economy from the standpoint of modern Marxist political economy. Both books examine the basic theory of money and credit, and criticise the theories of other schools. The former book pays particular attention to the instability of the financial system and critically examines postwar theories, such as the Keynesian and post-Keynesian monetary theories. The latter book focuses on the class foundations of the capitalist economy, and investigates the relationship between economic and non-economic aspects of social life. These books illuminate in new ways the strengths of Marxist political economy, as well as advancing our understanding of Marxist monetary theory.

This review article comments mainly on the basic theory of market and money presented in the recent book by Lapavitsas. As discussed in this book, a number of different schools have come to accept that social relations have a strong influence on the way the market works. In comparison with other schools,
Marxist political economy has paid much attention to class relations, and has made clear the historically specific character of capitalist economy. Thus Marxist political economy offers insight into the class character of markets, social customs and institutions in capitalist society. But these are not only affected by class relations. Markets and social practices also influence each other, and conversely the character of class relations is affected by social customs and institutions. There still remains much to be analysed in the interactions among these factors. Lapavitsas’s new book attempts to tackle this complex topic, and makes an important contribution to recent debates about the relation between the economic and non-economic aspects of capitalist society.

This article covers the following issues. Section I considers the qualitative difference between markets for commodities produced by capital and those for other commodities. This clarifies the anarchic nature of the market and the role of price fluctuations in a capitalist economy. Section II analyses the process of the emergence of money. Lapavitsas clarifies the role of social custom in this process, and I further develop his argument by focusing especially on the role of the physical properties of commodities.

1. Qualitative differences in markets

(i). The nature of the market itself

Lapavitsas emphasises the qualitative differences between markets for commodities produced by capital and markets for other commodities, and makes clear the differences by showing that exchange-value develops according to the social relations of production, distribution and exchange. First he explains that the exchange-values of commodities are ‘inconsistent or intransitive’ in commodity exchange which occurs ‘haphazardly or accidentally’. According to Lapavitsas, the following exchange-value could obtain without a real (as opposed to a logical) contradiction for commodities A and B:

\[ x \text{ of } A = y \text{ of } B \]
\[ x \text{ of } A = g \text{ of } B \]

In addition, Lapavitsas explains that the following exchange-values could, in practice, obtain for commodities A, B and C, without any tendency for their apparent absurdity to be eliminated:
I believe that these examples of exchange-values in commodity exchange that occur 'haphazardly or accidentally' show the basic nature of the market. Each commodity owner estimates the value of her commodity and offers to exchange that commodity for another commodity which she wants to obtain. As estimations of the value are made somewhat subjectively by the owner, different owners of the same kind of commodity may estimate the commodity differently. For example, one linen owner may offer to exchange one yard of linen for one coat, and at the same time, another linen owner may offer to exchange 1.2 yards of linen for one coat. Of course, these are offers only – they may be refused by the coat owners. If a coat owner wants to exchange a coat for linen and is aware of both of the above offers, she would ordinarily prefer to exchange it for 1.2 yards of linen. But this is not always the case. If another coat owner who wants to exchange a coat for linen knows only of an offer to exchange one yard of linen for a coat, the coat owner may accept that offer. Thus, the exchange of a coat and one yard of linen, and the exchange of a coat and 1.2 yards of linen, may take place at the same time in the market. In addition, the same owner of a commodity may offer different exchange ratios at different times. For example, a linen owner who at first offers to exchange 1.2 yards of linen for a coat will change the exchange ratio if she realises that one yard of linen and one coat are exchangeable in the market. In this way the exchange-values of commodities may be inconsistent or intransitive at any given time, and may fluctuate as commodity exchanges take place.

So is the inconsistency or intransitivity of exchange-values peculiar to commodity exchange that occurs ‘haphazardly or accidentally’? Or is it to be found generally in the market? Lapavitsas explains that the exchange-values become more consistent and transitive as commodity exchange becomes regular and extensive, and claims that, ‘when money is systematically used in the process of exchange, there is little arbitrariness of quantitative ratios between commodities, and prices tend to be transitive’. Exchange-values do become more consistent and transitive as commodity exchanges broaden,
because the subjective estimations of commodities are socialised to some degree as commodity exchanges are repeated. However, as estimations are basically subjective, does inconsistency or intransitivity of exchange-value generally persist in the market? To resolve this question, the reasons why exchange-values are assumed to become consistent and transitive have to be analysed in more detail.

(ii) *The form and substance of commodity value*

Lapavitsas asks,

> what are the social relations that bring regularity and transitivity to exchange values as commodity exchange becomes general, also transforming, exchange values into money prices? ... They are very different in markets for commodities produced by capital as compared to other markets.3

He distinguishes between the form and the substance of commodity value, and considers its implications for the analysis of markets. For commodities produced by capital, he emphasises that ‘the exchange value of commodities produced by capital is anchored in the abstract human labour they contain’, and says that ‘commodities produced by capital bear definite and transitive prices partly because of repeated and extensive transactions within the enormous network of capitalist markets’.4 However, it is the extraction of profit at the point of production that is regarded as the more important element. Lapavitsas explains that,

> the search for profit ensures ultimate compliance of the form of value (exchange value or relative price) with the substance of value (abstract labour). Definite and transitive commodity prices in capitalist markets rely partly on extensive buying and selling, but derive ultimately from the capitalist relations of production.5

On the other hand, for commodities not produced by capital, Lapavitsas points out that ‘there is no connection between substance and form of value’.6 Taking markets for land and stocks as examples of this kind of commodity, Lapavitsas explains that ‘the absence of mechanisms anchoring land and stock prices onto the substance of value (in contrast to produced commodities)

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3 Ibid.
4 Lapavitsas 2003, p. 25.
6 Ibid.
implies that they also exhibit strong volatility and arbitrariness'.\footnote{Lapavitsas 2003, p. 27.} He concludes that ‘such prices are strongly influenced, or even wholly determined, by non-economic factors’.\footnote{Lapavitsas 2003, p. 29.}

To sum up, there is a close relation between the form and the substance of commodity value produced by capital, but such a relationship does not exist for commodities that are not produced by capital. As Marx argues, ‘the exchange of commodities begins where communities have their boundaries, at their points of contact with other communities, or with members of the latter’.\footnote{Marx 1976, p. 182.} Therefore the market in general does not have a necessary connection with social production. Only in capitalist economies does the market permeate into social production and the value-form of the commodity produced by capital have a necessary connection with the value substance. In this way, Lapavitsas points out the historically specific character of a capitalist economy. Moreover, he offers an important insight into the influence of non-economic factors in claiming that they have an especially strong influence on the price of commodities not produced by capital. By focusing on non-economic factors, he makes clear the peculiar character of the market for such commodities.

(iii) The centre of gravity of price fluctuations

In my view, however, the character of the exchange-value of commodities produced by capital has to be interpreted in a way that is different from that of Lapavitsas. It is true that there is a law governing the price fluctuations of commodities produced by capital. If the relative price of a commodity remains high enough to enable its producer to secure an above-average rate of profit, fresh capital will enter that branch of production, and the supply of the commodity will increase. As a result, the commodity’s relative price will fall. The opposite will take place if a commodity’s relative price remains so low that its producer secures only a lower-than-average rate of profit. In this case, capital will move from that branch of production to another in which the profit rate is above average. As a result, the supply of the commodity will decrease, and the relative price will rise. Thus the price fluctuations of the commodity produced by capital have a centre of gravity.

However, this does not necessarily mean that commodities produced by capital have definite and transitive prices. The price of these commodities

\footnote{Lapavitsas 2003, p. 27.} \footnote{Lapavitsas 2003, p. 29.} \footnote{Marx 1976, p. 182.}
fluctuates around the centre of gravity, but how it fluctuates is affected by a
number of factors. For example, sellers of the same kind of commodity could
price their commodities differently. If a seller wanted to sell as soon as possible,
she might reduce prices. However, even if the seller does this, the commodities
might not be sold immediately. The seller might possibly have to wait some
time for a buyer. In this case, the prices would be inconsistent or intransitive.

Another example is that producers in an industry where the profit rate is low
cannot always move to a profitable industry immediately because they have
invested in fixed capital such as machinery. Large losses might be involved
if producers were to abandon such fixed capital in order to move to a new
industry. Producers in loss-making industries may become involved in intense
competition, causing the prices of their products fall to still more. In this case,
prices would be indefinite and volatile.

These properties of prices derive from the basic nature of the market itself.
In the market, commodities are priced subjectively by individual sellers, and
bought by individual buyers. If a seller expects market demand to be strong,
she may raise the price. If another seller expects the market to be weak, the
price may be lowered. Such differences in price may persist for some time
because price information does not reach the buyers immediately even in
capitalist markets. On the other hand, if all sellers and buyers expect the
market to be weak, the sellers may lower the price, and the buyers may wait
for the price to fall even further. As a result, prices will continue to fall. In
this way, even the price of commodities produced by capital may be intransitive
and volatile, not just those of other commodities.

But, however intransitive or volatile the prices of commodities produced
by capital may be, in the long run, producers move from industries in which
the profit rate is low to other industries in which the profit rate is high.
Consequently, a centre of gravity is established in the price fluctuations of
commodities produced by capital. Thus the intransitivity and volatility of
prices of commodities produced by capital do not hinder the formation of a
centre of gravity in price fluctuation. Rather, these properties of prices can
be considered to play a definite role in the capitalist mode of production. On
this point, Marx argues as follows:

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. This is not a defect,
but, on the contrary, it makes this form the adequate one for a mode of
production whose laws can only assert themselves as blindly operating averages between constant irregularities.\(^\text{10}\)

To use an earlier example, producers whose profit rates are low may become involved in a price war. In this case, prices could fall still more, that is, move in a direction which is even further away from the centre of gravity. However, if the rate of profit continues to fall, producers would be compelled to leave the industry. Thus the movement of the producers into and out of branches of production is accelerated by the anarchic fluctuation of prices. In this way, anarchic price fluctuations can be regarded as a factor in the regulation of capitalist production. Crises sometimes occur because of anarchic fluctuations in price, but even crises can be regarded as part of the process of regulating a capitalist economy. The dynamics of a capitalist economy can be fully analysed by focusing on the anarchic nature of the market. Similarly, it is important to clarify the anarchic nature of the market in order to analyse the emergence of money. I turn now to discuss this topic.

**II. Money and social custom**

(i)

In order to solve the ‘riddle’ of money, in other words, to make clear why money has a monopoly of direct exchangeability with all other commodities, Marx analyses the process through which money emerges out of the relations among commodities. As economists before Marx took it for granted that only money can buy commodities, none of them identified the reasons for this as needing explanation. Marx was the first to make clear that the direct exchangeability of money is derived from social relations among commodity owners. In the process through which money emerges, the exchange-value is assumed to develop in four stages, namely, the ‘simple, isolated, or accidental form of value’, the ‘total or expanded form of value’, the ‘general form of value’, and the ‘money form of value’. Marx considers that the exchange-value necessarily develops in these four stages, and that, in the last stage of this process, money finally emerges. However, as Lapavitsas argues, Marx’s writings on money contain a variety of arguments that could provide support for different views on the origin of money. Lapavitsas offers a critical

\(^{10}\) Marx 1976, p. 196.
interpolation of Marx’s argument, focusing on the relations between the market and social custom. Lapavitsas explains the emergence of money as follows. First, it is assumed that

to analyze the development of exchange value, commodity owners are initially assumed to possess a fixed quantity of one commodity each, and to trade in pairs. They interact at random (‘accidentally’), in the sense that any two among them could meet.11

In the first stage, namely in the ‘simple’ form of value, the owner of A is assumed to offer to exchange with the owner of B by offering $x$ of A for sale against $y$ of B. In making this offer, A is the ‘active’ party, and B is the ‘passive’ party. A’s position is called ‘relative’ and B’s position is called ‘equivalent’. The following scheme shows this relation:

\[
x \text{ of } A \rightarrow y \text{ of } B
\]

In this form of value, B acquires the property of direct exchangeability with A. On this point, Lapavitsas explains that ‘the source of direct exchangeability for one commodity lies in the action of the owner of another, and the property exists exclusively in the context of the market’.12 However, the relationship between A and B is considered to be fleeting, and have no application across the market. This stage is replaced by the second stage, namely, the ‘expanded’ form of value. Lapavitsas assumes that the owner of A offers to exchange with all others, frequently and repeatedly. This form of value is written as:

\[
\begin{align*}
x \text{ of } A & \rightarrow y \text{ of } B \\
x \text{ of } A & \rightarrow u \text{ of } C \\
x \text{ of } A & \rightarrow w \text{ of } D \ldots \text{ etc.}
\end{align*}
\]

In this form of value, ‘the ability to buy, which was previously restricted to B, is now spread across the market and belongs to all commodities except A’.13 This stage is then replaced by the third stage, namely, the ‘general form of value’, which consists of following series of offers to exchange:

\[
\begin{align*}
y \text{ of } B & \rightarrow x \text{ of } A \\
u \text{ of } C & \rightarrow x \text{ of } A \\
w \text{ of } D & \rightarrow x \text{ of } A \ldots \text{ etc.}
\end{align*}
\]

11 Lapavitsas 2003, p. 57.  
12 Lapavitsas 2003, p. 58.  
In this form of value, ‘A possesses direct exchangeability with all others – i.e. it can buy all others’. In other words, commodity A is already the ‘universal equivalent’. Therefore, Lapavitsas continues, ‘it is vital to specify precisely the economic process through which the “general” arises out of the “expanded” form of value’. Lapavitsas criticises Marx’s treatment of this transition. While Marx derives the ‘general’ form by reversing the ‘expanded’ form, Lapavitsas claims that

\[\text{the formal reversal of the ‘expanded’ form could be undertaken in principle for each and every possible ‘relative’, and therefore it would generate as many ‘universal equivalents’ as there were commodities.}\]

I, too, believe that Marx’s argument on the transition from the ‘expanded’ form to the ‘general’ form is not persuasive. In the ‘expanded’ form, the owner of A offers to exchange it for other commodities. In this case, it is the owners of the other commodities who decide whether the offer is to be accepted or not. On the other hand, in the ‘general’ form, the owners of other commodities offer to exchange them for A. In this case, it is the owner of A who can decide whether the offers are to be accepted or not. To replace the ‘expanded’ form with the ‘general’ form, the reason that owners of other commodities offer them in exchange for A must be explained. Lapavitsas explains the economic process through which the ‘general’ arises out of the ‘expanded’ form of value, by focusing on the role of social custom:

\[\text{In conclusion, for the ‘general’ form of value to emerge, social custom is necessary, giving rise to chains of traditional transactions. Within those chains it is likely that the ‘expanded’ form would be, by chance, reversed, and probably with regard to heavily traded commodities. . . . These reversals are self-sustaining in so far as they give rise to a stronger ability to buy, thus attracting further requests of exchange, and so further strengthening the ability to buy.}\]

As a result of this self-sustaining process, certain commodities begin to monopolise the ability to buy. When a single commodity completely, and in a stable way, monopolises this ability, the money-form of value emerges. Historically, it was precious metals which monopolised the ability to buy. As

\[\text{14 Ibid.}\]
\[\text{15 Lapavitsas 2003, p. 60.}\]
\[\text{16 Ibid.}\]
\[\text{17 Lapavitsas 2003, p. 63.}\]
Lapavitsas points out, precious metals are physically best suited to the task, because they are ‘exceptionally durable, homogeneous, finely divisible, and portable’. But Lapavitsas explains that social custom is also necessary for the money-form to be established.

Gold and silver have historically been used as costly jewellery and for ostentatious manifestation of wealth. Habituation of people with this role of gold and silver makes it easier to associate the precious metals with representing value and carrying the ability to buy.

In this way, Lapavitsas explains why money monopolises the direct exchangeability with all other commodities. Here, Lapavitsas’s argument is quite original in its focus on the role of social custom. To make clear the strength of such an argument, let us consider how Lapavitsas criticises Menger’s explanation of the emergence of money.

(ii) The limits of individual rationality

Menger is one of the founders of the Austrian school. As Lapavitsas explains, Austrian theorists do not accept the concept of equilibrium, and have a characteristic view of the economic individual as a source of radical dynamic change in economic life. I believe that the method of the Austrian school has both strong and weak points. It is true that individual action is one of the factors that brings about dynamic change in economic life. And the process of dynamic change cannot be analysed using equilibrium theory. The emergence of money is one of the most important dynamic changes in the market economy. Menger considers that money emerges as a result of individual actions in the market. Menger’s method has strength in that he tries to analyse the emergence of money theoretically. But individual actions are affected by social foundations, such as social customs and institutions. Therefore, not only individual actions, but also social foundations should be analysed to clarify the process of dynamic change. Lapavitsas explains some difficulties in Menger’s argument as follows:

Menger derives money out of market processes as the means of exchange that overcomes the problems of barter. He relies on absolute individualism – that is, on the benefits that accrue to individual traders and guide their concomitant actions. To establish the putative benefits and corresponding

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18 Lapavitsas 2003, p. 64.  
19 Ibid.
actions Menger makes two vital assumptions, both of which have social
determinants that are not explicitly discussed. First, commodities are assumed
to have the property of marketability, and to a different degree from each
other. Second, the knowledge of marketability emerges among a few traders
and then spreads to the others in the form of social custom deriving from
repeated market practice.\textsuperscript{20}

As explained above, Menger analyses the emergence of money by focusing
on the marketability of commodities. If commodity owners recognise that
commodities differ in marketability, they will prefer commodities that have
more marketability than others. As a result, such commodities will acquire
still more marketability. This self-reinforcing process will continue until the
most marketable commodity, namely money, emerges. This reasoning seems
coherent – but only if its basic assumptions are accepted. Just why do different
commodities have different degrees of marketability, and how do commodity
owners recognise the difference? Lapavitsas criticises Menger for giving no
explanation for these assumptions. If we focus only on individual actions,
we cannot answer these questions.

In contrast, Lapavitsas’s argument, explaining why certain commodities
attract more offers to exchange than others, is predicated on social custom.
In addition, while Menger regards money only as the means of exchange,
Lapavitsas’s argument also emphasises that money has a number of functions
arising from its monopoly of purchasing power. These insights are offered
only by a Marxist political economy that analyses the interaction between
social foundations and individual actions.

However, there are questions that need further discussion. Lapavitsas
explains that:

\begin{quote}
Regular and frequent commercial contact is likely to lead to the emergence
of chains of traditional transactions containing specific commodities. Transition
to the ‘general’ form of value is more probable within chains of traditional
transactions, since they separate specific commodities and bring them into
regular contact with each other.\textsuperscript{21}
\end{quote}

So why are specific commodities contained in the chains of traditional
transactions? How are these commodities separated? It is necessary to analyse
more clearly the relations between commodity exchange and social custom.

\textsuperscript{20} Lapavitsas 2003, pp. 116–17.
\textsuperscript{21} Lapavitsas 2003, p. 62.
To explain why social custom should be considered, Lapavitsas claims that ‘to establish the universal asymmetry that is characteristic of money, it is necessary to seek recourse to social custom’. He also explains that ‘the symmetry among commodities is broken by factors extraneous to plain buying and selling’. But different commodities have different use-values. So does the difference of use-values not break the symmetry among commodities? Lapavitsas discusses the question as follows:

Their physical make-up undoubtedly differentiates commodities from each other as use values, but is entirely unrelated to their exchange value. As far as pure buying and selling are concerned, all commodities are undifferentiated traded objects, and there is no reason why the form of value should become attached to one of them differently compared to the rest.

In my view, the difference in use-value also plays an important role in the emergence of a universal equivalent. Lapavitsas agrees that gold monopolises buying ability partly because of its physical properties. So should we not analyse the role that the difference in use-values plays in the process through which the ‘general’ form of value arises out of the ‘expanded’ form of value? Let us consider the development of exchange-value by focusing on the difference in physical properties of commodities.

(iii) The role of the physical properties of commodities

Let us consider the ‘simple’ form of value. For example, a linen owner offers to exchange 1 yard of linen for 1 pound of tea.

\[ 1 \text{ yard of linen} \rightarrow 1 \text{ pound of tea} \]

In the offer of exchange, the linen owner would first decide what commodity and what quantity of the commodity she wants to obtain. In the above example, the ‘equivalent’ side, namely ‘1 pound of tea’, would be decided first. Then the linen owner would decide what quantity of linen she will offer in exchange for it. The ‘relative’ side, namely ‘1 yard of linen’, would be decided next. The following two points should be emphasised here. The first is that the quantity of the tea is decided by the desires of the linen owner. The linen owner wants 1 pound of tea, not 0.5 pound or 2 pounds of tea. Therefore,
the above example does not contain relations such as ‘0.5 yard of linen → 0.5 pound of tea’ or ‘2 yards of linen → 2 pounds of tea’. The ‘simple’ form of value only represents the subjective offer of the ‘relative’ side. The second point is that 1 yard of linen is usually not the entirety of linen that the owner possesses. Or, rather, the owner would probably offer only part of the linen that she possesses, and reserve the rest of the linen for future exchange. As the linen is no more than a commodity, its use-value has no significance for the owner. However, a reserve stock of linen is useful to the owner because it can be offered in exchange for other commodities at any time.

It is important to make clear that there are reserve stocks of commodities in the market. This vision of the market is quite different from that of neoclassical economics. In the latter, particularly in the economics of Walras, commodities are exchanged instantaneously, and after the exchange, all use-values of commodities have significance for their owner. In other words, no allowance is made for a reserve stock of commodities which has no use-value for its owner. But, in the real world, it takes time to exchange commodities. During this time, trade conditions may change. For example, the desires of commodity owners may change, new commodity owners may appear, the exchange ratio may change, and so forth. In anarchic markets, it is often profitable for the commodity owner to keep part of her commodity in reserve.

The transition from the ‘simple’ form of value to the ‘expanded’ form of value can be regarded as expanding the kinds of commodity for which the linen owner offers an exchange. In the ‘simple’ form, the linen owner offers to exchange it for tea because she wants to consume the tea. Similarly, in the ‘expanded’ form, the linen owner offers an exchange for other commodities that she wants to consume. But the linen owner may subsequently offer to exchange it for some quite different commodity. If the linen owner is to keep some commodities in reserve, she would prefer to keep the commodities whose physical properties are suited for reserve, rather than keeping linen. Durability is the most important property for this purpose. Homogeneity and divisibility are desirable properties too. Precious metals have these properties. Among objects regarded as ‘wealth’ in the society, there may be other

25 Marx explains that, ‘for the owner, his commodity possesses no direct use-value. Otherwise he would not bring it to market’. Marx 1976, p. 179.
26 In the ‘expanded’ form of value, Lapavitsas assumes that the owner of A offers to exchange it with all other commodities. However the owner of A offers to exchange it only for commodities which she wants to obtain, not for other commodities.
commodities that have these properties and the linen owner would offer to exchange with these commodities.

As explained above, in the offer to exchange with commodities that the linen owner wants to consume, the linen owner would first decide what commodities and what quantity of each commodity she wants to obtain, and then decide what quantity of linen she will offer in exchange for each commodity. In contrast, there is no limit to the desire for commodities to be kept in reserve, because the larger the reserve stock which a commodity owner has, the more offers can be made in the future. Therefore, in exchange for the commodities suited for reserve, the linen owner would offer all the linen that she intends to keep in reserve. Moreover, while the request for commodities that the linen owner wants to consume would be made only when the linen owner wants to consume the commodities, the demand for commodities for reserve would be more lasting. Certainly commodities suited for reserve have no more direct exchangeability than linen at this stage. However, keeping commodities suitable for reserve is always more advantageous for the linen owner than to keep linen, because such commodities can be used for a longer period as reserve. Similarly, in exchange for commodities suited for reserve, many other commodity owners would offer all the commodities that they intend to keep in reserve. As a result, the demand for suitable reserve commodities would be large and persistent. Thus the transition to the ‘general’ form of value begins. Commodities for which many commodity owners make offers of exchange acquire the property of direct exchangeability with their commodities. Such commodities can buy many other commodities and, therefore, still more commodity owners make requests for such commodities. The greater the ability to buy they have, the more commodity owners offer to exchange for them. In this way, commodities suited to become reserve stocks monopolise the ability to buy, becoming the ‘universal equivalents’. In conclusion, the physical properties which make some commodities suited to be kept as a reserve stock play a very important role in the establishing of a ‘universal equivalent’.

However it does not follow that social custom plays no role. If people had no desire for durable objects, such objects would not be traded. In this case, commodity owners would not regard these objects as suitable for reserve. As a result, no offers would be made for these objects. Therefore it is a prerequisite that people desire durable objects if commodity owners are to regard these objects as suitable for building up reserve stocks. But durable objects are not
consumed in the same way as food or cloth. So, why do people desire durable objects? It is probably because they are regarded as wealth. Of course, durable objects are not always regarded as wealth; social custom decides what durable objects are regarded as wealth. The transition from the ‘expanded’ form of value to the ‘general’ form of value begins with the foundation of such social customs. And, after the transition, durable objects that have become ‘universal equivalents’ attract people’s desire all the more.

However there is no certainty that a single commodity will monopolise the ability to buy in the ‘general’ form of value, because it is not disadvantageous for commodity owners to use plural ‘general equivalents’ as long as they have the ability to buy other commodities. Therefore, as Lapavitsas explains, social custom is also necessary for the ‘money’-form to become established. And it follows that social institutions such as the gold standard system play an important role in certain commodities becoming money.

Here there is a significant relation between markets and their social foundations. Non-economic aspects of one capitalist society, especially social customs and institutions, could vary from those of another capitalist society. As a result, money in one society could be different from that in another society. By the same token, as we have seen in Section I, social norms, customs and institutions strongly influence the price of commodities that are not produced by capital. Therefore, the character of the markets for these commodities in one society may be different from that in another society. The neoclassical institutionalism developed by North and Williamson also analyses the influence of social conventions, norms and institutions. However, as Lapavitsas points out, this approach is too narrow since it is based only on the rational choice of the individual. Social factors cannot be fully analysed using this approach. Lapavitsas emphasises that ‘the social is properly approached at the level of society as a whole, and on its own terms rather than those of individual choice’. By treating society as a whole, Lapavitsas’s considerations not only make clear the historically specific character of capitalist economy, but also offer a considerable insight into the reasons that various capitalist societies emerge.

27 See, for example, North 1990 and Williamson 1985.
28 Lapavitsas p. 100.
References


Costas Lapavitsas

Relations of Power and Trust in Contemporary Finance

1. Introduction

The debate on money and finance in the current issue of *Historical Materialism* is evidence of renewed interest in these issues within Anglophone Marxist political economy. Contributing to it, this article examines relations of power and trust as components of contemporary money and finance. More broadly, the article considers the interplay of economic and non-economic relations in the field of money and finance. This is an important subject for political economy because of its social and political implications. Some of the latter are briefly outlined in Section II with reference to personal finance, independent central banking and world money. It is then shown that relations of power and trust permeate the monetary and financial mechanisms of the capitalist economy, providing support for accumulation. Class relations of exploitation and oppression lurk beneath the technical façade of contemporary money and finance.

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1 Thanks are due to S. Aybar for comments on the manuscript. All errors are my responsibility.

2 Thus, it echoes Lapavitsas 2003 – which sparked the debate.
It is important to note that mainstream economics has recently become adept at analysing relations previously considered non-economic, such as trust, reciprocity and credibility. For mainstream economists, these are impersonal and ahistorical concepts that could be used to improve social well-being as well as influence economic policy, especially in the realm of money and finance. A similar approach can be found among many non-governmental organisations (NGOs) despite their frequent criticisms of contemporary finance, especially in relation to globalisation. Thus, there is added urgency to demonstrating the class content of non-economic relations characteristic of money and finance, particularly power and trust.

It hardly needs stating that Marxist political economy has always been aware of the importance of political power in the operations of the capitalist financial system. After all, only free-market ideologues would doubt that political power and other non-economic relations offer crucial services to capitalist accumulation. However, analysis in this article is at a higher level of abstraction than that of interventions by governments or international organisations in the workings of domestic and international finance. The focus is on first principles, that is, on the relations of power and trust embedded in the rudiments of capitalist money and credit. Specifically, it is shown that, in capitalist society, money represents absolute buying power – hence affords to its holder economic and social power – while credit represents trust that is socialised on a capitalist basis.

Put differently, the article focuses on molecular components of class relations buried within capitalist monetary and financial mechanisms. Thus, Section IV demonstrates monetary and social mechanisms through which relations of power and trust are placed at the service of capitalist accumulation. These relations of power and trust underpin the key aspects of contemporary finance analysed in Section II. The same relations also permeate the interventions in money and finance by national states or international organisations. The point is important for the Marxist – and even the merely radical – critique of contemporary money and finance.

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3 As in Gowan’s 1999 analysis of US political power behind the contemporary ‘Dollar-Wall Street Regime’.
II. Contemporary money and finance: the importance of power and trust

During the last three decades, the realm of money and finance has expanded and become more international in its operations. It is superfluous here to recount data on international capital flows, volume of daily foreign exchange transactions, growth of financial derivatives, spread of stock markets, and so on. Taking the expansion of money and finance for granted, it is more important to outline its social and political significance as well as its far-reaching economic implications. Money and finance differ from other fields of capitalist activity because, first, they are highly fluid and, second, they have immediate non-economic aspects. It is evident, for instance, that access to money confers power and sustains hierarchy across capitalist society. Similarly, even casual observation shows that the mechanisms of credit facilitate social transformation by affording command over resources. Finally, bourgeois elections and politics in general are tightly interwoven with money and finance.

The evolution of money and finance during the last three decades throws light on social relations at the heart of contemporary capitalism. Power at the disposal of the capitalist class has increased, while the mobilisation of trust and reciprocal obligation across society has intensified. The social standing of workers and their confidence in participating in social life, meanwhile, have suffered. To get a clearer perspective on these developments, it is important to examine more closely three important aspects of contemporary money and finance, namely personal finance, independent central banking, and world money.

(i) Growth of personal finance
Since the mid-1970s, credit (and finance, more generally) has penetrated deeply into the realm of personal income. Casual observation alone indicates that retail banking has expanded, including loans for private consumption and mortgage lending for working-class housing. This has not been matched by an equivalent expansion of the role of credit in the realm of capitalist production. Industrial investment in developed countries is currently financed mostly through retained profits, even for Japanese industry that used to rely very heavily on bank loans during the initial postwar decades. On a net basis

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4 There is significant amount of mainstream empirical work on this issue, including Mayer 1987, and Corbett and Jenkinson 1997.
(that is, subtracting financial assets of corporations from their financial liabilities) industrial investment in the developed world makes little use of funding from banks, other financial institutions and the stock market. The engagement of corporations in the stock market has certainly grown, but this is to finance mergers and acquisitions rather than industrial investment. Corporations also undertake financial activities themselves, including through provision of credit and direct involvement in the trading of financial derivatives.

The social implications of these developments are profound. Housing and personal finance increases the proportion of personal income paid to financial institutions as interest and commissions. Substantial parts of aggregate money income are regularly and directly transformed into loanable capital. Moreover, the modest houses of workers are transformed into financial assets. In the USA, Britain, Japan, and elsewhere, working-class housing has participated in real-estate bubbles, previously the domain of commercial property and expensive real estate.

Easy availability of consumer credit facilitates the immediate acquisition of material goods against pledges of future money income, thus reversing the practice of saving out of current income to acquire goods in the future. The ability to obtain personal credit depends on money income, assets held, track record of repayment, as well as a host of tacit social factors, such as place of abode, ethnic and racial origin, gender and kinship. Thus, access to personal credit becomes a measure of the social trust and power invested in the recipient. On the other hand, when personal credit dries up, workers face loss of material goods, restricted mobility, and collapse of social status.

It is important to note that both financial institutions and capitalist corporations (rather than a narrow layer of rentiers) obtain interest out of individual money income and assets. The financial institutions involved are far more than banks and include pension funds, investment funds, and insurance companies which mobilise small sums of idle money across society. The transformation of money income and assets into interest and loanable capital is apparent in the financial bubbles (stock-market and real-estate) that have punctuated the last three decades. The losers have typically included small buyers, whose losses represented once-for-all transfers of money assets to financial, industrial and commercial institutions.
(ii) Central bank independence

During the same period, the vestigial links between money in use and commodity money (gold) were severed. Contemporary money is overwhelmingly credit money that rests on central-bank money (banknotes and deposits) which is backed primarily by state instruments of debt. The leading central banks continue to hold vast hoards of gold, but the money commodity does not exercise a regular controlling influence on the value of central banknotes and deposits. Freed from the need to guard their gold reserves, central banks possess fuller discretion in making loans, issuing their own money and, above all, determining interest rates. Consequently, stability of the value of central-bank money depends on two factors: first, on the central bank’s management of aggregate credit flows and, second, on central-bank money being legal tender for the settlement of commercial and other debts.

The central bank’s monopoly over legal tender is a fundamental component of contemporary finance. Modern central-bank money (banknotes and deposits) functions as obligatory means of payment, backed mostly by state debt. Consequently, it has clear aspects of fiat money, that is, money with arbitrary circulation backed by the power of the state. Nevertheless, modern central-bank money is still issued by a bank, in other words, it is fiat money that has mutated out of credit money. Thus, it bears little resemblance to the crude fiat monies of the past that issued directly from the state’s printing presses, such as French Assignats or Prussian paper Thalers. The management of modern fiat money draws on the social power and trust invested in the central bank.

There are economic, social, political and customary aspects to the central bank managing its own money as well as the credit money created by other institutions of the financial system. To perform its managing function, the central bank must possess reliable information on the flows of credit across the economy, on the overall rhythm of accumulation, and on the habitual and customary patterns of spending and debt settlement in the country. It must then use this information to balance the interests of industrialists, merchants and financiers affected by its decisions. All sections of the capitalist class apply moral pressure onto the central bank through both public and private channels. The central bank must also weigh the social implications of changes in the volumes of credit, especially in housing and personal consumption. Finally, it is obliged to consider the broad political implications of its actions.

Central-bank management of modern credit money is a continuously evolving process. The global inflationary crises of the 1970s and 1980s, for
instance, represented failure to defend the value of credit money. That failure had social and political implications, at the very least because rapid inflation meant losses for creditors and because wage bargaining was disrupted as workers attempted to obtain compensating increases in money wages. It is a sign of the ability of the capitalist class to learn from experience that ‘independent central banking’ became the byword for credit money management in the 1990s.5

‘Central-bank independence’ is a convenient legal fiction that separates the bourgeois electoral process from the juggling of economic and social factors undertaken by the central bank. It allows the central bank to issue its own money and influence interest rates without submitting even to the feeble scrutiny of parliamentary elections. Credit decisions that have profound consequences across society appear to be taken by disinterested experts on objective ‘technical’ grounds. Meanwhile, the various sections of the capitalist class continue to apply pressure on the central bank in a thousand furtive ways. The social trust invested in the central bank is thus mobilised in the interests of capital, while society is prevented from exercising even electoral accountability over the use of this trust.

The pre-eminence of central banks in contemporary finance has few precedents in the history of capitalism. Their dominance over the credit system derives partly from the extraordinary monopoly they enjoy over legal tender. Thus, central banks systematically place the power of money – buttressed by the power of the state – at the service of capital. This development represents a paradox for neoliberalism, the prevalent economic ideology of the last three decades. Neoliberal policy has preached the virtues of free markets, but on money it has opted for completely the opposite course. Far from allowing free creation of credit money by competing financial institutions, neoliberal policy-makers have strengthened the central bank’s monopoly over legal tender. This is presented as a socially beneficial step because, presumably, the central bank is an omniscient and benevolent monopolist of money. In practice, the central bank has been given room to use money’s power in the interests of capital in general, with scant regard for the bourgeois electoral process.

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5 The satisfaction of arriving at ‘independent central banking’ is expressed very clearly by Goodhart 1994 and 1995, the doyen of British central banking.
(iii) World money

Finance has also become increasingly international during the last three decades, sustained by new technologies as well as by the policy of financial liberalisation. The internationalisation of finance is closely related to world money, that is, to the key function of money at the international level. World money provides a necessary means of payment for settlement of commercial obligations and transfer of value among nations and corporations in the world market. But the world market is not simply a larger version of the domestic market.

The domestic market is buttressed by (and gives rise to) customs and habitual practices that have (or acquire) a national character. It is supported by a legal framework and enforcement practices that draw on institutions and traditions that have evolved in the course of a nation-state’s history. Similarly, the customary and legal practices of the domestic market reflect the historical evolution of class struggle and the homogenising role of state power in particular countries. These complex factors – customary, hierarchical, historical and political – provide vital support for the buying and paying ability of money domestically. Moreover, the mechanisms of the domestic credit system give further support to domestic money, particularly when central-bank money receives the imprimatur of the state in the form of legal tender.

The world market is different. It certainly contains processes of exchange that make money necessary for purchases and payments among trading participants. It also gives rise to customs and practices of exchange that sustain the world use of money. However, world trading customs and practices do not necessarily coincide with domestic ones, thus giving rise to conflicts of probity and reliability, as well as of means and methods of payment. The laws and practices that underpin the operations of the world market, moreover, depend on compromises among several states. There is no lawmaker and enforcer in the world market with a position analogous to that of the national state in the domestic market.

Equally, no state has the power to impose a single legal tender across the world market, and nor is there a structured world credit system capable of creating universal credit money. The international financial system is an anarchic whole of flows, assets and markets; it constantly creates credit money but lacks the coherent structure necessary for emergence of dominant credit

money analogous to central-bank money in the domestic context. Consequently, the use of particular monies in the world market is subject to political and military interaction among states. World money, finally, is the ‘sinews of war’, the means of pursuing conflicts among states by financing armies, bribing allies, or paying off enemies. A nation-state’s position in the hierarchy of world power improves dramatically when its money is used by other states as means of hoarding and payment, or as unit of account.

The typical form of world money in the history of capitalism has been commodity money – gold and silver. Commodity world money has immediate implications for national currencies, since it is a common anchor that fixes exchange rates – provided that national monies convert into it. Exchange-rate fluctuations automatically induce transfers of gold or silver across national borders, which, in turn, prevent exchange rates from rising or falling beyond narrow limits. The value of the money commodity, moreover, functions as an external stabilising influence on the price systems of countries participating in the world market. Flows of metallic world money have historically provided an automatic order to the world market – albeit at the cost of major financial, commercial and industrial crises.

The link between gold and world money was first loosened when Britain suspended convertibility of sterling into gold at the outbreak of the First World War. At that moment, it became necessary to apply a degree of conscious management to world money, but its management during the interwar years was a catastrophic failure. The Bretton Woods agreement of 1944 dealt with the problem by imposing convertibility of the dollar into gold at $35 to the ounce, though only for official transactions. The link between dollar and gold provided an anchor for the international monetary system, while also fixing exchange rates. Critical to the agreement was a battery of controls over international flows of money capital, as well as availability of a large hoard of gold held by the USA. By the same token, the collapse of the Bretton Woods agreement in 1973 marginalised gold, ushered in floating exchange rates, and posed the problem of world money with renewed urgency.

Since the 1970s, the world market has been struggling to generate world money able to discharge its functions adequately. Gradually, the US dollar emerged as quasi-world money, representing an unprecedented development in the history of capitalism. Dollars are created through credit processes largely specific to the US economy, and their domestic acceptability is assured by being legal tender backed by US government instruments of debt. In the
international arena, the acceptability of the dollar rests on regular practices that have both economic and non-economic aspects. These practices include using the dollar as unit of account in key global markets, such as the market for oil; as means of payment among nations; as means of transferring official funds, especially in times of crisis; as unit of account and means of payment among financial institutions. As a result, dollar reserves are customarily held by nation-states, but also by international corporations operating beyond the boundaries of individual states.

The role of the US dollar as quasi-world money reveals the importance of relations of power and trust within the world market. The international use of the dollar is partly associated with the preponderant role of the USA in the world economy. The USA, for instance, is a large importer of oil and the largest (gross) exporter of loanable money capital. Similarly, most of the large transnational corporations are domiciled in the USA, while US financial institutions play a dominant role in the international financial markets. At the same time, the world role of the dollar draws directly on the political and military hegemony of the US, sharply accentuated after the collapse of the Eastern bloc. The extent to which the world role of the dollar depends on the active exercise of power by the US state was demonstrated in the course of the Asian crisis of 1997–8. When Japan offered crisis finance to Asian countries, also proposing the setting up of a separate fund to manage regional financial flows, the USA rapidly scotched the proposal and forced use of the dollar in dealing with the crisis.

The benefits to the USA from the world role of the dollar are easy to see. First, the country can maintain a structural deficit in its balance of trade, in effect buying commodities from foreigners with US legal tender. Second, it can borrow from the rest of the world by promising to repay in money generated by its own central bank at the stroke of a pen. Third, since it can create quasi-world money at will, the USA gains considerable freedom in pursuing monetary policy domestically.

The benefits to other countries, meanwhile, are far more difficult to ascertain. Obviously – and trivially – the existence of world money is beneficial to all market participants since payments can be made and value transferred smoothly and reliably. But, as far as the dollar is concerned, these benefits are created by the very practice of using it, in other words, from the actions of the foreigners themselves. Even more strongly, the resultant necessity of accumulating dollar reserves has had the effect of tying foreigners to using
the dollar as world money. The larger the hoards of dollars and dollar-denominated debt instruments held by foreign institutions and corporations, the stronger the compulsion to maintain the international role and value of the dollar. For, should the world function of the dollar be damaged, the losers will certainly include the nations that have made loans to the USA and hold large amounts of dollars.

The dollar as quasi-world money, therefore, is deeply contradictory. It purports to be a universal means of payment and hoarding but bears no necessary relation to produced value. It aims to be a global promise to pay, but remains created by national credit mechanisms. It draws on the economic forces, customs and legal practices of the world market, but cannot secure complete monopoly of global role by excluding other monies from world use. It relies on state power, but is not global legal tender. It aims to be an impersonal servant of all world-market participants, but is also inherently biased in favour of the hegemonic state. The hegemon, moreover, is the largest (net) borrower in the world, and has a huge and persistent trade deficit.

Managing the dollar as quasi-world money, therefore, requires systematic use of political and economic power. In the 1980s, dollar management involved ad hoc gatherings of representatives of the leading capitalist states, as in the Louvre and Plaza Accords. Things changed in the 1990s as the hegemonic power of the USA increased significantly. The input of lesser capitalist powers to managing the dollar as world money became more informal and indirect. At the same time, complex economic and political mechanisms evolved to facilitate world-money management, including regulatory and prudential intervention over international banks and financial markets. The Bank of International Settlements is important in this respect, collecting information and enforcing regularity on the practices of international banks across financial markets. The International Monetary Fund is even more important, making funds available and influencing the pattern of accumulation of entire countries. Nevertheless, success has been elusive, and certainly not comparable to that of national ruling classes in managing domestic money.

Repeated financial crises have accompanied the rise of the dollar as quasi-world money. They are typically associated with expanding flows of loanable money capital that currently dwarf international flows of commodities. By the same token, exchange-rate instability has assumed historically unprecedented dimensions. Developing countries that attempt to maintain a degree of stability in their exchange rates by shadowing the dollar, while also
allowing for free movement of loanable money capital across their borders, have been subjected to major crises – several Asian countries, Turkey and Argentina most recently. Typically, the lack of relative modest sums of world money catapults developing countries into turmoil. At the same time, the mechanisms of dollar management have had more success at protecting the USA and much of the developed world from monetary and financial turmoil, with the critical exception of Japan. Within US circles of economic ideology and policy-making, the view has gradually begun to emerge that profound economic instability is a thing of the past, an attitude that is strangely reminiscent of Keynesian policy-making confidence in the 1960s.

III. Theoretical analysis of the interaction of the economic with the non-economic

Economic and non-economic relations, thus, interact closely in the realm of contemporary money and finance. Relations of power and trust permeate the monetary and financial realm with immediate political and ideological implications. For those opposed to capitalism, there is an urgent need for theoretical analysis of these relations. This need is exacerbated by developments within mainstream economics during the last three decades. Without abandoning its neoclassical core, mainstream economics has accrued capacity to analyse phenomena and practices that, in an earlier era, were considered the province of other social sciences, such as sociology. Analytical focus has turned increasingly on the institutions that surround markets – economic, social, political, and even religious. In particular, mainstream economics has focused closely on social norms, customary practices and non-market bonds between market participants. These relations are often captured with the catch-all term ‘social capital’. This is a flawed concept, since capital is an inherently economic term that entails self-motion and self-replenishment of stocks, hardly applicable to non-economic relations. Nevertheless, it has allowed mainstream economics to move...
aggressively into the field of non-economic relations, in open collaboration with conservative economic sociology.

Marxist political economy has been slow to react to these developments within the mainstream. The tardiness of response probably owes something to the very kernel of historical materialism, above all, the Marxist distinction of ‘base’ and ‘superstructure’. For Marx, as is well known, some social relations are more important than others for the evolution of society, and ought to be accorded special analytical status.11 Thus, the economy is at the ‘base’ of society, setting the tone for non-economic relations of the ‘superstructure’. Within the economy, relations of production dominate those of exchange and distribution, and take analytical precedence.

This is a decisive insight, but the course of interaction between ‘base’ and ‘superstructure’ is far from clear within Marxist theory. It is certain, however, that Marx’s own economic analysis brims with references to laws and their enforcement, political struggle, historical events and traditional practices among different peoples. Whatever Marx meant by the distinction between ‘base’ and ‘superstructure’, he did not balk at incorporating a host of broad non-economic factors in analysis of the deeper economic core of capital. The remarkable explanatory power of Capital derives from constant blending of abstract economic analysis with discussion of historical, traditional, customary, political and broadly social aspects of capitalist and precapitalist societies. This is evident, for instance, in Marx’s analysis of the legal, customary, political and historical aspects of the length of the working day and of the ‘General Law of Capitalist Accumulation’.12

For Marx, the process of capitalist accumulation brings together production, circulation, and distribution, while possessing its own internal logic and motives, summed in the self-expansion of value. Accumulation provides natural theoretical terrain for analysis of the interplay of economic and non-economic relations, without ignoring the historically specific, capitalist nature of the latter. Nonetheless, the process of accumulation is not a guide to all economic relations in capitalist society, and certainly not to all non-economic relations. The expenditure of workers’ income, for instance, is only indirectly connected to capitalist accumulation. More significantly, the various spheres of the non-economic – politics, ideology, religion, culture, and so on – have their own internal structure and dynamics, irreducible to the logic and motives of capitalist accumulation.

11 Marx 1859, pp. 20–1.
12 Marx 1867, Chapters 10 and 25.
In this spirit, it has been elsewhere suggested that non-economic relations exist which are integral to capitalist accumulation, such as power exercised by capitalists over workers at the point of production. These are distinguished from non-economic relations generated beyond the sphere of the economy but placed at the service of capital, such as familial relations characteristic of the reproduction of labour-power. This distinction has nothing to do with vulgar Marxism and nor does it equate economic relations with market relations. Thus, the deeper economic motion of capital involves non-economic relations, including social customs and norms. Discipline and co-ordination of workers at the point of production, for instance, are certainly economic relations, but rely on historically evolved habits of work. Moreover, discipline and co-ordination are co-extensive with capitalist power, which has class determinants and leads to exploitation. At the same time, non-economic relations that are originally unrelated to the immediate realm of capital, could become marshalled by the latter. There is, for example, nothing inherently capitalist to familial love and reciprocity, despite both being subordinated to the reproduction of labour-power and thus acquiring a capitalist aspect.

With this distinction in mind, it is proposed here that money and credit represent relations of power and trust, partly arising through market processes, partly generated outside the economy, which are subordinated to capitalist profit making. More broadly, the institutions and processes of money and credit assign a class aspect to power and trust across capitalist society. Monetary and credit mechanisms systematically place power and trust at the service of capitalist accumulation.

In his informative contribution to this symposium, Dymski interprets this argument as the reduction of money and credit to mere relations of capitalist accumulation. He advocates a broader, ‘heterodox’ approach to money and credit that draws on fundamental Marxist analysis of capital, while placing it on an equal footing with other radical approaches to the capitalist economy. To support his view, Dymski points, on the one hand, to the importance of money as social means of dealing with uncertainty and, on the other, to the weight of personal finance in contemporary capitalism, including savings institutions.

Dymski’s argument, despite its insights, is ultimately unpersuasive. To take capitalist accumulation as analytical point of departure is not to reduce

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13 Lapavitsas 2003, p. 3.
14 Both are dangers that concern Itoh in his contribution to this symposium.
15 Lapavitsas 2003; see also next section.
all social processes to exploitation. And nor is it a barrier to analysing money and credit in fields that are not directly connected to capitalist accumulation. Rather, capitalist accumulation provides a compass through the maze of economic and non-economic relations that comprise the field of money and credit. The class nature of capitalist society is kept at the forefront, even when exploitative and oppressive class relations are refracted through money and credit.

Furthermore, while it is vital for ‘heterodox’ approaches to money and finance to interact, not ‘all points of entry’ into ‘heterodoxy’ have equal validity, nor could they naturally supplement each other, as Dymski appears to suggest. For Marxist political economy, the fundamental interaction between capital and labour sheds a particular light on all aspects of the economy, including money and finance. The theory of exploitation is not a mental exercise that could be left aside when money and finance, or other concrete economic issues, are broached. Without constant reference to class exploitation and oppression, Marxist political economy would be reduced to a collection of more or less interesting observations about capitalism.

Much the same could be said about Dymski’s assessment of the three levels of theoretical research advocated by the Uno current of Japanese Marxism. Dymski assumes that the first level, that is, abstract research into the fundamental motion of capital, could be ‘walled off’ from the subsequent two levels of, respectively, historical periodisation and empirical study of particular countries. But this cannot be right. Without the first level of abstract research, Uno-type analyses at the other two levels would be cast adrift in a sea of generalities. Nevertheless, and this should be stated in view of Itoh’s remarks on Dymski in this symposium, there is a certain tension inherent to Uno-type analysis. While the analytical value of distinguishing among the three levels of research is clear, the way in which theory could shift between levels is not. Precisely this tension allows Dymski to assert that the first level of analysis could be ‘walled off’ from the others.

In this light, the following two specific claims are made in this article with regard to money and credit.\(^{16}\) The first is that money is a spontaneous product of exchange relations representing absolute ability to buy, the latter lying at the root of money’s broader economic and social power. The second is that the capitalist credit system comprises a pyramid-like structure of institutions,

\(^{16}\) Fully discussed in Lapavitsas 2003.
markets and assets that emerges spontaneously on the basis of capitalist accumulation and embodies trust. The credit system, furthermore, transforms trust from a private and subjective into a social and objective relationship, which is placed at the service of capital. Both claims have roots in Uno-type analysis, but are developed here to include the social constituents of money’s power and the transformation of trust within the mechanisms of credit, as is shown in the following section.17

**IV. Power and trust in the realm of money and credit**

(i) The roots of money’s economic and social power

The role of money in the exchange process in general and in the capitalist economy in particular is one of the most difficult problems in economic theory. Within neoclassical economics, money is typically seen as means of exchange that emerges out of direct commodity exchange.18 This approach arbitrarily privileges one of money’s functions (means of exchange) and creates an abstract model of barter that bears little relation to the historical and anthropological evidence on direct commodity exchange. Moreover, its methodological individualism prevents insight into the social underpinnings of both markets and money.

An alternative approach, with old roots but currently associated with post-Keynesianism, views money as abstract unit of account integral to contracts and credit transactions. Typically, it treats money as the creation of the state – or some other socially constituted authority – independently of the exchange process.19 Dymski’s view of money as a social means of dealing with uncertainty is sympathetic to this approach. Despite its critical outlook relative to mainstream economics on this issue, post-Keynesianism is the mirror image of neoclassicism because it arbitrarily privileges another of money’s functions, that is, unit of account. While neoclassicism treats money as mere means of exchange, a ‘veil’ over real economic processes, the post-Keynesian alternative treats money as part of the fundamental human interaction with nature. The neoclassical caricature of direct exchange among ‘primitives’ is rightly rejected,

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17 Elements of this approach can be found in Itoh and Lapavitsas 1999 and fuller analysis in Lapavitsas 2003.
18 Including the Austrian tradition, led by Menger 1892.
19 Recent major contributions are Wray 2004 and Ingham 2004.
only to be replaced by obscure tales of abstract units of account invented by ancient state officials, or by merchants engaging in complex credit transactions.20

Marx’s analysis of the universal equivalent offers a path to money that is free of those weaknesses, especially when interpreted along lines originally suggested by the Uno school.21 In a nutshell, the universal equivalent represents absolute ability to buy that emerges spontaneously and necessarily out of commodity exchange relations. The essence of money is monopoly over direct exchangeability among commodities. None of money’s functions dominates the rest, but all flow from money’s essence.

This analysis can be further developed by focusing on the social relations encapsulated by money, particularly the social customs and norms that surround money’s emergence and use.22 Money’s ability to buy rests on the ‘foreign-ness’ of commodity owners from each other, that is, on the weak influence on commodity owners of kinship, hierarchy, religion, and so on. Money is the social bond of ‘foreigners’, the nexus rerum holding commodity owners together in the market and beyond. However, money also (and necessarily) relies on customs and norms that prevail among commodity owners with regard to entering the market and operating within it. At the very least, money relies on the customary and institutional exclusion of violence that could easily break out among commodity owners. Moreover, the use of money is itself a social norm: money’s ability to buy is socially established because commodity owners offer their commodities for money in the expectation that others will also do so. The regular practice of exchanging commodities for money validates the expectations of commodity owners. The customary and norm-like aspect of money is present in all its forms, including commodity money, such as gold. But it is fundamental to contemporary forms of credit money that do not contain value and whose acceptability rests on economic and social arrangements.

Miyazawa, who is sympathetic to Uno-type analysis, has noted the novelty of this approach in his contribution to this symposium. He proposes to extend it in terms of a putative link between money and the physical properties of commodities. According to Miyazawa, when commodity owners engage in exchange they must keep some commodities in reserve to deal with problems of timing and incompatibility of wants. Money is the commodity most suitable

21 See, for instance, Itoh 1976.
22 See Lapavitsas 2003, Chapter 3; and Lapavitsas 2005.
for keeping in reserve because of its physical properties, especially its durability. However, Miyazawa must then deal with a further logical problem namely, if a commodity is to be kept in reserve (or, as hoard element) it must have already been accepted as a more general representation of wealth than other commodities.

Marx argued that commodity money is ‘the material symbol of physical wealth . . . the compendium of social wealth.’\(^23\) In advanced capitalism, several commodities can act as partial representatives of wealth – cars, boats, planes, palatial houses and other fripperies of the rich – while only money is the general representative of social wealth. The ability of money to represent wealth more adequately than other commodities is due to its monopoly over buying power, that is, to its ability to represent value. What ultimately needs explaining, therefore, is money’s unique ability to buy, for which its physical properties are of secondary importance.

Money’s monopoly over the ability to buy is fundamental to analysing its broader economic and social role in capitalist society, as well as the variety of meanings and representations attached to it. Money becomes capital, and supplies the motive as well as a key stage of the circular movement of capital.\(^24\) Money’s ability to buy is appropriated by capital, which subsequently turns money into signal and means for transferring resources systematically across the capitalist economy. Money is, thus, the original form of capitalist income and the means of obtaining use-values for workers and others. In a capitalist economy, money allows both corporations and individuals to make, and put into effect, plans about the future. In short, money is the organiser of the capitalist economy.

Money certainly functions as means of dealing with uncertainty in a capitalist economy, but this is primarily due to the economy’s capitalist character. The market processes that permeate the capitalist economy are partly anarchic and partly unconsciously organised through money. Thus, money allows positions to be taken with regard to the future, especially in the field of capitalist investment. But money’s functioning in this respect is not uniformly beneficial to society, and could induce fresh uncertainty. Unpredictable shifts of money across the economy – especially if a ‘monied estate’ of financiers has come into being – constitute a social source of uncertainty. This uncertainty is a proper object of analysis by social science, something that cannot be easily

\(^{23}\) Marx 1970, p. 124, emphasis in original.
\(^{24}\) Marx 1976b, Chapter 4.
said about the unhistorical uncertainty of the ‘unknowable’ future, favoured by Dymski.

Moreover, money’s monopoly over the ability to buy, and hence its command over resources, afford to its holders broader social and political power, which capital finds ready-made across society. Money buys an education and transfers privilege directly, thus allowing access into different social groups and creating social hierarchies, directly or through marriage. Money also plays a critical role in the bourgeois electoral process and the exercise of political power. Its social pervasiveness gives to money a variety of meanings and representations, including of human sentiments. Thus, money attaches the essence of exchange relations to a huge range of human actions – it lends a commodity aspect to things and activities that are inherently unrelated to markets and commodities.

Equally, however, money elicits the reaction of individuals, social groups and entire social classes that seek to negate its power and subvert the commercial ethic. The proliferation of Local Exchange Trading Systems (LETS) during the last two decades is an instance of this spontaneous reaction within capitalist society. Put summarily, LETS are exchange networks for goods and services that exclude official money in an attempt to do away with exploitation and pecuniary motives in communal life. Along similar lines, during the first half of the nineteenth century, the utopian socialist Owen and the anarchist-socialist Proudhon advocated replacing official money with ‘labour money’ denominated in hours of labour. ‘Labour money’, presumably, would have prevented exploitation, broken the spell of money over economic activity, and facilitated communal solidarity.

Marx rejected these ideas, since exploitation derives from class relations that cannot be transformed simply through introduction of a different form of money.\textsuperscript{25} Money might be the organiser of the capitalist economy, but remains a mere product of market relations, an outcome of the give-and-take among commodity owners. For a true transformation of society, therefore, capitalist relations of production and exchange must be altered, including abolition of capitalist ownership and control over means of production. Still, the persistence of attempts to devise non-exploitative ‘communal’ monies is not accidental. Such schemes signify the depth of social resistance to the deleterious effect of money on social life, though they typically remain unaware of the deeper sources of money’s economic and social power.

\textsuperscript{25} See Marx 1976a.
(ii) Credit as socialised trust

Credit also incorporates non-economic relations but of a different order of complexity to money. To analyse credit relations, it is important first to emphasise that Marxist political economy puts forth a monetary theory of credit. The existence of money is a precondition for capitalist credit, and monetary relations form the bedrock of credit relations. Specifically, money is necessary as unit of account in credit transactions, as means of payment when credit balances have to be settled, and as means of storing the capacity to settle credit obligations. For Marx, the role of money as foundation of credit is hidden in the normal course of accumulation but emerges sharply during crises, when capitalists must possess money to settle debts.26

Trust is inherent to credit transactions, since credit stands for advancing value and receiving an equivalent at a later point in time.27 This holds for trade credit, that is, the advance of commodities against promises to pay, and for banking credit, or, the advance of money against promises to pay. It is profoundly difficult for capitalists to part with value without immediate receiving an equivalent, since the very motive of capitalist activity is the expansion of value. Consequently, the trust that is necessary for capitalist credit must rest on elaborate mechanisms of customary, legal and institutional practice. These mechanisms sustain trust in the ability of the borrower to repay in two related but separate ways.

First, credit institutions systematically collect and assess information regarding the borrower’s economic activities, thus functioning as repositories of economic knowledge for the entire capitalist economy. Second, credit institutions also gather and evaluate information regarding the borrower’s political connections, social position, familial links and other social characteristics, since these could guarantee repayment even if the borrower’s economic activities failed. Thus, credit institutions are also a repository of knowledge regarding social connections that reach to the core of the capitalist

26 Marx 1976b, p. 146.
27 Finance is broader than credit, as Itoh observes in his contribution. Financial relations include, for instance, stock-market transactions involving property in capital (equity) rather than the advance of value against a promise of repayment (credit). Therefore, the basis of trust in stock-market transactions is different, though still heavily influenced by the credit system. This is apparent in two respects: first, the rate of interest is a benchmark for equity prices and, second, stock-market operations rely on mobilisation of loanable money capital, partly through the credit system. Be that as it may, Marxist political economy lacks developed treatments of the relationship between equity and credit.
class. It is further proposed here that, in addition to collecting information necessary for trust, the mechanisms of credit also transform trust from a subjective and private into an objective and social relationship. This transformation lends to trust a capitalist character and places it at the service of capitalist accumulation.

Trade credit depends on trust among individual capitalist enterprises that is subjective and private, since such trust draws on knowledge that enterprises have accumulated about each other in the course of their commercial relations. Banking credit, on the other hand, relies on trust between banks and enterprises which is less subjective and private, since banks lend to and borrow from large numbers of enterprises. Trust in a bank’s deposits, on the other hand, depends on the quality of the loans made by the bank, in other words, on the quality of the bank’s assessment of a broad range of enterprises. Hence it is more impersonal and objective than trust among capitalist trade creditors.

Trust among banks, which is vital to the money market, is even less subjective and personal. In the money market banks regularly lend to each other, giving rise to the market rate of interest and providing coherence to the credit system as a whole. Money-market trust is an objective and increasingly social relation. In the money market, the assets and liabilities of banks are bundled together and traded as a single commodity, that is, as loanable money capital. The disparate strands of lending by one bank to many capitalists are thus assessed and homogenised by other banks. The objective and social aspect of money-market trust is apparent in the credit rankings accorded to banks.

Finally, trust between banks and the central bank is the most objective and social form of trust within the capitalist credit system. The central bank dominates the money market, systematically assesses the creditworthiness of other banks, and collects information about the credit system but also the economy as a whole. A degree of aggregate rationality is integral to the central bank, even within the confines of the capitalist economy. Trust in the deposits and banknotes of the central bank, therefore, has a strong social aspect. This is immeasurably strengthened when the state gives its imprimatur to central-bank deposits and banknotes, transforming them into legal tender for discharging commercial and other debts. The extraordinary power of modern central banks derives, first, from commanding the most objective and socialised

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28 See Lapavitsas 2003, Chapter 4.
trust within the capitalist economy and, second, from possessing a monopoly over the creation of money as legal tender.

Trust organised and socialised through the credit system is placed directly at the service of capitalist accumulation. In each sector of the economy, trade credit marshals customary aspects of production and exchange, cultural aspects of probity and punctuality, as well as historically developed institutional mechanisms for discharging obligations. These complex factors are crystallised in instruments of trade indebtedness with a measurable degree of trust that pivots on the borrower’s ability to repay money. Banking credit, on the other hand, transcends particular individual sectors, and brings into equivalence customs, cultural habits and institutional practices across the economy. Instruments of banking indebtedness, particularly those of the money market and the central bank, contain a general measure of trust that still pivots on the borrower’s ability to repay money.

By organising trust through the credit system, the capitalist class systematically transfers resources to accumulation, equalises the rate of profit, and alters the productive capacity of the national economy. But the basis of such trust remains the ability to repay money, that is, either to generate money profits or to secure money through non-economic means. Hence, capitalist trust has a nefarious moral quality. Fraud and deception is never far from the surface, requiring continuous policing and enforcement of laws and customary practices of credit.

Dymski rightly points out in his contribution that financial relations do not involve only credit transactions among capitalists but also personal finance to workers, mortgages, insurance, and so on. Far from being problematic, however, this aspect of credit shows the strength of the approach proposed here. Loanable money capital is mobilised by banks and other financial institutions across society, and is then made available to capitalists and others on the basis of banking credit. From the perspective of financial institutions, as long as repayment and interest are guaranteed, all borrowers are the same. The methods through which trust is organised and socialised could also be applied to transactions with borrowers that are neither capitalist corporations nor banks. In personal finance – including mortgages, consumer loans, buying on tick and so on – trust is established by assessing the life conditions of the individual from the perspective of ensuring the ability to make money repayments. These conditions include employment but also family status, friendships, club memberships, and past history of credit transactions, all of
which go into individual credit ratings. Trust in individuals acquires an objective and social form, but with a capitalist character that pivots on the ability to repay money.

The socialisation of trust within the credit system affects power within the capitalist class and across society. Capitalists who have privileged access to the credit system have an advantage in the battle of competition. Those who control, or could influence, the central bank possess overwhelming social power. Credit advanced to individuals, on the other hand, represents softer but equally pervasive power. Personal and mortgage credit facilitate the permeation of the realms of individual and social relations by money accounting. The social trust possessed by an individual is measured by the ability to repay money, and hence the individual’s personal, familial and communal activities are evaluated in terms of monetary returns, even when these activities give rise to the monetary returns. By the same token, fluctuations in access to credit could destroy the social standing of the individual.

Seen in this light, the discussion of contemporary finance in Section II above takes a different aspect. Capitalist classes across the world have developed domestic mechanisms that systematically mobilise both the power of money and the trust associated with credit. The institutions and markets of the credit system, regulated and managed by the central bank, place social power and trust at the service of capitalist accumulation. But, at the world level, things are very different: there is no form of money that monopolises buying ability across the world, nor are there credit mechanisms that could socialise trust internationally. The chaotic structure of the world market militates against both, despite the institutional and political transformation of world finance during the last three decades. The system of nation-states that overlaps with the world market adds further complexity to the problem. It is not surprising, therefore, that all recent major crises have emanated from world money in conjunction with world finance.

Marxist political economy has barely begun to scratch the surface of such phenomena in the world market. In this respect, the work of Bryan and Rafferty on financial internationalisation has been path-breaking.29 However, their assertion in contribution to this debate that financial derivatives are a new form of world money is deeply problematic.

For Bryan and Rafferty, derivatives are money because they make commensurate disparate ‘forms, locations and temporalities’ of capital in the world market.

Since they are systematically traded, derivatives also restore to money its ‘commodity form’, except that this time money is not a physical commodity but capital itself traded as a commodity. Derivatives, then, are the true form of capitalist money, created at the level of the world market. Bryan and Rafferty argue, furthermore, that it is unhistorical to seek a general link between money and power as well as one between credit and trust. They recognise the importance of trust in derivatives transactions, but claim that such trust is established capitalistically across the world market, independently of nation-states and international courts.

This analysis is not credible. To begin with, it is nowhere evident in the work at issue that an unhistorical theory of power and trust is adopted in relation to money and credit. On the contrary, the capitalist character of power and trust associated with money and credit is sought from first principles. Be that as it may, there is no doubt that the dominant form of derivatives is given by specifically financial derivatives, which are used extensively by banks and other financial institutions. Financial derivatives typically allow for the sale (or purchase) of underlying financial assets in the future or even swap streams of future interest payments on underlying financial assets. They are essentially bets on the future movement of financial variables, allowing for both hedging and speculation. Their phenomenal growth is a by-product of the financial instability that has followed the collapse of Bretton Woods, inducing rapid fluctuations in the values of underlying assets, especially through interest and exchange rates.

Derivatives certainly represent commodification, but not commodification of capital in general. Rather, they stand for commodification of future property over an asset, or of the right to buy and sell an asset, or even of the right to possess future interest streams. They do not represent proper commodities, nor is there any clear sense in which they are money. Their commensurating function, stressed by Bryan and Rafferty, is nothing more than the carapace of the commodity form placed over hedging and speculative strategies involving several underlying financial assets. Derivatives have no obvious hoarding and paying functions in the world market, and they are certainly not ‘the anchor of the global financial system’. In so far as such an anchor exists today, that is the US dollar, though riddled with the problems discussed above.

Bryan and Rafferty are right to seek spontaneously emerging specifically capitalist forms of money in the world economy. But they too hastily reject connections with money as produced commodity, such as gold. The universal equivalent is the monopolist of buying ability, whether it takes the form of commodity money or credit money. The latter is indeed the capitalist form of money *par excellence* but, by the same token, financial instruments can look like money without being money. A theory of the money commodity provides a rudder to analysis of credit money, which would have stood Bryan and Rafferty in good stead in their analysis of derivatives.

Financial innovation in the world market certainly creates new forms of credit money. Money-market funds, for instance, are able to collect funds across the world and invest them in a variety of financial assets, while also giving the right to sign cheques against their liabilities. This is, indeed, a new form of international credit money that is neither immediately nor clearly related to the legal tender issued by any central bank. The same cannot be said of derivatives.

**V. Conclusion**

Developments within money and finance during the last three decades call for theoretical Marxist analysis, particularly because of their social and political implications. The role of money as organiser of the capitalist economy has been strengthened, and its social and political power increased. Credit and finance have permeated social life, while the power of central banks is greater than ever. In the world market, the search for adequate world money is punctuated by gigantic crises. Meanwhile, attempts are continually made at grassroots level to tame the social power of money and give a stronger communal aspect to credit.

The resurgence of Marxist theoretical interest in money and finance is an encouraging development in this respect. The present debate in *Historical Materialism* stresses the importance of capitalist class relations, even when refracted through money and finance. In this article, in particular, it was argued that money and credit capture key social relations of markets and capitalist accumulation. Money’s social and political power rests on its monopoly of the ability to buy, which capital appropriates across society and puts to use in promoting accumulation. The capitalist credit system, moreover, gives to trust an increasingly objective and social character. Trust is thus mobilised across society and placed at the service of capitalist accumulation.
But the customs, institutions and mechanisms that place domestic money and credit at the service of the capitalist class have limited effectiveness in the world market. The difficulties attached to marshalling the power of money across the world as well as mobilising trust globally lie at the root of recent international financial crises. They remain an intractable problem for contemporary capitalism, a cause of gigantic economic and social upheavals, and thus a call to action for those opposed to capitalism.

References


Interventions

Guido Starosta

Debating the Argentine Crisis: Replies to Ana Dinerstein

Editorial Introduction

At the time of writing (December 2005), Argentina seems to have recovered from what was one of the most prolonged political and economic crises in its history. The crisis seems to be a thing of the past.1 Yet, the profundity of that crisis, and especially the turbulent political events of December 2001 and early 2002 (with hundreds of people taking to the streets, constitution of popular assemblies, looting of shops, brutal police repression, the successive fall of various presidents in an extremely short period of time and so forth), had made Argentina the focus of attention of observers all over the world in those years. Moreover, the need to come to grips with what has been experienced as a crucial moment of Argentine history was felt on all sides of the political spectrum. For those on the Right, the need to account for this situation was rather evident. After years of

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1 Yet, it remains to be seen whether the recent change of Ministry of Finance is a sign of difficulties to come.
hailing Argentina as the role model of successful neoliberal restructuring, they then needed to find a scapegoat to blame for its undeniable crisis. By contrast, for those on the Left, the magnitude of the economic collapse was seen as the most compelling evidence of the disastrous consequences that neoliberal economic policies had on the population. Furthermore, the novelty and peculiarity of the social movements that emerged out of the crisis was seen by many as signalling the consolidation and growth of the global struggles against neoliberalism.

Ana Dinerstein’s paper on the ‘Battle of Buenos Aires’ in issue 10.4 of this journal could be seen as expressive of a widespread enthusiastic mood of the Left about both the nature and meaning of the crisis, and the transformative potentialities of social movements. However, even if undoubtedly hegemonic, that reading of the political and economic upheaval was not shared by everyone on the Left. Thus, the following articles by Alberto Bonnet, Juan Grigera and Juan Inigo Carrera, written in reply to Dinerstein’s contribution, question the pertinence of her interpretation of the genesis and significance of those political and economic events. In their own idiosyncratic way, each of these articles challenges many of the assumptions of Dinerstein’s piece and provides an alternative account of the Argentine crisis. In publishing these articles, the editors of Historical Materialism express once again their commitment to pluralist debate in critical-Marxist theory.
The popular insurrection that took place in December 2001 overthrew the neoliberal model prevailing in Argentina during the 1990s, that is to say, the specific modality adopted by the capitalist offensive throughout the past decade. This model was one of the most deeply entrenched in Latin America, and it centred on the entrance of domestic capitalism into the world market by means of a convertible currency.

This paper intends to promote the discussion concerning the explanation of the crisis and the popular insurrection that ended convertibility in Argentina, as well as to consider the consequences of these developments. The first section questions some key aspects of the explanation of the crisis and the popular insurrection which featured in a previous article for *Historical Materialism*.¹ The second proposes a brief alternative interpretation of the nature and dynamics of convertibility. In the third section, I examine the process of growing social resistance that would set limits to this convertibility. The fourth section focuses on the popular insurrection that took place in December 2001 and on the fall of

¹ Dinerstein 2002.
converstibility. Finally, the paper proposes some tools to understand the consequences of these processes and events.

1. Discussing the crisis and insurrection

_Historical Materialism_ 10.4 included a long analysis of the crisis and popular insurrection in Argentina by Ana Dinerstein. A criticism of this article will serve as the starting point for our analysis. The author makes the following statement:

My argument will be that the Battle of Buenos Aires epitomised two simultaneous and interlocked processes which have their roots in the last 25 years and stretch through dictatorship, democratisation, and the neoliberal transformation of the 1990s. On the one hand, the collapse of a form of accumulation initiated in 1976 and of the regulatory power of ‘stability’ as a form of capital’s command over society. On the other hand, the consolidation and expansion of the resistance which emerged from the bosom of ‘stability’ and stood against it.

Our own criticism aims at showing that Dinerstein’s analysis does not provide a precise explanation of the effectively existing relationship between social struggles (‘resistance’) and the crisis of convertibility (the key to that ‘form of accumulation’ during the 1990s). In fact, despite the numerous references that the author makes to Marxist intellectuals who – albeit from different points of view – give a decisive importance to the class struggle in the explanation of capitalist crises (Marazzi, Cleaver, Clarke, Holloway, Negri), her own analysis does not explain satisfactorily the crisis of convertibility as a result of the class struggle. Our analysis will be aimed at showing the flaws of her analysis of that ‘form of accumulation’ in terms of a ‘depredatory form of accumulation’ centred in a ‘financial valorisation of capital’. Such an analysis refers to an interpretative matrix which is widespread in Argentina among the populist critics of neoliberal policies (Basualdo, Aspiazu, Lozano, etc.). This matrix does not accord any explanatory centrality whatsoever to the class struggle, since it is simply alien to Marxism. Both objections are strongly

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2 Dinerstein 2002.
3 Dinerstein 2002, p. 4.
4 The economists supporting Dinerstein’s characterisation of this ‘form of accumulation’ are all examples of that interpretative matrix. The speech by the ‘Central de Trabajadores Argentinos’ (CTA) and the ‘Frente Nacional contra la Pobreza’
linked: the result is an analysis that superimposes a narrative of the events of the class struggle onto a populist explanation of the dynamics of accumulation.5

But the populist critique of neoliberal policies is incompatible with a Marxist critique, that is, a critique based on the class struggle. There are several reasons for this. The first one is related to the explanation of the hyperinflationary processes in 1989–90, which imposed the conditions of possibility for the establishment of the neoliberal model articulated by the convertibility of the domestic currency. Our Marxist interpretation, as we shall see later, understands those hyperinflationary processes as an offensive of capital against labour. By contrast, the populist interpretation understands them as conflicts among distinct fractions of the bourgeoisie.6 Evidently, the difference between these two interpretations does not reside in the fact that the Marxist one does not acknowledge the role of the conflict between these distinct fractions over the future ownership of state companies to be privatised, or over the degree of external openness of the economy which is to be attained. The difference between these interpretations lies in the way these elements are integrated into the explanation of the hyperinflationary processes. The conflicts among the distinct fractions of the bourgeoisie during the hyperinflationary processes

(FreNaPo), of whom Basualdo and Lozano are the main advisors, is directly inspired by it. Some populist or centre-left political parties (such as Polo Social, ARI and even some internal sectors of the Partido Justicialista) and some important media (such as Le Monde Diplomatique in its Southern Cone edition) also base their discourse on the same matrix.

Historic Argentine populism, associated *par excellence* with the first two Peronist administrations (1945–55), must be understood as the particular form that postwar reformist politics took in Argentina and other Latin-American countries (see the analysis of Keynesianism proposed by Holloway 1995 and Negri 1996), focused as it was on the recognition and integration of the antagonistic standpoint of labour. In this sense, the key to that historic populism was the articulation of a new political alliance – in the form of a state-mediated popular movement – between the urban working class and the fraction of the local bourgeoisie linked to the industrialisation process. This alliance was established in order to drive a model of capital accumulation which revolved around a redistribution of income and the growth of the domestic market. When, after the mid-1970s, this postwar accumulation model was exhausted, a series of political events seem to have definitively terminated that historic populism – the breakdown of the last attempt to establish a politics of social compromise in 1975, the defeat in the Falklands War in 1982, the neoliberal turn of Menem’s government itself in 1989 (see, among others, Torre 1983, Dabat and Lorenzano 1982, Palermo and Novaro 1996). Contemporary populism (or *neo-populism*), which concerns us here, although inspired by the legacy of that historic populism, has particular characteristics which result from those contemporary transformations. We will deal in more detail with some of them as we proceed with our argument.

See, for example, Basualdo 2000a.
of 1989–90 were the outcome of the deadlock situation attained by capitalist recomposition during the second half of the 1980s, which, in turn, was a result of the prevailing balance of forces between capital and labour at that time. The transitional government of Alfonsín was successful in its attempt to empty the democratic demands characteristic of the transition, but it was not as successful in the imposition of a durable recomposition of capitalist accumulation and domination.\(^7\) The hyperinflationary processes mentioned above resulted in the modification of the balance of social forces to the benefit of capital, which established the conditions of possibility for its recomposition during Menem’s government. In brief, from our Marxist perspective, the starting point for the comprehension of the mechanisms of imposition of neoliberalism should be found in the dynamics of class struggle. On the contrary, from the perspective of the fractionalist sociology characteristic of the populist critique, the starting point is the subordination of those dynamics to the conflicts of interest between fractions of the bourgeoisie.\(^8\)

The second point of interest in which both critiques of neoliberal policies are incompatible is the interpretation of these policies’ class meaning. Our Marxist interpretation, as we shall see later, states that neoliberal policies aim at a recomposition of profitability through an increase in the levels of exploitation of labour. The populist interpretation recognises that one of the consequences of those policies is the increase in the exploitation of labour – though it fundamentally conceives it as a regressive redistribution of income. However, it sees the imposition of a new model of accumulation dominated by financial valorisation as the key to the understanding of the nature of those policies.\(^9\) The financial reform imposed by the military dictatorship in 1977 is said to have introduced a change in the accumulation model: from one dominated by import-substitution industrialisation and sustained in a cross-class alliance between the workers and the national bourgeoisie, to one dominated by financial valorisation and sustained in an alliance between foreign creditors and domestic concentrated capitals. The conflict between them, as we mentioned above, is said to have been resolved through the establishment of the convertibility plan.\(^10\) Foreign debt (re-negotiated through

\(^7\) See Bonnet and Glavich 1993–4.
\(^8\) See the excellent critique in Clarke 1987 of the fractionalists’ analysis of Thatcherism.
\(^9\) See Arceo and Basualdo 2002.
\(^10\) As A.E. Calcagno and E. Calcagno state: ‘in the history of the country there was an agrarian Argentina, from 1880 to 1946; another industrial one, from 1946 to 1976; and a third one, rentier-financial, from 1976 to our days’ (Calcagno and Calcagno
the Brady plan) and privatisation would be the basis of this new model of financial valorisation. The meaning of convertibility does not reside, then, in the pressure that it exerts over the levels of exploitation of labour by global capital within production in conditions of competition. According to the populist view, it lies in the redistribution of surpluses that can be channelled by the dominant fractions of capital to the financial sphere in monopolistic conditions. The class struggle is, again, subordinated to the conflict of interests among different fractions of bourgeoisie. In this way, the populist interpretation falls prey to a typical fetishisation of finance. The notion of a model of accumulation – that is, the idea of a durable form of capital accumulation – based on a financial valorisation of capital is nonsensical from a Marxist perspective because it stands against the labour theory of value itself. And the two alleged bases of this model of accumulation – namely, the external debt and privatisations – have a completely different meaning from that argued by populist critics. On the one hand, the first one is the mechanism par excellence of the global command of money-capital in indebted countries. This command cannot be interpreted as the rule of financial over productive capital but must be seen as the specific way in which the antagonism between capital and labour develops. This antagonism, in turn, must be analysed globally within contemporary capitalism. On the other hand, privatisations mainly operated as a way of re-establishing the profitability of the capitalist class as a whole. The policies articulated around convertibility must be interpreted, then, as a specific case of monetary policies of social discipline imposed at a global level and aimed at the recomposition of profitability through the increase in the level of labour exploitation.

2003, p. 18); ‘the essence of the economic model of 1976 – updated in 1991 – is the shift from a productive capitalism based on the couple wage/profit, to a rentier capitalism centered on financial speculation, the super-profits of the monopolised public services and the extraordinary earnings of natural resources (oil in particular)’ (Calcagno and Calcagno 2001).

11 See Basualdo 2000b.
12 See Bonnet 2002a.
13 On this notion of command of money-capital see Bonnet 2002b.
14 This does not mean that the high profitability of privatised companies increases the average rate of profit of the domestic economy, because most privatised companies are monopolistic and, therefore, their profitability does not depend on the equalising mechanisms of competition (see Marx 1989, III, p. 221). However, it could be said that these profits increase the profit of the capitalist class as a whole as much as all the large domestic groups participate in the privatisation process.
15 For interpretations of these neoliberal policies in agreement with ours see Clarke 1988, Bonefeld 1993, Holloway and Bonefeld 1995, Bonefeld, Brown and Burnham 1995.
The third and last point of interest in which the populist and Marxist critique of neoliberal policies part company refers to the interpretation of the crisis undergone by those policies. We shall see later that our Marxist interpretation explains the crisis of neoliberal policies through the limits set by the resistance of workers to the aforementioned capitalist offensive, which is based on the increase of the levels of exploitation. The populist interpretation explains the crisis in a very different way. According to this interpretation, the starting point of the crisis resides in problems of domestic demand generated by a variety of factors: a regressive distribution of income, cuts on public spending, the concentration and centralisation of capital preventing the deflationary tendencies to adjust prices formed in oligopolistic conditions, and so on.\textsuperscript{16} The class struggle, of course, is again absent in this argument.

The weight of the influence of historic populism on these contemporary populist critics of the neoliberalism should be evident by now. The re-articulation of a political alliance between the urban working class and a fraction of the domestic industrial bourgeoisie in order to give impulse to an accumulation model revolving around the re-distribution of income and the growth of the domestic market is the backdrop to all these arguments. Nevertheless, this populist critique recognises, in its sharpest version, that the recovery of an allegedly national and productive bourgeoisie, standing against a transnational and parasitic one is nonsense today, because both are irremediably part of the same dynamics of accumulation commanded by global money-capital. Consequently, deprived of its key social subject, the best version of this populist critique is forced to hypostatise the state as the agent which it cannot find in society.\textsuperscript{17}

Now, Dinerstein’s article mixes a narrative of the concrete events of the class struggle with this populist explanation of the dynamics of accumulation. But her notion of a ‘new form of accumulation’ sustained in ‘the financial valorisation of capital’\textsuperscript{18} cannot accord any explanatory centrality to the class struggle. This notion is both politically and theoretically alien to Marxism – further on, in our own interpretation of the nature and dynamics of convertibility, it will also be shown why it cannot give an account of

\textsuperscript{16} See Basualdo 2001, pp. 94–6.
\textsuperscript{17} See Basualdo 2000b, pp. 63–4. This argument also presupposes, of course, a naïve intrumentalist notion of state. In this sense, a CTA’s document states: ‘the state is a tool which is not good or bad in itself: a hammer can be used to construct or destroy, it depends on who uses it’ (CTA-ATE 1997).
\textsuperscript{18} Basualdo 2000b, p. 5.
convertibility and its crisis. The uncritical acceptance of this populist notion stops Dinerstein from providing a Marxist interpretation, centred on the class struggle, of the ‘battle of Buenos Aires’.

II. Nature and dynamics of convertibility

Let us move on then to an alternative interpretation of the Argentine neoliberal models of the 1990s. One of the key features of Argentine postwar capitalism lies in the fact that the struggle between capital and labour was expressed in periodic escalations of inflation. In the mid-1970s, this postwar capitalism fell into an irreversible crisis. However, after a decade and a half of attempts at capitalist restructuring led by the military dictatorship (1976–84) and the first democratic administration (1984–9), only the hyper-inflationary processes registered in 1989–91 would mark the end of the inflationary form of development of the class struggle. These hyper-inflationary processes constituted a ferocious capitalist offensive against labour, an extraordinary expropriation process or, even better, of ‘repeated originary accumulation’. The purchasing power of wages was reduced on a daily basis, unemployment reached an unprecedented magnitude and the workers were forced to start looting supermarkets. But, at the same time, the most elementary requirements for cost and benefit estimation or for the maintenance of payment chains were vanishing and, therefore, the continuity of accumulation itself was at stake. The peso convertibility law passed at the beginning of 1991 implied an attempt to put an end to these processes – which, in the medium term,

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19 Vitelli 1986 can be consulted for a history of inflation in Argentina. During this period, the monetarist and structuralist traditions of interpretation of inflation worked as a real ‘epistemological obstacle’ when it came to the relation between inflation and the class struggle: the main exception – although from a neo-Ricardian point of view that we do not agree with – is found in Braun 1973.

20 These hyper-inflationary processes are: (1) the one that caused the fall of the so-called ‘Plan Primavera’ (Spring Plan) and of Alfonsin’s administration, between February and July 1989, (2) the one that closed the price agreements of the ‘Plan Bunge y Born’ (Bunge & Born Plan) established by Menem’s new administration, between December 1989 and March 1990, and (3) the one initiated at the end of 1990, putting an end to months of great conflicts of the ‘Planes Erman González’ (Erman González’s Plane) and which was aborted through the launch of the convertibility plan in 1991. The first one is the deepest and most serious one regarding its social and political consequences: prices increased on a daily basis (114% in June and 199% in July 1989), the purchasing power of wages decreased rapidly (the real wage fell by 35%, accumulated between April and July) and unemployment soared reaching unprecedented levels (15% in May).

21 For this notion of ‘repeated originary accumulation’ see Bonefeld 1988 and more recently the discussion held in a dossier of The Commoner 2001.
were incompatible with capitalist accumulation itself – by detaching the value of money from the class struggle. This attempt is the one that ten years later the December crisis and massive insurrection would bring to a close.

Having eliminated the source of competitive devaluations and with an almost unrestrictedly open economy – together with generalised deregulation of the flow of commodities and capital at a global scale – the insertion of Argentine capitalism into the world market therefore imposed a constant pressure towards the increase in the exploitation of labour. In fact, from a point of view based on the labour theory of value, the insertion of an economy into the world market depends on its competitiveness, understood as synonymous with the individual labour costs of the commodities produced in its territory in relation to identical costs of the commodities produced in the territories of other economies, at a certain exchange rate.22 In the extreme condition of the fixed (and overvalued) exchange rate of convertibility, this is the same as saying that the said insertion exclusively depends on wage and labour productivity, or that they are but the indicators of the degree of exploitation of labour – in Marx’s terms, the rate of surplus-value – prevailing in an economy. This degree of exploitation of labour is at the same time determined, naturally, by the antagonism that runs through it.

It is also important to show that the rate of exploitation of labour not only determines the insertion capacity of an economy into the world market, but also its capacity to territorialise international flows of productive capitals and also, indirectly, of financial flows within its borders.23 The rate of exploitation of labour thus determines the balance of payments of the economy under discussion as a whole and therefore – something particularly important in our case – the higher or lower incidence of the payments of public and private debt services. Furthermore, the pegging of the value of the local currency to a foreign currency affects the competitiveness of the economy to the extent that the latter fluctuates with respect to the currencies of other economies with which the economy under discussion has economic relations.

Therefore, convertibility carries a constant pressure towards the increase in the exploitation of labour. This pressure is immediately exercised on the capitalists, who face the reconversion or bankruptcy alternative, and the capitalists unload it onto the workers, who face the alternative of either more

23 Bonnet 2002a.
exploitation or resistance. Both alternatives were present at the beginning of convertibility. However, even when important defensive workers' struggles took place, a higher exploitation was gradually imposed as the price that the workers had to pay for stability, that is, so that the bourgeoisie would not impose its hyper-inflationary expropriations. Although the bankruptcy of companies and the dismantling of complete sectors of the productive apparatus were also present, reconversion was the dominant dynamic at the beginning of convertibility.

The nature of convertibility cannot therefore be understood, as we have indicated above, by making reference to an alleged pattern of accumulation dominated by 'financial valorisation'. Its nature lies in the constant pressure towards the increase in labour exploitation, the key to the social disciplining that would support that more-or-less solid bourgeois hegemony – which we shall call 'Menemist hegemony' – that marked Argentine society and politics as a whole during the 1990s. This hegemony was organised as a kind of blackmail: the workers were forced to accept the higher levels of exploitation and the consequent discipline imposed by convertibility so that the big bourgeoisie would not recommence its hyper-inflationary expropriations. Further on, additional blackmalls associated to the threat of job loss in a context of growing unemployment or insolvency, framed by the expansion of dollarised credit-based consumption, would only reinforce that basic blackmail. Convertibility cannot be interpreted in the mystifying terms of neoliberal technocrats, as mere anti-inflationary policies, either. It must fundamentally be understood as a specific – and even strange, since the 1990s show very few cases (Estonia, Bulgaria) of currency boards – forms of monetary...
policy, aiming at disciplining labour by means of fixing the exchange rate – or as Dinerstein shows, through the ‘terrorism of money’.27

But convertibility thereby boosted a kind of ‘peso race’. Exchange rates themselves are conditioned by the competitiveness of the economies of reference.28 The convertibility established by law could then be provisionally sustained by the inflow of foreign capitals, but, in the medium term, it had to be validated through the increase in competitiveness of Argentine capitalism on the world market, or, in other words, through a higher degree of exploitation of labour that would sustain that competitiveness and high exchange rate.

This peso race could develop itself on two different paths according to the two components of the degree of labour exploitation mentioned above. In conditions of expansion (fed by the inflow of foreign capitals), through the capacity of capitalists to increase labour productivity by means of the maximum rationalisation of the labour processes and their organisational form and, from that extreme point, through the investment in new technologies. In recessive conditions (with an outflow of foreign capitals that ends up in a deflationary spiral), through the capitalists’ capacity to reduce nominal wages. The possibility of lowering nominal wages would at the same time be powered by the high unemployment levels generated in the expansion itself through the bankruptcies and living-labour-saving reconversions, and increased in the recession period through the multiplication of those bankruptcies and licensing.29 In this way, the growing unemployment reinforces, together with the pressure imposed by dollarised debts on consumers and investors indebted during the peak, the discipline imposed by convertibility. Moreover, these expansion and recession conditions are at the same time overdetermined by the behaviour of the currency of reference: dollar appreciation with relation to other key

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27 Here we can recover several analyses of neoconservative monetary policies of work disciplining (Clarke 1988, Bonefeld 1993, Holloway & Bonefeld 1995, etc.), but I specifically refer to Bonefeld, Brown and Burnham 1995 on Major’s economic policies in Great Britain.
29 The behaviour of employment in the 1990s is revealing. The average unemployment during the initial expansion of convertibility (1991–3) was already higher than the average registered during the depressive 1980s (7.6% against 5.5% in 1980–90). It naturally boosted during the recession associated to the Mexican crisis (15.4% in 1994–6) but, although it decreased in the later recovery, it only did so at a much higher average than the one prevailing during the previous expansion (13.7% in 1997–8). The long final depression, increased it again to the levels reached during the ‘tequila crisis’ (15.4% in 1999–2001; according to data supplied by ‘Instituto Nacional De Estadística y Censos’-INDEC (National Census and Statistics Institution).
Towards 1995 there began a dollar appreciation with respect to the main world currencies—driven by the recovery of the North-American economy—registered during the second half of the 1990s.30 These two ways of running the peso race co-existed throughout the extremely cyclical 1990s. The expansions were marked by a dynamic of casualising rationalisation of contracts and working conditions, as well as by the investment in new technologies, while the recessions were marked by nominal wage falls and even higher unemployment. It is important to notice that the neoconservative state of Menem’s and De La Rúa’s administrations—disproving the ideological talk of a non-interventionist state, common to both their neoliberal fans and their popular detractors—actively intervened by accommodating the aforementioned movement of accumulation with ‘Reagan-like’ measures that supported capitalist profitability during the expansion (decrease of employers’ contributions to social insurance, regressive tax amendments, several incentives to the generation of new investment opportunities through privatisations, legalisation of the flexibilisation of labour), and with monetarist adjustments in periods of recession (reductions in public salaries and social services).

The global balance of this peso race can be summarised in an annual average GDP growth rate of 3.6%, of 6.6% in the annual gross domestic investment and of around 5.3% in the annual productivity of labour. All of these contrast with stagnant wages and a new floor for the unemployment rate, which rose to over 12% of the economically active population.31 But these global data are not enough to characterise the dynamics of convertibility. The second way of running the peso race was actually imposing itself gradually as a sign that the bourgeoisie was losing it.

If that performance is analysed in depth, it can be easily understood that the behaviour of the Argentine economy during the convertibility period was highly cyclical. During the immediate recovery that took place after the hyper-inflationary depression, that is, during the first quarter of 1991 and the second

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30 Towards 1995 there began a dollar appreciation with respect to the main world currencies that reached its main points with 48% with respect to the mark in 2000 and 39% with respect to the yen in 1998 (on the bases of annual averages of currencies supplied by Pacific Exchange Rate Service, University of British Columbia). The ‘real’ devaluation with respect to the dollar in January 1999, which reached over 60% throughout the year, must be added.

31 According to data of MEyOSP, Techint Informative Bulletin and INDEC. INDEC estimated that productivity increased constantly between 1990 and 2001, giving a 99% balance, whereas the real wage increased during the 1991–4 peak and decreased later, giving a positive balance of 13%. However, CEPAL considered that said salary increase in the industry was practically null (see Gigliani 2002).
quarter of 1992, the product increased at a 14.8% rate and investment at a 42.9% rate per year. Both suffered a slight deceleration, with annual rates of 0.6 and 4.3%, between the second quarter of 1992 and the first quarter of 1993. The later recovery, which registered annual rates of 10.9 and 33.3% between the first quarter of 1993 and the same period of 1994, was closed by the ‘Tequila crisis’. Actually, the 1994–5 recession came already as a deceleration of product and investment before the domino effect caused by the Mexican crisis, in annual rates of 3.6% during the first and fourth quarters of 1994, to become an open depression since, with rates of -10 and -30% in the fourth quarter of 1994 and the third quarter of 1995. The later long recovery (8.2 and 20.6% between the third quarter of 1995 and the second quarter of 1998), was finally closed with the depression in which context convertibility would fall and to which we shall return below.\footnote{Data that show the annual equivalent growth rates between extremes elaborated pursuant to CEPAL information by Heymann 2000.}

But, besides this intense cyclical character, some longer lasting trends underlying these fluctuations can be found. The recessions were deeper and longer each time. Whereas the first recession (II/1992 to I/1993) actually consisted of a brief deceleration – a deceleration after a \textit{catch-up period} that we may omit from here on – the second (I/1994 to III/1995) was longer and finished with three quarters of open depression and a fall of the product of over 4 points, and the third (II/1998 to IV/2001) held the three and a half years of duration record and a fallback of the product in 7.5 points. As the recessions became deeper, the deflation imposed itself as the only possible way out. But the position of Argentine capitalism as such on the world market, despite the increase in productivity and competitiveness in certain sectors (vegetable oil and dairy complexes, fertilisers, and unstitched pipes), reached thanks to investment processes developed during the expansion stages, continued with a tendency to deteriorate.\footnote{Let us take, for example, the relative positions of Argentina and Brazil – the Brazilian market was the main destination of Argentine exports during the 1990s. The growth rate of the above mentioned productivity of labour in industry should have been an annual 10% for the Argentine economy to maintain its competitiveness \textit{vis-à-vis} the Brazilian one (Techint Informative Bulletin, p. 307). The overvalued exchange rate of the peso determined that towards the end of the decade the average labour costs (wages, end of year bonus, vacations, social insurance charges and rewards) in Brazilian industry, with the real at US $1.90 resulting from the 1999 devaluation, were US$89,000 annually against US$18,400 for Argentine industry (\textit{Página 12, Cash Supplement, 21.11.1999}).} Therefore, a persistent tendency to deficits in both the balance of trade and payments was imposed: Argentine
exports increased significantly (88.7% in 1989–99), but imports increased at an even higher pace (526%) during the same period.34

In this way, we can conclude that the productivity and competitiveness increase based on the rationalisation of organisation, on the work processes and on new investments, although certainly real, was less and less sufficient to guarantee the position of Argentine capitalism with a convertible peso on the world market. The big Argentine bourgeoisie was slowly losing its peso race.

III. Class struggle, convertibility and the December insurrection

It seems to follow from our brief description and explanation of the dynamics of convertibility that it can always be sustained, even in recessive conditions, through an ever stronger offensive of capital against labour; that is, through a reduction in nominal wages and prices at a level that could restore competitiveness. The success of such an offensive could be justified in terms of domestic individual capitals – reduction to a level comparable to those prevailing in other competing economies, such as, for instance, the Brazilian. However, the deflationary way of maintaining convertibility fortunately faced a limit far more closely linked to the survival of the working class. This limit was not found in the rigidity of prices35 or in monetary supply,36 but in the resistance of labour. To analyse the limits of convertibility and its crisis, it is necessary to radically change our perspective and focus on the process of growing social resistance that marked its limit and its crisis and which developed during the long economic depression that continues today; that is, we need to understand the dynamics of convertibility as an expression of the development of the antagonism between capital and labour.

The process of social resistance that ended convertibility went through three different stages. The first one, of rising struggles, extended from mid-1999 until September of the same year and was associated to the manifestation of the economic crisis; the second stage, of ebb of struggles, extended from September 1999 to May 2000 and was associated with a temporary impasse

34 They were due to very proportional increases of the imported and exported quantities in a frame of decreasing importing and exporting prices – i.e. without significant change in terms of exchange. Industry’s participation in said exports slightly decreased from 31% in 1989 to 28% in 1999 (Centro de Estudios para el Desarrollo, Work Document 7, August 2000).
35 Frenkel 2002.
36 Macedo Cintra and Farhi 2002.
in the development of the economic crisis and the truce inherent in the elections and the change of administration; the third stage, of a rise in the social struggles, started to be perceived in mid-2000, but remarkably intensified in October, and continued until December’s insurrection itself. We cannot analyse here each stage of this process of social resistance. We will concentrate on the culmination of this third stage, associated with a worsening of the economic depression and the radicalisation of the social struggles that would lead to the financial crash and the fall of convertibility and the government.37

During this period, it became crudely evident that the maintenance of convertibility through deflationary adjustments, in contrast to what had happened during the 1994–5 crisis, was failing. The depth and extension of the depression were unprecedented. GDP fell by 7.5% during the 1999–2001 crisis, against the 4.2% fall of the 1994–5 crisis. The installed capacity utilisation indexes fell to a 65.5% average for 2001, against 74.5% in 1995. Investment decreased by 44.8% and gross fixed capital formation decreased by 32.2% during the 1999–2001 period against 16% and 13% respectively in 1995. In October 2001, the unemployment rate reached a record of 18.3% (surpassing the 18.4% registered in May 1995 due to the parallel retreat in the activity rate), while sub-employment had grown steadily reaching 16.3% in October 2001 against the 11.3% verified in May 1995. Inflation indexes had been negative throughout all the years of crisis, adding up to an accumulated deflation of 4%, while the inflation index of 1995 had been of 1.6%. Circulating money decreased 35% and bank deposits another 26%. Stock indexes, finally, fell to a third of the level reached before the crisis (down to 33.4 points, base 1997 = 100).

This situation was reflected in a record deficit for the balance of payments of nearly US$20 billion, about 15% of the GDP. Although the deficits in the current account had been reduced as a result of the severe contraction of imports (down to 5.3 billion), an enormous deficit in the capital account was added (15.5 billion) derived from the massive reflux of capital (a net overseas transfer of resources of 12.1 billion).38 In these conditions, naturally, the foreign debt services had resulted in an unsustainable burden: the ‘gross foreign debt/exports’ ratio increased up to 540%, the worst for all Latin America,
and the bond markets closed their doors to the Argentine government, which could barely place US$1.5 billion in 2001 as compared to 13 and 14.2 billion in 2000 and 1999 respectively.\textsuperscript{39}

If this default on the foreign debt was the way \textit{par excellence} in which Argentine’s capitalism failure to insert itself into the world market in conditions of peso convertibility was made evident, the banking sector crisis would become the way in which the internal crisis of peso convertibility itself became patent. On one hand, as the crisis deepened, pressure for an even bigger adjustment intensified. Cavallo then defined the first phase of a new debt bonds swap for a record amount.\textsuperscript{40} But, as he tried to negotiate with the IMF the payment of overdue credits in exchange for a new reduction of US$3 to 4 billion for the 2002 budget, the IMF withdrew its support because it doubted the government’s political capacity to impose such adjustment.\textsuperscript{41} The government thus decided to postpone the payments of retirement pensions and threatened to cut the wages and retirement pensions back even more and to suppress the annual bonus payments.

As the crisis worsened, on the other hand, a massive flight of bank deposits and dollars was sweeping through the financial system. Withdrawals were bleeding out the accounts in pesos and even in dollars for about US$18.4 billion during 2001 and the flight of dollars towards foreign countries by large investors was estimated to around US$15 billion.\textsuperscript{42} The deposit freezing forced by this run on the banks, a new extraordinary expropriation that would definitively dissolve any support for the government, would be the starting point for the forced devaluation that would end convertibility and make the failure of the peso race evident.

\textsuperscript{39} Data from MEyOSP, CEPAL, INDEC and FIEL.

\textsuperscript{40} From the total amount of the external debt at the time, US$132 billion, this first phase negotiated with the local holders implied 50.75 billion, with a decrease in the interest rate of 7% in exchange for a guarantee upon tax collection. The total exchange would add up to US$82 billion, 62 in US dollar nominated titles and 20 in other currencies.

\textsuperscript{41} The relatively low participation of the IMF when dealing with the Argentine financial crisis – in contrast, for example, with the Uruguayan case – seems to respond to a series of reasons: 1) the questionable success of its previous interventions, particularly during the South-East Asian crisis, and the subsequent questioning from the establishment itself; 2) the hardening position of the US under the George W. Bush Republican administration; and 3) the rehearsal for a new strategy for preserving the international financial system through the isolation of the financial market in crisis (see the \textit{World Economic Outlook} of the IMF from April 2002).

\textsuperscript{42} To understand the growing importance that the bank deposits in dollars attained it should be recalled that both hyperinflation and convertibility itself imply a dollarisation of the economy (see Salama 1990, Salama and Valier 1992, Carchedi 2000).
The amount of bills and coins in the hands of private individuals was reduced from US$11.6 to 8.6 billion (data from the BCRA). In fact, in the face of such a flight of more than a fourth of the actives existing in the financial system, Cavallo decreed the ‘freezing’ of bank deposits. Over a million and a half small savers with bank deposits lower than US$25,000 (equivalent to the price of a one room standard flat in the city of Buenos Aires before the fall of convertibility) were blocked from making use of their money. The brutal illiquidity that followed intensified the fall of consumption, which affected mainly the small businesses and retail commerce that operate with cash, and worsened the already poor condition of informal workers who receive their wages in cash.

This measure would play a great role in triggering the mobilisation of the so called ‘middle sectors’ which began in the first days of December. Annoyance and demonstrations multiplied amongst the people attending the banks. There began a series of protests by workers, students, retail traders, savings account holders, as well as roadblocks by the unemployed and the first ‘blackout’ and ‘pan banging’ protests in Buenos Aires and other cities in the interior. The CTA and both CGTs launched their seventh general strike, maybe the most massive of all and the one that had the biggest support among these middle sectors. And the first supermarket lootings took place in mid-December.

Every component of the popular insurrection that would put an end to the administration, convertibility and the Menemist hegemony itself was already present. On 19 December, supermarket lootings spread to every big city, which included confrontations with the police, casualties and arrests. The ministers, including Cavallo, presented their resignations and De La Rúa decreed the state of siege. But popular response to the suspension of constitutional guarantees – far from the fear and terror that could have been foreseen considering the long tradition of coups d’état and genocidal military dictatorships that burdens the people of Argentina – was the radicalisation of resistance. Insurrection had arrived. The masses mobilised, moving towards the centres of the different neighbourhoods beating their pots and pans, and slowly marched upon the Plaza de Mayo, defying the government and its state of siege. Not even the confrontation with the police could put an end to this demonstration. A vanguard of the demonstrators confronted the police and partially burned up the Ministry of Economy and some other public buildings while the rest retracted towards the Plaza de Mayo. The 20th would be a day of a much more radicalised struggle. Thousands of demonstrators took over

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43 The amount of bills and coins in the hands of private individuals was reduced from US$11.6 to 8.6 billion (data from the BCRA).
downtown Buenos Aires for most of the day, getting the pickets closer to the heart of the financial district, attacking the banks and privatised firms buildings, public buildings, McDonald’s restaurants and many a symbol of power, confronting the police with stones and sticks, counting nine deaths and many more wounded and arrested. A new ‘pot banging’ protest could be heard that night, but this time to celebrate the fall of the government.

Now, various social subjects that had consolidated during the second half of the 1990s converged in this insurrection. The high levels of unemployment and underemployment, combined with the inexistence of a real unemployment subsidy system, sustained the state of emergency and the increasing levels of organisation and combativeness in the unemployed workers movement.\(^44\) This ‘piqueteros movement’ played an active role in the insurrection and, in particular, during its most radicalised moments.\(^45\) Regarding its social origin, it is a movement that first emerged with the destruction of employment resulting from the privatisation of public companies and later on from the private companies’ own restructuring and bankruptcies, consolidating itself from the mid-1990s onwards. From an organisational point of view, it is formed by diverse local organisations (at neighbourhood and small-town levels), which in some cases joined national movements (the CCC, the Federación de Tierra y Vivienda from the CTA and the Bloque Piquetero, which gathers most political parties from the Left and independent organisations, and constitutes the vanguard of the unemployed workers movement). Towards the end of 2001, it reached a co-ordination at the national level (in the National Assembly of Territorial, Social and Unemployed Organisations, the ‘piqueteros congress’). These organisations normally rest upon the collection of unemployment subsidies and the collective decision about its use, but also on a wide and multiple net of self-organised activities such as land occupation, communal work, barter centres, popular lunch rooms, nurseries and formation workshops.\(^46\) The axis of their method of struggle lies in the rescue of the strike picket. The first pickets took place around 1996 in a series of major roads in the provinces (in Neuquén, Salta and Jujuy) and were organised by workers who had lost their jobs with privatisations, who were then joined by other members of the communities. Gradually, these roadblocks got closer to Buenos Aires. The method of struggle of the piqueteros

\(^{44}\) Svampa y Pereyra 2003.
\(^{45}\) See Auyero 2002.
\(^{46}\) See Lucita 2001.

Around the beginning of 2001, an increase in work conflicts can be registered. Nevertheless, at least three quarters of these occurred in the public sector, while amongst workers in the private sector, the level of conflicts went down slightly (see Piva 2001). The general strikes and the union confederations that promoted them (in particular, the CGT, which gathers the major trade unions of the private sector) were gradually losing their leading role in this phase of social struggles until they were finally overcome in December’s insurrection (in this aspect, I partially disagree with Iñigo Carrera 2001 and Cotarelo 2002).

Dinerstein’s idea that the middle class sustained the stabilisation policies while the working class denounced them repeatedly can be a very comforting one, just like every idealisation of the working class, but it is wrong. The working class had immediate interests at stake in maintaining stability and vast sectors within the working class itself supported the maintenance of convertibility.

Public-sector workers – particularly those grouped within the CTA – who had already gone through days of decisive struggle when the privatisation process took place in the early 1990s played a leading part in important struggles during this period. They were the most immediate victims of the economic adjustments (wage reductions, suppression of other non-wage incomes, worsening of their working conditions, and massive layoffs) and were one of the pillars of the resistance against all these. These economic adjustments affected private-sector workers too, through cuts on social services and, indirectly, through the pressure that the reduction of wages in the public sector applied over the private-sector wages. But those hit by unemployment, the casualisation of contracts and the most brutal management despotism, and subjected to the most bureaucratic unions which had compromised with the neoconservative policies (the CGT-Daer and, to a lesser degree, the CGT-Moyano), neither placed themselves at the vanguard of the previously described social struggles nor did they intervene decisively, in a collective and organised manner, in December’s insurrection. This fact, naturally, introduced a factor of weakness in the social movement in question.

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49 Dinerstein’s idea that the middle class sustained the stabilisation policies while the working class denounced them repeatedly can be a very comforting one, just like every idealisation of the working class, but it is wrong. The working class had immediate interests at stake in maintaining stability and vast sectors within the working class itself supported the maintenance of convertibility.
The so called ‘middle sectors’, on the other hand, played a decisive role, but their analysis is more complex. Part of this complexity derives from the fact that these ‘middle sectors’ do not themselves constitute a class but an aggregate of individuals coming from different social classes and strata that share a certain standard of living and certain cultural, ideological and political values. An important share of these sectors is in fact made up of salaried workers (bureaucrats, professional, technical, academic) that work and live in relatively better conditions than the rest of the workers but, being workers themselves, were also affected by the successive economic adjustments, unemployment, wage reductions and cutbacks in social services. However, there are some specificities: firstly, their income had been particularly affected by some measures in the last economic adjustments (taxation over consumption and cuts on wages that exceeded a certain amount); secondly, the recession itself had affected an important part of these ‘middle sectors’ (small producers and retailers, self-employed linked to different services, independent professionals); and thirdly, they were the main victims of the freezing of bank deposits. This is why these middle sectors, which had sustained the Alianza’s electoral victory two years before, joined the resistance with their massive and spontaneous pot-banging. Their involvement did not respond to any previous organisation: only from the beginning of January 2002 and through local assemblies did these sectors start to organise themselves in a lasting manner.50

Different sorts of struggle and demands also converged in the insurrection. The assaults to big chain supermarkets were actions led by unemployed and employed workers, and had a precedent in the assaults caused by the massive sackings and the loss of purchasing power of wages during the 1989 hyperinflation.51 It was neither a wave of vandalism aimed at any commercial shops or households, as it was presented by local and foreign media corporations (Grupo Clarín, CNN), nor a manoeuvre designed by pro-fascist right-wing groups as many analysts affirmed. It was fundamentally an assault on big chain supermarkets owned by great multinational and national firms (Carrefour, Wal Mart, Coto) and, in the case of households, of a non-realised assault on country-clubs in the luxurious northern suburbs of Buenos Aires.

50 See Ouviña 2002.
51 See Iñigo Carrera et al. 1997. A first comparison between the December 2001 lootings and the May-July 1989 ones shows that the former were more numerous and entailed more violent confrontations (see data from the Centro de Estudios Nueva Mayoría).
The ‘pot banging’ protests were the privileged way of struggle for the middle sectors and, indeed, were the most massive in the Buenos Aires’s traditional middle-class neighbourhoods. The precedents for the local character of these demonstrations can also be traced in the street blockades and demonstrations against Edesur’s blackout in the beginning of 1999 or the protest against Menem in mid-1999. But December’s ‘pot banging’ protests were the most massive and had the biggest impact since they sealed the government’s fate by making it clear that these middle sectors, who maintain a huge importance and a decisive political-ideological influence, had definitely withdrawn their support for the government.  

The direct actions of street violence, which took place especially during 20 December, were undoubtedly the most radicalised, and without them the government would not have yielded. The nature of these actions was also distorted by some media (including progressive media such as *Le Monde Diplomatique* and *Página 12*) which described them as irrational acts of vandalism. Street violence was collective violence, certainly exercised by a movement’s vanguard, a young vanguard of piqueteros, students, members of left-wing parties and other social activists, but by no means by scattered looters. When this violence was inflicted on other people, it always took the form of violent actions against the police officers who were repressing and provoking the demonstrators. When violence was exercised against material goods, it was almost without exception against material symbols of power: the savings expropriating the buildings of private and public banks, vehicles and buildings from privatised public-service firms in the hands of great multinational firms which have plundered consumers with their extremely high rates, McDonald’s restaurants (true logos of global capital) and public buildings representing the state. These direct actions of street violence can be linked to the actions of the so-called ‘anti-globalisation movement’ that extended from Seattle, passing through Genoa, to Barcelona. 

The confluence of all these social subjects and their forms of struggle brought on, during December’s insurrection, a new social force. I am referring to the de facto constitution, within the struggle itself, of a new alliance between workers and the middle sectors. The political importance of such an alliance can hardly be exaggerated. The middle sectors played throughout the 1990s

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52 Even more: the intensity of this rejection towards the government is directly proportional to the intensity of their previous support for it (see Bonnet 1999 and Sotolano 2002).
a conservative role, allying socially with the big bourgeoisie and expressing politically and ideologically through centre-left parties that functioned as ‘vanishing mediators’\(^53\) decisive for the continuity of the régime. But a very different alliance was sketched during the December insurrection. Internal communication between the different subjects and forms of struggle shows this phenomenon: vanguard activists that block the streets in Buenos Aires’ financial district and airport workers that block the runways just as the piqueteros block the roads, middle sectors that ‘exposed’ (escracharon, from escrache: the ‘exposure’ or ‘outing’ of the murderers of the military dictatorship) political leaders just like the children of the disappeared ‘expose’ their disappeared parent’s repressors, and so on.

Many different demands also came together in the December insurrection: from the ones calling for food, jobs or unemployment subsidies to the ones demanding the devolution of the seized bank deposits or punishment for the corrupt politicians and judges. However, there was one slogan that gradually prevailed as a convergence point: the political demand for the resignation of every person responsible for the ruling régime as a whole or, in other words, ‘out with them all’.

**IV. In the shadow of the insurrection**

The analysis of the December days confronts us with the disintegration of the Menemist hegemony that had been structured around convertibility. In the early 1990s, convertibility had imposed new rules of the game for the development of class struggle and a new hegemony. Those rules were being more and more surpassed by social struggles, and that hegemony kept losing support amongst growing sectors of the population towards the end of the decade. But this disintegration requires an explanation.

Convertibility implied a strong mechanism of social discipline; it possessed a huge passive consensus amid vast sectors of society and constituted the key to a lasting social and political hegemony built on democratic conditions.\(^54\) The disintegration of this hegemony rests on two elements: the separation

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\(^{53}\) Žižek 1998.

\(^{54}\) Expressions such as ‘parody of democracy’ or a democracy that ‘was progressively emptied and became a set of formal rules frequently ignored or overlooked’ used by Dinerstein cannot lessen the democratic character of the régime. The interesting question resides in explaining how the neoliberal policies of social discipline succeeded in building such hegemonies without violating the boundaries of democratic régimes, and what their weaknesses may be.
from the rules of the game and their violations. On one hand, growing sectors of society watched themselves being marginalised from the rules imposed by convertibility (the unemployed workers, who had nothing to lose with the fall of convertibility). On the other hand, broad sectors of society included in those rules of the game found themselves suddenly facing facts that appeared in their consciousness as a flagrant violation of such rules perpetrated by the bourgeoisie itself (the middle sectors whose savings were frozen and expropriated through the banking system). Between both extreme and extremely explosive situations, there is a range of intermediate situations: the case of employed workers whose nominal wages fell or the small producers and retailers who went bankrupt in the midst of the depression. They could see themselves being marginalised as stability stopped representing the preservation of the purchasing power of their income and, in turn, became synonymous with the deterioration of this income in a deflationary framework. And they could also see the violation of the rules of the game inherent in stability itself as these rules, instituted during the peak, had linked increases in the productivity of labour to wage increases, or the stability of currency to a resurgence of consumption, but in no way the fall of wages and generalised bankruptcies to a deflationary depression. The exclusion from, and violation of, these rules of the game imposed by convertibility thus undermined the bases of the Menemist hegemony. In this respect, the downfall of convertibility in 2001 set new rules of the game for the development of class struggle and deep uncertainty regarding hegemony.

Four years have passed since the crisis and insurrection of December 2001, and we can see that a considerable reconstitution of the régime is evident. This reconstitution was made possible by the ebb suffered by those social struggles since then and, especially, during the second half of 2002 and the first half of 2003. Naturally, part of this downturn was foreseeable since social struggles always have cycles of ebb and flow – as we previously mentioned when analysing the process of growing social resistance that ended both convertibility and De La Rúa’s administration. This is especially true of this particular cycle of struggles, characterised by an important dose of spontaneity.

However, this retreat was also caused by the successes that the provisional administration of Duhalde and, later, the recently-elected administration of Kirchner, attained in the task of keeping the social struggles within the limits of capitalist democracy. Let us offer a brief account of these successes.

First, the devaluation of the national currency did not lead to a new hyperinflationary process. Bearing the economic, social and political
consequences of the 1989–90 hyperinflation in mind, we can immediately appreciate the importance of this issue. The forced devaluation of January 2002 lead to a process of appreciation of the dollar which immediately took the established parity of 1.40 pesos for 1 dollar up to 3.60 pesos (average) in October 2002. Nevertheless, the exchange rate went down later and, with an average dollar under 2.90 from March 2003, the exchange-rate policy of Duhalde’s and Kirchner’s governments changed: it has been focusing on preventing the dollar from depreciating too much. Inflation then reached an accumulated rate of 45% (IPC base 1999) between the end of 2001 and the beginning of 2004, but the monthly rates decreased significantly from early 2003. Secondly, Duhalde’s government began to reverse the consequences of the freezing of bank deposits, moving towards a definitive solution through the restitution of deposits in long-term and low-interest bonds. Kirchner’s government concluded this restitution and so de-activated savers’ demands. Thirdly, regarding international financial institutions, Duhalde and Kirchner adopted a firmer strategy of negotiation – although certainly accompanied by large payments. This strategy led, particularly with the agreement with IMF in May 2004, to a re-negotiation of the debt in order to revert the situation of passive default in force from December 2001. Fourth, Duhalde’s government increased the number, and modified the management, of unemployment benefits through the new plan ‘Jefes y Jefas de Hogar’ (Heads of the Household), decompressing and redefining the demands of the *piquetero* movement as a whole. Thus, Kirchner’s government could avoid the direct confrontation with the latter and was even able to get the leaders of most parts of this movement back to the negotiation table. Furthermore, both administrations managed to negotiate the prices of public services with privatised companies, keeping them below the level they would have reached had they been completely dollarised. In this way, they de-activated one of the bombs that, particularly in the hands of popular assemblies, could have exploded leading to a new outburst of social protest. In addition, the post-crisis administrations returned the former 13% deduction of state employees’ wages and established wage increases for private and public workers. Although these wage increases (estimated at 25%, but only for formal employment) did not compensate the deterioration of real wages, the wage demands that started

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55 Net payments to multilateral and official creditors – with the debt to private creditors still in default – were US$4,269 million in 2002, 2,426 in 2003 and 491 in the first trimester of 2004.
to emerge at the rank-and-file level of some trade unions could be contained by the union bureaucracy, which, from the beginning, offered support to both administrations.

Regarding the financial sector, subsidies have been given to the banks through several mechanisms. Thus, a general bankruptcy, which would have destroyed 80 or 90% of the banking system and enormously increased unemployment in big cities, was avoided. Bank deposits and liquidity thereby began to recover from mid-2002. Finally, this context provided the basis for an economic recovery. The product began to recover from the second quarter of 2002: a 16.3% rise in 2002 and 8% in 2003. Also, investment rose and unemployment fell from the fourth quarter of 2003 onwards. In other words, the devaluation was successful in achieving that which the overvaluation of the convertible peso failed at: the decrease of wage costs. The recovery of the competitiveness of exports – together with the high international prices of soya and other agricultural commodities – and a gradual process of import substitution were the keys to this economic recovery.

All these successes of the post-crisis administrations contributed in a decisive way to the ebb of social struggles. The struggle of unemployed workers retreated: the major and less combative sectors of the movement (FTV, CCC) negotiated, and the struggles of the minor and more combative ones (the Bloque Piquetero) were ‘routinised’ or repressed (the case of Puente Pueyrredón and Salta). The piqueteros movement was, however, the one that offered more resistance to both administrations. The movement of the assemblies lost in social density and veered towards initiatives of local welfare or, in a few cases, was also repressed (in the cases of occupation of buildings). The workers’ movement of occupation and recovering of closed enterprises came to a halt and, in some important cases such as Brukman and Zanón, went on the defensive against the pressure of both administrations. Trade unions, in spite of some important actions (such as the strikes of railway and metro workers), did not recover the initiative either. Finally, the students’ movement continued to be absent.

This channelling of social struggles within the boundaries of capitalist democracy was apparent in the presidential election of April 2003. Citizens’ participation in the polls was impressive: the trend to rising absenteeism registered in the presidential elections of 1980s and 1990s was relatively decelerated; absenteeism even went down in absolute terms when compared to the previous parliamentary elections of 2001; blank ballots went down to
the smallest figures registered since the 1946 elections and annulled votes were unimportant. The results of the elections are more complex to analyse because, in this case, the presidential election overlapped with the internal election in the Justicialista Party (the PJ participated with three different bills: Menem, Kirchner and Rodríguez Sáa) and the UCR was split giving origin to two new parties (the new party of Centre Left of Carrió and the right one of López Murphy). This dispersion of the vote led to Kirchner’s victory with only 22%. Yet, these peculiarities of the 2003 elections do not change the fact that they manifested the channelling of social struggles into the boundaries of capitalist democracy.

Now, what is left from the struggles for the ‘out with them all!’ of the December insurrection? We cannot answer this question yet because we are still under the influence of its impact. In effect, Duhalde’s and Kirchner’s administrations did not provide a permanent resolution to the aforementioned burning questions originating in the crisis of convertibility. After the period of deferrals and concessions the fundamental problems still remain: inflation, the restructuring of an insolvent banking system, the renegotiation of the foreign debt, the question of prices of public services and the consolidation of the economic recovery. And last but no least, the most important question remains to be solved: the recomposition of a durable bourgeois hegemony in Argentina. Eventually, the lasting stabilisation of the régime depends on the resolution of those issues and, of course, on the workers’ power of organisation and resistance.

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56 Although Kirchner obtained the second minority, after the 24% of Menem, the latter avoided a run-off that would result in an overwhelming majority in favour of the former (see the data provided by OPSM of Zuleta Puceiro (65,4% against the 12,8%) and Equis of A. López (59,2% against 24,1%) in Página 12, 30.04.2001). In any case, Kirchner’s popularity as president has reached similar percentages since then.
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Juan Iñigo Carrera

Argentina: The Reproduction of Capital Accumulation through Political Crisis

And all science would be superfluous if the form of appearance of things directly coincided with their essence.¹

Se vogliamo che tutto rimanga come é, bisogna che tutto cambi.²

In her article, ‘The Battle of Buenos Aires: Crisis, Insurrection and the Reinvention of Politics in Argentina’, Ana Dinerstein presents a thesis which bears much relevance for the Argentine working class. According to Dinerstein, the events of 19–20 December 2001 in the Plaza de Mayo brought about a fundamental change in the way politics is practised in Argentina. Moreover, the nature of this change is impossible to miss, clearly pointing as it does towards a new form of political action directed at superseding the capitalist mode of production.

Dinerstein bases her thesis on four points related to the people’s march on the Plaza de Mayo: a) its broad-based appeal; b) its spontaneity and horizontal organisation; c) its demand ‘all of them must go!’

² Tomasi di Lampedusa 2000, p. 41.
Compare, for instance, Altamira 2002 and Bonnet 2002.


Anonymous 2002a, p. 17. The actual number of deaths during the looting spree could be significantly higher. According to direct witnesses, for example, four people were killed simply during the looting of a supermarket in José C. Paz. None of these deaths were officially registered.


See, for example, Petras and Veltmeyer 2002.
is particularly noticeable in those studies that ascribe the rise of a new political subject in Argentina to the December 2001 events.10

Are we to believe that the looting was not a political event? In fact, the government did not establish a state of siege as a result of the cacerolazos, as Dinerstein asserts.11 The state of siege was declared several hours before the first pot was banged, in response to widespread looting. Why, then, is it that the looting is infallibly the bête noire in those studies that present December 2001 as a turning point in the way political action is carried out in Argentina?

The looting

In order to bring out the political significance of looting in relation to the cacerolazos and the march on the Plaza de Mayo, let us briefly consider the structure of the City of Buenos Aires and its suburbs, the Greater Buenos Aires region. This urban conglomerate is situated on the shores of the River Plate. Broadly speaking, it consists of the nucleus of the City of Buenos Aires, the seat of national government, surrounded by two semicircular belts. Notwithstanding the existence of neighbourhoods which are visibly different from each other within each of the three zones, the following table provides a general overview of the situation in October 2001:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Unemployment and poverty in the Greater Buenos Aires, October 2001</th>
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<td>Population (millions)</td>
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<td>City of Buenos Aires</td>
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<td>First Greater Buenos Aires Belt</td>
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<td>Second Greater Buenos Aires Belt</td>
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10 See Colectivo Situaciones 2002.
12 Source: ‘Encuesta Permanente de Hogares’, Instituto Nacional de Estadística y Censos (INDEC). See INDEC 2002. The figures include the newly-urbanised areas which lie next to the traditional limits of the Greater Buenos Aires. Extreme poverty means an income below that needed to purchase the most basic food basket without even taking rent into consideration.
The *cacerolazos* and the march on the Plaza de Mayo only took place in the City of Buenos Aires and the more prosperous neighbouring suburbs. Beyond these areas, however, they were strange and far-removed events observed on television. On the other hand, looting was a common event in the outlying areas and extended into the poorest neighbourhoods of the City of Buenos Aires. In this case, the television audience was made up of the more skilled workers and the plentiful petty bourgeoisie, worried by the possibility that the looting mobs might make a move on their own neighbourhoods.13

No careful observer could miss the lines of four-wheel drives and other deluxe cars echoing the *cacerolazos* as they paraded in protest before the elegant residence of the displaced minister of economy, Cavallo, the champion of convertibility. Thanks to convertibility, the most prosperous supporters of neoliberalism had been able to import these vehicles. But the recently imposed *corralito* (literally, small fencing or enclosure) on bank deposits had revealed to them the true colours of this ‘false idol’ and, they felt, it was time to tear it down.

Conversely, looting was a phenomenon which evinced very little spontaneous political action, let alone elements of a horizontal political organisation. Clearly, looting was rooted in the hopeless misery to which the Argentine working class was finding itself condemned by the inexorable path followed by capital accumulation. But it is noticeable that, after December 2001, no more looting took place despite the fact that unemployment soared and real wages plunged.

It is well known that, in the province of Buenos Aires, it was the apparatus of the Justicialista Party (official name of the Peronist Party) that had prompted the looting. This apparatus was commanded by Duhalde, who was finally appointed president in the aftermath of December 2001.14 The Peronist local leaders [*punteros*] drew people out by announcing locations where food was

13 To avoid any misunderstanding, note that by ‘working class’ I refer to the totality of the members of society that are separated from their means of production and only own their labour-power, selling it in order to materially reproduce their lives, whatever the intensity, complexity and productivity of their work. My use of ‘working class’ does not depend on the price of their labour-power, on whether it is productive or unproductive with regards to the valorisation of capital, or on whether workers are able to sell it, in whatever the way they relate to commodity production. By petty bourgeoisie I mean the genuine independent producers of commodities, the individual merchants and the capitalists whose capital falls short of the amount needed to actively participate in the formation of the general rate of profit.

14 In the 1999 presidential elections, Duhalde was defeated by De La Rúa, from the Alianza Party, who fled the country on 20 December.
supposed to be distributed for free. Then their cadres spearheaded the looting.\footnote{Amato and Guagnini 2002, pp. 16–18.}

Let us consider a specific case – that of the district of San Miguel, one of the poorer areas of the Second (urban) Belt around the Argentine capital, governed by Aldo Rico. Rico is a former army officer who led a military coup in 1987 in support of the torturers and murderers of the 30,000 desaparecidos of the 1976–83 military dictatorship. In 1999, he was elected mayor of San Miguel with 68% of the votes, supported by Duhalde. Now, Rico set up an operation aimed at driving the potential looters to the borders of his district, giving them carte blanche to act from there onwards.\footnote{Anonymous article 2002b, p. 17. This case has been verified through testimonies collected by students of the Universidad Nacional de General Sarmiento, which is situated in the area.}

In fact, the Justicialista party had already resorted to this course of action in 1989, when a wave of looting was a key factor for the premature transfer of power to president Menem.

Therefore, the fall of the national government on 20 December 2001 was precipitated by the confluence of two forms of popular political action. Looting was clearly the dominant form within the areas of greater poverty furthest away from the city centre. It was articulated by a political structure that grew in proportion to the deteriorating conditions for the reproduction of the labouring population. This structure is based on a complex relationship within which political action, clientelism, crime, barras bravas [hooligans] and police impunity all come together.\footnote{Guagnini 2002; Young, Guagnini and Amato 2002, pp. 20–2.} Within the more prosperous areas located closer to the city centre, the cacerolazos and the march on the Plaza de Mayo were the principal form of protest. These were spontaneous movements that coincided with the mobilisation of the left-wing parties under the motto ‘all of them must go!’.

This twofold process raises a further issue: the identity of the determining factor underlying the two forms of action in question, apparently opposed in terms of both political form and content, but which fused, bringing on the fall of the Alianza government. To answer this question we must start by considering the course followed by the national process of capital accumulation that culminated in those actions.
The specific trend towards economic contraction

Dinerstein states that:

One of the keys to understanding why the convertibility plan did not produce the macroeconomic conditions for sustained growth and, instead, led to the crisis of December 2001 lies in the fact that, during the 1990s the private sector produced deficit in the generation of foreign currency for the country... with their commercial and financial transactions with the world. The negative balance was covered by the public sector which indebted itself to cover the difference and thus accumulate reserves to expand domestic credit.¹⁸

All this accentuated the vulnerability of the plan ‘to the capricious movement of global capital and financial markets’.¹⁹ Then, the escalating ‘tension between persistent social and labour struggles and the pressure from financial institutions’²⁰ produced political instability, which, in turn, produced ‘further economic instability’.²¹ And so on until the crisis exploded in December 2001.

But what economic growth are we talking about? The physical volume of social production evinced substantial growth during the 1990s, even more so than that of the USA. During 1990–2001, the average physical volume of the Gross Domestic Product (GDP) grew 26% more than levels reached during the previous stagnation of 1975–89 and 74% more than levels reached during the previous sustained growth period of 1960–74.²²

This growth is the mainstay of the arguments presented by the supporters of neoliberal policies who claim that the crisis resulted from an incomplete application of these policies, creating a climate of political instability. In turn, this climate purportedly generated fear in investors, causing the withdrawal and flight of international capital.²³ As we can see, however, despite standing in opposite corners over ‘the struggle between money and life’,²⁴ both Dinerstein

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¹⁹ Ibid.
²² Íñigo Carrera 2002, pp. 3–4; see the methodological criteria on p. 4, and a data table on p. 32, based on original information from the Banco Central de la República Argentina (BCRA) and Ministerio de Economía (ME).
and the defenders of neoliberalism agree that the origins of the December 2001 crisis lie in the very political forms themselves. Posited on the side of ‘life’, this conception might appear to be a revolutionary-critical perspective concerning the abolition of the capitalist mode of production. However, it actually implies an idealistic inversion of the determination of working-class consciousness, which becomes reduced to the appearances of its advances and retreats in political struggle.

The consciousness of the Argentine working class is no more than the expression of its social being. This social being is concretely determined by the specific way in which the material production of its life is organised. Clearly, the issue concerns what is to be done regarding the current political situation in Argentina so that this action can express the general interests of the working class.25 To do so, we must start by bringing to light the concrete historical powers of the Argentine working class. Therefore, we need to begin by taking a look at the specific nature of the Argentine process of capital accumulation.

In other words, we must avoid embracing the illusion that an apparent rise in the political awareness of the Argentine people will *per se* engender a radical change in the national process of capital accumulation. The point is to examine what has changed in the process of capital accumulation in Argentina that has prompted it to take specific political form in the shape of direct popular action. Thus, it will be possible to unveil the historic potential that lies within such action.

Let us take another look at the growth of the Argentine social product during convertibility from the specific point of view of capital accumulation. As we well know, in those societies where the capitalist mode of production dominates, social wealth does not simply appear as the material accumulation of use-values but, rather, as the accumulation of value. In other words, it is clearly not enough to merely possess more goods in order to be wealthier; what really matters is the total value of those goods. This is a delicate issue for the Argentine economy, where, particularly over the last decade, complex industrial production has been overtaken by imports while only the production of raw materials and very low value-added activities have expanded.

In real terms of purchasing power, average GDP grew only 24% from the 1960–74 period in comparison to the 1990–2001 period. Even worse, during

the latter interval it fell to 10% below the level reached 1975–89. During a time of apparently sustained growth in physical volume, the Argentine economy actually lost a tenth of its value. In 2001, it was 9% below the value it had reached in 1974. Hence, the expanded physical volume of material products pointed to a contracted mass of social wealth. The annual value product of the Argentine economy has remained stagnant – if not actually shrunk – during the last twenty-five years.

In short: in 1960–74, the value of Argentine GDP was equal to a monthly equivalent of 18 million of the staple goods baskets that are used to compute the consumer price index. In 1975–89, it grew to 24 million baskets, yet fell to 22 million in 1990–2001. Meanwhile, the average population grew from 23 million to 29 million, and to 34 million, respectively. In 1960, the Argentine economy was equivalent to 3.2% of the USA economy; in 2001 this proportion had fallen to 1.5%. It was from these already contracted levels that the 7% fall in value which took place in the crisis of 2002 (corresponding to an 11% fall in volume) occurred.

However, the issue does not end here. We also know that capitalist production does not merely aim at the production of value. It aims at the production of surplus-value. Total net surplus-value increased by 90% between 1960–74 and 1975–89, although total value grew only 40%. Still, the 10% fall in the value product between 1975–89 and 1990–2001 allowed for only an increase of 8% in net surplus-value. Moreover, total surplus-value did not end up falling in absolute terms, because it was sustained at the expense of undermining the normal reproduction of capital accumulation at its very base, namely, by increasingly paying labour-power below its value. Many years before the current crisis, the national process of capital accumulation began to show a specific trend towards the formation of a surplus-labouring
population. This trend immediately results from the stagnation and contraction of the amount of value produced by the Argentine economy. During 1990–2001, the real industrial wage fell 35% with respect to 1960–74 and 23% with respect to 1975–89. At the same time, legislation slashed indirect wages by at least a third, which, in practice, was much more owing to the expanding informal economy and deteriorating pension and health systems. Thus, the Argentine working class has been increasingly prevented from reproducing its labour-power with the productive attributes it had developed before the stagnation and contraction began. The Argentine economy does not only come up against a specific limit to its growth but, as it is absolutely unable to reproduce the labour-power it once required, it collides with the general base of capital accumulation itself.

The specific form of capital accumulation in Argentina

At first sight, it appears that the Argentine economy has developed along the general lines inherent to the national processes of accumulation of industrial capital. There is a clear trend towards the centralisation of capital and a strong presence of the world’s most concentrated capitals. Yet a peculiarity immediately emerges. These capitals work on a scale restricted to the size of the internal market. How do they fit into a market of only 36 million inhabitants, almost half of whom live below the poverty line today and whose average wage is just one tenth of the American wage? For instance, six of the world’s main car manufacturers still have production plants in Argentina. Each export to the Mercosur zone is met by an import, thus balancing out any expansion of the scale of production, beyond that of the internal market. Conversely, in Italy, with a population that is two thirds larger and an average wage close to the American one, there is only one car manufacturer which is, furthermore, unable to sustain independent capital ownership.

The answer lies in the scale of the Argentine plants, which is small compared to that of other plants managed by the very same capitals which supply bigger internal markets or the world market. Yet, this small scale, and its negative consequences upon technical innovation, mean lower labour productivity, and thus higher production costs leading to the impossibility

32 Iñigo Carrera 2002, p. 20; see the methodological criteria on pp. 19–20, and the data table on p. 32, based on original information from INDEC.
33 This section is based on Iñigo Carrera 1998.
of valorising capital at the general rate of profit. Therefore, in addition to the surplus-value simply extracted by industrial capital from its productive workers, the capitals in question need to find, within the Argentine economy, an additional source of social wealth to compensate them for their limited production scale.

Today, the sale of labour-power below its value accounts for a significant part of the compensation. Still, this relative cheapness cannot be – nor could it ever have been historically – its main source. Had this been the case, industrial capitals would have generated production from Argentina for the world market as the norm, instead of restricting their scales of production to the domestic market.

A second source of compensation arises from the pervasive presence of small national capitals. Their accumulation is not directly ruled by the general rate of profit, but by the rate of interest. When the price of production of their commodities pushes their profitability over this limit, the competition among them means that the profit at stake ends up being transferred to the more concentrated capitals to which they relate in circulation.34

However, historically, the main source of compensation has always been the differential ground rent from the Argentine *pampas* – more recently, the differential rent coming from oil, gas and hydroelectric energy has also acquired relevance. Landowners, on the one hand, and the international industrial capitals that operate as restricted fragments in Argentina, plus the more concentrated national industrial capitals, on the other hand, are, albeit antagonistically, associated to appropriate the differential ground rent. This shared appropriation underlies the whole specificity of the Argentine national process of capital accumulation. This is where the current stagnation and ensuing crisis have their specific roots.

Industrial capitals have appropriated their share in differential ground rent through different means. In some cases, this originates in the flow of rent to the state through special taxes on agricultural exports, regulated prices or the monopoly on foreign trade. The rent is then transferred to industrial capitalists as subsidies, the purchase of commodities by the state and by its workers, and so on. In other cases, the state controls the flow in an indirect way. For instance, this can occur through a fiscal deficit covered by the inflationary

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34 For this determination of differential concrete rates of profit, in opposition to the theories that ascribe these differences to market forms, see Iñigo Carrera 2003, pp. 123–30.
printing of currency, which leads to a negative rate of interest in real terms, and in which the landowners are creditors and industrial capitals are debtors. Another significant way is the overvaluation of national currency. When agricultural exports pass through the exchange mediation, overvaluation retains a share of their value that corresponds to ground rent. The industrial capitals are then able to appropriate this because the overvalued national currency allows them to import means of production at a lower cost than the price of production on the world market. Overvaluation, moreover, multiplies the value of profits made locally in international terms when they are remitted abroad. In fact, overvaluation has been the prevailing method for appropriation throughout the last decade, which fell into a violent crisis in 2001.35

The paths taken by the appropriation of ground rent do not impinge on the normal profitability of agricultural capitals. But they certainly limit the scale of their intensive and extensive disbursement on land. In turn, this limitation affects the pace of technical innovation in agriculture and extends the specific national limitations as far as the only sector truly able to compete on the world market. As such, only those industrial capitals which produce on a scale already superseded by the development of the productivity of labour on a global scale, are able to valorise themselves in Argentina. Some of them fit into this category because they are just small capitals. Others do so because they are specifically restricted fragments of capitals that actually operate on a normal scale elsewhere. The former are unable to develop the productive forces of society owing to their limited size. The latter obtain a normal rate of profit, and may even make extraordinary profits, without fulfilling their historical role in that selfsame process of development. Moreover, they are actually freed from the costs of developing the productive forces as they are able to convert what has already become scrap in the countries where capital operates on a normal scale into brand new capital in Argentina. Hence, although the Argentine national process of accumulation appears to be an ordinary national process of development of the productive forces of society, it is in fact working against this development.

This contradiction, which is so characteristic of the Argentine economy, acquires a particular shape in the process of capital centralisation. The centralisation of capital tends to liquidate small capitals, therefore undermining

35 Iñigo Carrera 2002, pp. 12–14; see the methodological criteria on pp. 5–9, and the data table on p. 32, based on original information from BCRA, INDEC and BLS.
one of the sources of additional surplus-value appropriated by concentrated capitals. At the same time, despite the internal concentration and centralisation of capital, the gap between the limited productivity of labour that corresponds to the size of the internal market vis-à-vis the size of the world market, continues to grow. In turn, the privatisation of state enterprises restricts the role of the state as a source of demand to sustain the internal market, adding new capitals that demand their share of ground rent, of the value of labour-power and of the surplus-value freed up by the small capitals.

But there was another element which pushed the contradiction inherent in the Argentine process of capital accumulation to a critical point. During the first half of the 1970s, agricultural ground rent rose abruptly. Thus, in each year between 1972 and 1976, industrial capitals appropriated eight times the real average annual amount they had appropriated in the 1960–71 period. Yet, after reaching this peak, world ground rent began to drop in a downward trend that has continued up until the present.

With differential ground rent decreasing and the amount needed to support accumulation in fragmented industrial capitals rising, the Argentine process of capital accumulation increasingly witnessed the deterioration of its specific basis. The value product fell into stagnation and decline, whereupon the profit freed up by small capitals shrank even more and the gap between the scales of the domestic and the world market widened. Moreover, the consequent multiplication of the surplus-labouring population enabled capital to pay labour-power below its value, which counterbalanced the former effects, thereby providing a new basis for the reproduction of the specific nature of the national process of capital accumulation.

As the national economy stagnated and shrank, the overvaluation of the currency not only served as a mediator in the appropriation of ground rent but also narrowed the gap in productivity inherent to the relatively restricted scale of production for the internal market. It did so directly by enabling the cheap import of means of production and indirectly by allowing the import of cheapened means of subsistence for the workers, thus cheapening their labour-power. Additionally, lower import duties reinforced the effect of the overvaluation of currency. However, at the same time as cheapened imports displaced local production, the reproduction of the national process of capital accumulation on the basis of an overvalued currency and free-trade policies came ever closer to death by suffocation.

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Ten years of a highly overvalued currency required a significant accumulation of reserves in foreign currency. However, a national economy whose size in terms of value was shrinking, whose reproduction demanded the growth of imports over exports, and which was suffering from the contraction of ground rent, had no means of generating such reserves on its own. Where did these reserves come from? The answer lies in the real expansion of foreign public debt.

There exists the widespread belief that the payment of the foreign public debt resulted in the continuous outflow of social wealth which was ultimately responsible for the collapse of the Argentine economy. Despite its apparently critical slant, this belief clashes with a simple fact: from the 1960s onwards, Argentina received a continuous influx of social wealth as a result of increasing its debt in real terms over the capital and interest payments that were due. These additional funds, together with those raised through the privatisation of enterprises owned by the state, provided the reserves that sustained the overvalued national currency. However, the very same overvalued peso acted as a stimulus for the expatriation of foreign currency by the private sector. So, as soon as the national state topped up its reserves by increasing its foreign debt, the private sector drained them by sending foreign currency abroad. This locked the state into a constant vicious circle of increased public indebtedness created in order to maintain the overvalued peso.

This cycle was rooted in the overabundance of fictitious capital circulating in the world market. During the last quarter of the twentieth century, global capital accumulation entered one of its phases towards general overproduction. Overproduced capital started to circulate as fictitious capital, namely, as a mass of credits conceded to insolvent debtors that merely keep up the appearance of valorisation by constantly accruing due interests to an unpaid and overdue principal. As the advance of the global economy towards general overproduction maintained the appearance of being a mere process of accumulation based on the expansion of credit, the Argentine state was able to expand the influx of foreign currency to replenish its reserves. But, in 2001, general overproduction manifested itself to such a degree that it abruptly put the brakes on the global expansion of fictitious capital. At the same time, the expanded access to global fictitious capital was subject to the capacity of the

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37 For a computation of these movements see Iñigo Carrera 2002, pp. 24–9, and the data table on 36–7, based on original information from BCRA, ME, INDEC and BLS.
38 Iñigo Carrera 2003, pp. 67–75.
Argentine economy to maintain the appearance that it was able to honour its debt. The same overvaluation of the national currency, the expansion of imports, the privatisation of state enterprises, and so on, helped to support this fiction. But, here too, reality was eventually due to burst in. Those state assets suitable for immediate privatisation had been exhausted and the national process of capital accumulation openly clashed with its specific limit, therein contracting the value of GDP and brutally increasing unemployment. The same contradiction between economic contraction and the unstoppable expansion of foreign debt made interest rates soar.

Together, the global crisis and the Argentine crisis – the latter became intensified as a specific expression of the former – brought the cycle of replenishment of foreign currency reserves through ever increasing levels of foreign indebtedness to a violent end. The across-the-board renewal of due debts (the plans of ‘Blindaje’ and ‘Megacanje’) threw the painful nature of this process into sharp relief. Then, as it became evident that no new real expansions of the state’s foreign debt were at hand, the private depletion of the reserves accelerated, showing that ‘convertibility’ and its overvalued currency were about to collapse. Although bank deposits were nominated in US dollars and supposedly guaranteed by the strongest international banking capitals, these turned out to be equally unsustainable fictions: as soon as the withdrawal of deposits (to turn them into true US dollars) accelerated, the same neoliberal banking capitals clamoured for state intervention. And the state obeyed by introducing the *corralito*, enclosing bank deposits.

The unstoppable crisis reached into every nook and cranny of the Argentine economy. Credit disappeared, tax collection fell to rock-bottom levels, bankruptcies and factory closedowns multiplied, and unemployment peaked. A substantial devaluation of the peso was imminent. A devaluation of this kind meant a further fall in real wages, rises in costs and unbearable losses in an economy where most domestic liabilities and contracts were denominated in foreign currencies.

The national process of capital accumulation was heading for a situation involving a substantial fall in real wages, a violent contraction of its scale and an open default on its foreign debt. At this point, the issue was the political form that the crisis was to take.
The political representation of capital accumulation in Argentina

At the turn of the twentieth century, the agricultural landowner class dominated the general political representation of the national process of capital accumulation. Nevertheless, as industrial capitals became stronger partners in the appropriation of ground rent, landowners were relegated to a secondary position.

Argentina’s development as a space for the accumulation of capitals that, despite their normal global scale, operate as limited fragments to be valorised in the specific way detailed above, was dependent on an existing specific condition. It required the wide-scale presence of genuine small capitals. This was a condition that both provided the domestic market with sufficient breadth and endowed fragmented capitals with one of the sources of additional surplus-value which they required to compensate for their own limited scale. Hence, in its historical development, Argentine capital accumulation went through a phase characterised by the general transformation of ground rent into a mass of small domestic capitals. This multiplication of small capitals not only absorbed the already active labouring population but also multiplied it on a wide scale so that it appeared to be the very cradle of the Argentine working class. On this basis, the Argentine petty bourgeoisie and the working class converged in the general political movement that consolidated the genesis of the specific form of the national process of capital accumulation in the 1940s; namely, Peronist populism.

From this point on, the immediate reproduction of the Argentine working class as an active labouring population and of the national petty bourgeoisie remained tied to the reproduction of this specific form. This reproduction gave way to the widespread arrivals of the particularly restricted fragments of normal capitals, starting in the 1950s. Given their foreign origin, these capitals could not be politically represented in Argentina by their own bourgeoisie. Nevertheless, since their accumulation had become a condition for the reproduction of the national economy, they were able to delegate their political representation within the same populist movement and also through the diplomatic staff of their countries of origin. So-called developmentalism [Desarrollismo] was the most genuine expression of this political representation. Furthermore, throughout Argentine history, the appropriation of ground rent has been mediated by the actions of the national state as the general political representative of the total social capital that is valorised in the country. Hence the specific participation of the state bureaucracy, particularly the armed
forces, in political struggles. When the national accumulation of capital entered a phase of growth based on a circumstantial increase of ground rent, its general political representation corresponded to a populist-democratic government. When the economy contracted, however, this place was taken by a military dictatorship actively supported by foreign capitals.

As a product of the specific form of the national process of capital accumulation, the Argentine left-wing parties could not escape being determined as particular political representatives of the reproduction of the selfsame specificity. Yet they were unfit to act as the general representatives of the working class within this process, as this role corresponded to the populists. The role of left-wing parties was restricted to spearheading the struggle for higher wages and the reinstatement of democratic government when the economy entered expansive phases. On the surface, it seemed that these struggles brought into question the overthrow of capitalist society itself. Yet, as economic expansion began to consolidate itself, the left-wing parties found themselves ousted by mere populism. And, as soon as the subsequent process of contraction got under way, their struggles against falling wages and rising unemployment – vis-à-vis the retreat of the populists – turned them into scapegoats, suffering the wrath of a new military dictatorship. Even those parties that called for a revolutionary expropriation of the bourgeoisie were unable to overcome the appearances of the Argentine specificity. Therefore, they completely overlooked the specific nature of the very material base on which that expropriation would have had to operate. In Argentina, the bourgeoisie had set up nothing but a mass of obsolete means of production materially unfit to support the development of the productive forces of society.

In fact, over twenty-five years ago, the fluctuation between expansive and contracting phases gave way to a blatant tendency towards stagnation and decline in the political form of the bloodiest military dictatorship. The dictatorship imposed itself when the circumstantial expansion of the national process of capital accumulation – largely due to the exceptional increase of ground rent during the years 1973–4 – came to an end. And it did so by bringing about the armed defeat of the political forces that had welcomed the same circumstantial expansion of Argentine capital accumulation as evidence that this process would lead directly towards socialist supremacy. From then on, the reproduction of the Argentine economic specific form resulted in the accelerated liquidation of the petty bourgeoisie and an increasing transformation of the working class into a surplus population for capital.
Nevertheless, even going downhill, the immediate reproduction of both social classes remained tied to the reproduction of the specific nature of the national process of capital accumulation.

The coalition between the petty bourgeoisie and the working class continued to bear the general political representation of Argentine capital accumulation. However, intermittent periods of expansion increasingly proved unable to counteract the overall trend of contraction. Expansionary phases became weaker and weaker, whilst the surplus-labouring population continued to grow even through these phases. There was no place left for the generalised illusion concerning the political powers gained by the working class and the petty bourgeoisie during the expansionary phases that needed to be annihilated when renewed contraction became apparent. Thus, even as the crisis deepened, democracy acquired continuity. This process of accumulation, which only could reproduce the petty bourgeoisie and the working class at the expense of their accelerated liquidation to the benefit of the most concentrated capitals, acquired its proper political shape through populist rhetoric with neoliberal content.

In 1976, only a bloody military dictatorship that systematically abducted shop stewards from their workplace and made them ‘disappear’, was able to reduce real wages by 35%. Then, throughout the 1990s, real wages dropped even more sharply, to an average of 40% below the levels reached between the years 1973–5. But, in this case, it was not a military dictatorship but the Peronist government of the Justicialista Party that was in office. The same low levels were sustained under another democratic government with a populist programme and a neoliberal policy, namely, the Alianza Party headed by De La Rúa, which was the opposition to the Justicialistas. These facts are clear indicators of the significant weakness suffered by the political and union strength of the Argentine working class during the last quarter of the twentieth century.

Nevertheless, by the end of 2001, the inevitable devaluation was set to cause a drop in real wages of such proportions that the situation, coupled with a drastic rise in unemployment, could only be handled by a government able to ensure the absolute paralysis of the unions. Only the Justicialista Party enjoyed such a capacity, supported by both the official federation of unions (CGT) and the strongest dissident federation (MTA). At the same time, the Alianza government found itself unable to declare default on the external liabilities to the benefit of the most concentrated capitals.
debt, since it had claimed repeatedly that payments to foreign creditors were guaranteed and that ‘convertibility’ was to be maintained whatever the consequences. In fact, devaluation and the default would need to acquire the political form of a statement of national autonomy if they were to push through. Once more, Peronist populism was their appropriate political expression. However, the Alianza government was just in the middle of its term in office. Therefore, if the Justicialista Party was to take power, President De La Rúa would have to fall. All the conditions pointed towards a ‘democratic’ overthrow, in other words, towards the fall of the Alianza government at the hands of its own social base: the petty bourgeoisie and the working class that performs complex labour.

In 1989, the widespread looting set the scene for the premature transfer of power from Alfonsín, of the Radical Party which had become the basis of the Alianza, to Menem, of the Justicialista Party. In 2001, the looting acted as the spark that revealed the government’s impotence in handling the situation. On 19 December, rumours about looters moving in on shops and homes in the more prosperous neighbourhoods were spread intentionally among the population. Everybody remained alert. Even in the financial district, shops closed early and boarded up. In the outer areas, neighbours prepared themselves for a night of surveillance and formed bands of vigilantes. The president declared a state of siege and offered up the head of his minister, Cavallo. But he insisted on remaining in power. In this tinderbox-like situation, the spark ignited the explosion: the caceralazos of the petty bourgeoisie and the skilled workers, followed by the march on the Plaza de Mayo. Powerless, the government brutally turned on its own social base while President De La Rúa fled to the sound of the cries of ‘all of them must go!’.

Nevertheless, not all of them left. Immediately after the government had fallen, and with the Alianza’s agreement, the Peronist majority at Congress appointed Rodríguez Saá as the new president. Rodríguez Saá appeared as the reincarnation of populist nationalism. He declared the default on the foreign debt, something acclaimed as a nationalist victory by those very same representatives that supported each of Menem’s neoliberal policies. Yet, at the same time, Rodríguez Saá’s populist rhetoric appeared to run too close to that of the unions. Furthermore, once the default had been declared, the time came to reproduce the national process of capital accumulation through new agreements with the IMF and a dramatic drop in real wages. Just one week later, the Justicialista Party withdrew support for Rodríguez Saá, while
his alliance with the union bureaucrats and the appointment of a former mayor of Buenos Aires City who was emblematic of political corruption were enough to warrant another *cacerolazo*. Again, the petty bourgeoisie and the skilled working class banged their pots and pans. Rodríguez Saá was forced to abandon office. The Congress appointed Duhalde as president – the same man in command of the Peronist apparatus in the Greater Buenos Aires region – a group, let us not forget, which had been quite active in the looting.

With the default already declared and the devaluation of the peso as an unavoidable condition for the banking system to start operating again after more than fifteen days, Duhalde was ready to devalue and to relaunch negotiations with the IMF. Thus, the declaration of default, the drop in real wages and the further contraction of the economy, had developed their political form. By May 2002, real industrial wages had fallen by 24%.\(^{40}\) The national rates of unemployment and underemployment soared to 21.5% and 18.6%, respectively.\(^{41}\) However, the CGT and the MTA supported the government and remained inactive. The CTA carried out protests but with no practical results. For the second quarter of 2002, the GDP had fallen by 13.5% compared to the year before.\(^{42}\) The situation in the City of Buenos Aires had become significantly worse:

| Table 2 | Unemployment and poverty in the Greater Buenos Aires, May 2002\(^{43}\) |
|-----------------|------------------|-----------------|-----------------|-----------------|
| Population (millions) | % of the economically active population | % of total population below the line of: |
|                  | Unemployed | Under employed | Poverty | Extreme poverty |
| City of Buenos Aires | 3.0 | 16.3 | 15.6 | 19.8 | 6.3 |
| First Belt of the Great Buenos Aires | 3.0 | 21.9 | 18.3 | 41.5 | 16.8 |
| Second Belt of the Great Buenos Aires | 6.7 | 25.6 | 21.9 | 66.6 | 33.2 |

\(^{40}\) See INDEC 2002.  
\(^{41}\) Based on Ministerio de Economía.  
\(^{42}\) Dirección Nacional de Cuentas Nacionales, Ministerio de Economía.  
Nevertheless, no more looting occurred. The national process of capital accumulation had reproduced itself once again upon its specific base.

**What crisis of political representation?**

The specific modality of capital accumulation in Argentina could only be reproduced through a profound crisis, a kind of crisis which would take concrete shape as a legitimacy crisis of formal political representation.

In the capitalist mode of production, the general social relation – social power – exists as a thing carried in one’s pocket (that is, money).\(^4\) On this basis, political corruption is inherent to capitalist accumulation. But, when accumulation is specifically based on the appropriation of ground rent through the political mediation of the state for the benefit of capitals operating on restricted scales, political corruption is placed at its very core. Moreover, the exhibition of illegally obtained wealth becomes a demonstration of social power. The more the national process of capital accumulation clashes against its specific limit, the more crucial the role played by the shameless exercise of corrupt political representation becomes.

The legitimacy crisis of political representation did not emerge from the public discovery of the specific limits inherent to the national process of capital accumulation. On the contrary, it emerged from the apparent non-existence of such specific limits, whereby the economic crisis resulted from the inability of political representatives to reproduce the former situation of the petty bourgeoisie and the working class. In turn, their ineffectiveness was attributed to their systematic plundering of social wealth to the benefit of more concentrated capitals as well as themselves.

In brief, the crisis of political representation did not entail any greater levels of awareness than the demand for the reproduction of the specificity of the Argentine economy but without the inescapable consequences of such reproduction. The impotence expressed by this demand was the real essence contained in ‘out with them all’ as the key proposal for political action to face the crisis.

The abyss that lies between the appearance and the content of ‘all of them must go!’ questions Dinerstein’s claim that:

¡Qué se vayan todos! is qualitatively significant as it constitutes the initial ‘adequate idea’ that, as Deleuze suggests with reference to Spinoza, puts people ‘in possession of their power of understanding, and so by our power of action’45

On the contrary, based on the inability to discern beyond immediate appearances, ¡Qué se vayan todos! actually reveals one’s inability to seize power with one’s own hands.

Realities of ‘all of them must go!’

Dinerstein asserts that ‘after December 2001 something (everything) has definitely changed’ in Argentina.46 Let us consider what she presents as the core manifestation of the new ‘non-identity, horizontal, democratic and anti-institution politics and the reinvention of the political which began in December 2001’47 able to overcome the capitalist mode of production: the neighbourhood assemblies.

By October 2002, 119 neighbourhood assemblies existed in the City of Buenos Aires and 62 in the Greater Buenos Aires region.48 Therefore, each one corresponded to an average population of 25,000 and 156,000 respectively. At that time, the neighbourhood assemblies played a significant role in the rapid succession of governments that gave political shape to the reproduction of the national specificity of capital accumulation, each of them drawing several hundreds of people at best.49 Nowadays, the few surviving assemblies congregate one or two dozen people, perhaps as many as thirty participants (many of whom are activists from the traditional left-wing parties). Nevertheless, when the time comes, the assemblies do not hesitate to speak in the name of the immense majority of their absent neighbours. The so-called ‘inorganic horizontal organisation’ has no other content than the absolute centralisation of the decision-making process by those who control the assemblies. Thus, while some assemblies voted to exclude anyone who was affiliated to a political party, others are directly controlled by this or that party.

45 Dinerstein 2002, p. 32.
49 Only the meetings of the inter-neighbourhoods assemblies surpassed the thousand participants during their first few months of existence.
Some assemblies voted for resolutions against the IMF, the nationalisation of the privatised companies, but, in practical terms, their achievements come down to some minor urban improvements and cultural activities. They also provide some food and clothes to the impoverished. Clearly, these activities satisfy real needs, given the current situation, but they have nothing to do with the overthrow of the capitalist mode of production, however charitable they might be. Moreover, as soon as the same activities became systematic, they started to show all the marks of political clientelism and charitable relationships.

The roadblocks of the organised unemployed [piqueteros] were decisive for the implementation of extended unemployment subsidies, which reached almost two million people and have been effective since 2002. The killing of two of their activists by the police under Duhalde’s administration forced him to bring the 2003 elections forward. Today, the piqueteros retain their capacity for mobilisation. Nevertheless, their power to transform the current social conditions has not gone beyond that immediately emerging from the reproduction of unemployment itself: the struggle for subsidies (which fall short of the limit of extreme poverty), community kitchens and orchards, complementary schooling, some very small-scale production, health care, and so on. Certainly, these actions are the concrete forms through which a part of the Argentine surplus population is still able to survive. At the same time, they place a barrier to further falls in the wages of the employed workers, which, in turn, means that they place a barrier on the possibility of capital accumulation further freeing itself from the need of technological development. However, there is an abyss between these potentialities and that needed to support the claim about a ‘new identity’ able to overcome the capitalist mode of production. Moreover, as Dinerstein herself points out, most of the unemployed organisations are related to traditional left-wing parties; for example, the Corriente Clasista y Combativa (Maoists), the Polo Obrero and the Movimiento Teresa Vive (Trotskyists), the Movimiento Territorial de Liberación (Communist Party) and the Barrios de Pie (left-wing populist nationalism). The Federación de Tierra y Vivienda, that claims to be the largest organisation, openly supports Kirchner’s administration and its chief leader has been elected to Congress. The Movimiento de Trabajadores Desocupados Aníbal Verón, commonly taken as an example of the powers that emerge from political independence and horizontal organisation, has been plagued by internal power struggles and went through successive splits. Besides, the
piqueteros organisations are based on the management of the assistance plans for the unemployed, holding a total share of about seven per cent.\textsuperscript{50} The rest of the plans are managed through structures of political clientelism. Under such conditions, clientelism permeates the piqueteros movement, a fact pointed out by the organisations themselves as they exchange accusations.

The barter clubs disappeared in the midst of the scandalous theft perpetrated against their members through the issue of token ‘money’. In turn, as with any private capital, those factories turned into co-operatives by their workers can only survive if they are competitively successful. Within a national economy the scale of which is subject to contraction, successful competition means expelling other capital enterprises from production. Therefore, co-operative success means that other workers may lose the chance to sell their labour-power. Under capitalism, solidarity is merely the necessary concrete form taken by the basic social relation existing between the owners of commodities: competition. The illusions about market socialism could be nothing more than that: illusions to be swept away by the realities of the commodity-form.

Let us take another example: the Autodeterminación y Libertad party, which lays claim to horizontal organisation and anti-institutionalism, praises Negri and Holloway, and has ‘¡qué se vayan todos!’ as its main slogan. Zamora, its leader, was one of the candidates with the highest voter-intention support (no more than 10–15\%, however) for the 2003 presidential elections. The moment came to decide if he was to stand as a candidate. Since no formal organisational structure existed, everybody was free to present his or her point of view; but the final decision remained the undisputed privilege of the leader. Zamora chose to abstain. Those in Autodeterminación y Libertad who were for taking part in the election were left with no opportunity to do so: such a horizontal movement had one, and only one, popular figurehead: Zamora. Only alienated consciousness fits with the capitalist mode of production, and the more it attempts to present itself as abstractly free, the more alienated it becomes.

Let us now take a look at the other face of the powers inherent in ¡qué se vayan todos! Santiago del Estero is one of Argentina’s poorest provinces. In 1995, a local popular protest, the Santiagazo, made it into the history books for two reasons. On the one hand, it was the first widespread revolt against the consequences of Menem’s neoliberal policies and political corruption.

\textsuperscript{50} Calvo and Guagnini 2004, p. 28.
On the other, the protesters set fire to the house of the former governor Juárez. Juárez was the almighty leader of local Peronism and a symbol of authoritarianism and corruption. In September 2002, Juárez imposed his political heir as governor and his wife as vice-governor with 68% of the votes,\(^\text{51}\) presenting this victory as proof that in fact the popular will was ‘all of them must stay’!\(^\text{52}\)

Both in 1989 and 1995, Menem was elected president by 50% of the votes. The first time, he won with a populist discourse and only afterwards did he practise neoliberal policies. The second time, he won with his well-known neoliberal precedents and discourse. In the 2003 presidential elections, Menem won the first round. During his campaign, he had reasserted his neoliberal discourse and advocated army intervention to quell social unrest. Subsequently, he withdrew from the second round as it was evident that he was going to be defeated by Nestor Kirchner, a more ‘traditional’ populist Peronist supported by Duhalde. Kirchner has been the Peronist governor of Santa Cruz Province since 1991. What form of capital accumulation does he represent?

After the acute contraction of the national process of capital accumulation in 2002, the new phase of expansion without the possibility of receiving fresh funds from foreign creditors is taking a renewed populist shape: the assertion of national sovereignty, a discount on the defaulted foreign debt, import substitution, widespread support for the indigent unemployed, and the like. Of course, the real basis for this lies, firstly, in the further fall of wages below the value of labour-power and, secondly, in a fortunate rise of agricultural and oil ground rent.

The Argentine economy has surged forwards on this renewed basis, growing almost 9% in physical terms both in 2003 and 2004. In so doing, GDP has returned to the level it was in 1999, which was by no means a glorious year but the starting point of the previous contraction and crisis. Yet, Kirchner enjoys high rates of popularity after a year and a half in office.\(^\text{53}\) Now, Kirchner has asked the Peronist unions to take to the streets in order to stop the more combative piqueteros.

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\(^\text{51}\) Clarín 2002a, p. 10.
\(^\text{52}\) Braslavski 2002, p. 18.
\(^\text{53}\) By January 2005 he had a 78% of positive image, according to the Centro de Estudios de Opinión Pública (CEOP), while his administration had a 64% of positive image, according to the same source, and a 51% according to Universidad Torcuato Di Tella/Catterberg y Asociados. See Clarín 2005, p. 12, and La Nación 2005, p. 6.
The ‘progressive’ alternative who had a chance for electoral success in 2003 was Elisa Carrió, from the ARI. She is a Catholic fundamentalist who broke off her alliance with the Socialist Party as soon as they proposed the – extremely limited – framework for the legalisation of abortion. Notwithstanding, she finished fourth in the first round, behind her ultra-neoliberal former party colleague López Murphy.

Dinerstein presents spoiled ballots as yet another manifestation of a supposedly popular advance beyond representative democracy.54 Spoiled ballots fell from their 20% peak in the 2001 elections, to 1.6% in 2003 elections. Meanwhile, electoral absenteeism only rose 2.5% between the 1999 and 2003 presidential elections.55 It has become commonplace to pinpoint electoral absenteeism and spoiled ballots as a means of protest against the lack of legitimate political representation \textit{[voto bronca]}. But it includes a high component of political impotence rather than active protest and, even, of political indifference. Besides, a part of the vote that repudiates political representation points in an opposite direction to pro-democratisation illusions.56 The point is not about an abstract ‘against power’ but about a concrete ‘for whose power’.

It is clear that, since December 2001, many things have changed in Argentina. But these changes express the reproduction of the national process of capital accumulation in its specific form. This means that they express the specific limits to the latter process and the widespread transformation of the Argentine working class into a labouring surplus-population for capital. Essentially, everything has changed so that everything can remain the same.

\section*{Capital}

Thus far, it could seem that the very different conclusions to which Dinerstein and I arrive emerge from our differing approaches to Argentine capital accumulation. Nevertheless, our differences have much deeper roots, resulting from looking at capital itself from contrasting points of view.

Dinerstein supports a theory that is currently much in vogue among many critics of capitalism. This theory asserts that the capitalist mode of production still exists because it is able to impose a social relation of domination over

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54 Dinerstein 2002, p. 25.
56 ‘Anger voting . . . is more observed among the upper class and the upper-middle class.’ Ricardo Rouvier & Asociados, in Clarín 2002b, p. 8.
social subjects, forcing them to reproduce their lives through the mediation of abstract labour:

Capital is not an external force but a social relation, which can only be maintained by forcing human practice to exist and be recognised through abstract labour (i.e., money).  

Thus, capital is not recognised as the general social relation that determines the social being of social subjects by itself. It is seen as a social relation imposed on a social being of the social subjects that stands beyond capital. Does it stand on an abstract ‘human nature’, perhaps?

From this point of view, the state and the law represent several forms of this imposition:

As the most abstract form of capital, money, like the state and the law, mediates the creation of determinate social subjects (e.g., the unemployed, the poor, a citizen with savings in a bank account).

Thus, capital’s actual reason for existence is brought down to the mediation of the ‘logic’ that capital forces upon a supposed abstractly free determination of social subjects. In this line, any confrontation with established power appears as carrying within itself the self-affirmation of an abstractly free subjectivity over the subordination to capitalist mediation:

The insurrection was experienced primarily as a moment of self-possession, a moment in which fear and frustration were transformed into a collective action against power. . . . The popular insurrection of December 2001 is better understood as a human limit on the violence of capitalist anarchy in Argentina. . . . The power affirmed in December 2001 in the streets of Buenos Aires was, in fact, a negative power. The mobilising force of the insurrection was not the identity or the organisation that people join or the type of demands they put forwards, but what I would like to call the unrealised. The unrealised is what we are not. It is critique. It consists of a universe of needs, ideas, practices, experiences, desires, frustrations, dreams that were postponed and repressed. The unrealised is the undefined, that which cannot be, or exist, or be done or accomplished, that which cannot be developed or realised, that which cannot be explained but felt . . .

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57 Dinerstein 2002, p. 25.
58 Ibid.
In this manner:

The streets have become the place for both the rejection of the subordination
of social reproduction to the logic of capital and the reinvention of politics.60

However, it is worth querying the precise nature of the ‘reinvention of
politics’ that Dinerstein offers us. It is one in which the ‘power of understanding’
has collapsed into ‘that which cannot be explained but felt’. Rationality has
given way to the exaltation of irrationality. Every revolutionary determination
of the working class has come down to Holloway’s ‘scream’.61

A world made of ‘that which cannot be, or exist, or be done or accomplished,
that which cannot be developed or realised’ is a world made of many ideal
constructions: chimeras, utopias, faith. But scientific consciousness has no
place in it. Science only deals with real concrete existence, in its unity both
as an actuality and as a potentiality.

Marx discovered that the capitalist mode of production embodies the
necessity to supersede itself into a society of freely – that is, consciously –
associated individuals. He discovered that the conscious revolutionary
action of the working class is the necessary concrete form of this overcoming.
Since then, capitalist ideology has placed objective rationality under constant
attack. Of course, philosophy is the natural field to cultivate irrationality. But
epistemology has developed into an autonomous field based on the assertion
that scientific knowledge necessarily stops at appearances. Thus, the idea
that objective knowledge is just another way of interpreting the world has
acquired the strength of a prejudice.62

Shaped as a utopian critique of capitalism, Dinerstein presents us with yet
another fashionable attempt to excise working-class revolutionary action from
its necessary base in objective knowledge.

In the world of the ‘unrealised’, desires, ideas, dreams and other ghosts
emerging from some abstract human spirit reign over the social being of the
working class.63 Let us return from such a fantastic world to the concrete
realisation of this social being. Let us look, thus, at the economic formation

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60 Dinerstein 2002, p. 31.
63 Actually, this abstract human spirit reflects the appearance that emerges from
circulation. In circulation, alienated consciousness presents itself under the shape of
its opposite, free consciousness. That is why ideology always sticks to this appearance.
of society as a process of natural history. Human natural history is the history of the transformation of the material conditions of social life through labour. The development of the human being as a historical subject is but the development of the human capacity to act in a conscious and voluntary way upon the rest of nature, in order to transform it into a means for human life. In other words, the development of the human being as a historical subject is the development of the human condition as the subject of production, in other words, of human productive subjectivity. This development is the only materialistic concrete starting point, and therefore the only scientific one in order to produce consciousness concerning any historical process.

The capitalist mode of production begins by dissolving all general direct organisation of social labour based on relations of personal dependence, thus turning producers into free individuals. In this way, it gives each concrete portion of social labour the specific form of private labour performed independently from the rest. Then, total social labour-power is allocated into its useful concrete forms through an autonomous system. As it is performed in a private and independent way, the abstract socially necessary labour—a simple productive expenditure of the human body in whatever concrete form it is made and, as such, a natural condition for human life, independent of the social modality it is ruled by—acquires an historically specific social form. After it has been materialised in its products, it appears represented as the aptitude of these products to relate to each other in exchange, thus placing their private and independent producers into a social relation. In other words, materialised privately-performed socially necessary abstract labour is represented as the value that determines use-values as commodities.

Since they need to produce their general social relation through material production, the free individual consciousness and will of the producers that privately and independently organise their social labour are both subject to a historically specific determination. They must submit themselves to the necessities imposed on them by the value-form of their own material product. They must act as personifications of their commodity; they must produce

64 Marx 1965, p. 10.
65 Marx 1965, p. 373.
66 Marx 1965, p. 42.
67 Marx 1965, pp. 38, 44 and 46.
68 Marx 1965, p. 71.
70 Marx 1965, p. 38.
value come what may, as a matter of life or death. Commodity producers are free from any personal servitude because they are the servants of the social powers of their products. While the will of the producers completely dominates the private and independent exercise of individual labour, these same producers are in turn completely subordinated to the social powers of the material product of that self same labour. From the point of view of the participation of private and independent producers in social labour, their consciousness and will matter only inasmuch as these personify the powers of their commodities. The productive power of their social labour confronts the producers themselves as an alienated power, as a power incarnated in their commodities. The free consciousness and will of commodity producers is the concrete form in which their alienated consciousness and will exist.

Therefore, social production is not immediately aimed at producing use-values, but at producing the general social relation itself, that is, value. And the production of value reaches its complete development as a production of value starting from substantive value itself, in other words, the production of surplus-value. The material product of social labour that bears the general social relation thus becomes itself the subject of social production and consumption, namely, capital.

As free independent individuals, wage-labourers enter their general social relation as personifications of their only sellable commodity, their labour-power. Hence, the working class has nowhere from which to obtain any historically specific revolutionary powers other than those it gets from its own general social relation, namely, the production of surplus-value. Strictly considered, the history of the production of surplus-value is nothing but the history of the production of the material revolutionary powers of the working class and, therefore, of its revolutionary consciousness and will.71

Nevertheless, it is not just about the development of the formal subsumption of labour to capital, as it could appear when the determinations of class struggle are inverted. Through the production of relative surplus labour, labour becomes really subsumed in capital.72 Even in the very process of individual consumption and in their determination as a working class, the

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71 'It is not a question of what this or that proletarian, or even the whole proletariat, at the moment regards as its aim. It is a question of what the proletariat is, and what, in accordance with this being, it will historically be compelled to do'. Marx 1975, p. 37.

workers become an attribute of capital.73 Thus, capital produces and reproduces them as human beings, that is, as bearers of consciousness.74 This happens to the point that capital even rules the laws of their biological reproduction.75 In the circulation of commodities, the consciousness of the labourers appears as free. However, the consciousness and will of the labourers are actually determined as the necessary concrete forms taken by the alienation of labour’s powers as capital’s powers, namely, their own objectified general social relation that has become the alienated concrete subject of social life.

In pursuit of relative surplus-value, capital constantly revolutionises the material conditions of production. So much so that, in developing the machinery-system, it revolutionises the very nature of labour. Essentially, labour ceases to consist of the exertion of human labour-power upon its object in order to effect its transformation. In contrast, it centres on the application of human labour-power to the scientific control of natural forces and to the objectification of this control as an attribute of machinery, so as to make those natural forces act automatically upon the object in order to transform it.76 Consequently, commodity producers are collective individuals – formed by doubly-free workers, both in the sense of not being submitted to anyone’s personal domination and of being separated from the means of production needed to produce their life on their own account – that perform their labours in a private and independent way. As independent private producers, these collective producers possess complete dominion over their individual labour processes, but lack all control over the latter’s general social character. Therefore, they must submit their consciousness and will as collectives formed by free individuals to the dominion of the social powers of the material product of their labours, capital: they must produce surplus-value. The free consciousness and will of the members of the collective labourers are the concrete forms of their consciousness alienated in capital.77

The transformation of labour and of commodity producers makes evident the historical reason for the existence of the capitalist mode of production: the transformation of the productive powers of free individual labour into the productive powers of collective labour consciously organised by the

73 Marx 1965, p. 573.
74 Marx 1965, p. 578.
75 Marx 1965, p. 643.
76 Iñigo Carrera 2003, p. 11.
77 Iñigo Carrera 2003, p. 13.
same collective labourer that performs it, under the contradictory form of the socialisation of private labour. 78 This contradictory socialisation necessarily takes on a concrete form through the centralisation of capital. The revolutionary action of the working class is the necessary concrete form in which the above-mentioned constant revolution in the materiality of labour – which, at the same time, entails their direct socialisation – develops its need to be organised as a directly social power that transcends the limits of its private capitalist form. Therefore, this revolutionary action is the necessary concrete form in which the capitalist mode of production fulfills its historical necessity to supersede itself through its own development, thus engendering the general conscious organisation of social life.

This process does not flow through the abstract possibility of the working class turning its back on its own social being and the revolutionary powers it bears, in the name of the abstract freedom inherent to circulation. On the contrary, it flows through the working class taking its alienated general social relation into its own hands, in other words, appropriating social capital. This appropriation implies the centralisation of capital as state property 79 and obviously points towards the absolute socialisation of private labour through the formation of a global state.

The currently fashionable ideological rejection of seizing state power, that is, of seizing the power of the general political representatives of social capital, does not express the power of a social movement in order to overthrow capitalism. On the contrary, it expresses its impotence to do so. 80 The centralisation of capital through the political action of the working class is certainly not the path of carnivals and ‘explosions of the principle of pleasure’ offered by Holloway. 81 Likewise, it is not the path of innocence, simplicity and love offered by Hardt and Negri. 82 In contrast, as it is inherent to the development of human freedom through the development of alienation, it is a path that runs through the gamut of misery, suffering and bloodshed that capital imposes on the working class. Yet, it is the only path opened for the working class to overcome itself by superseding the capitalist mode of production.

78 Iñigo Carrera 2003, p. 28.
80 Iñigo Carrera 2003, pp. 103–4.
81 Holloway 2002a, p. 215.
82 Hardt and Negri 2000, p. 413.
The historical powers of the Argentine working class

Contrary to the generic historical power of the capitalist mode of production, capital accumulation in Argentina has developed on the basis of the absence of capital concentrated on a scale necessary to partake actively in the development of society’s productive forces. Argentina has received an extraordinary influx of social wealth in the form of differential agricultural ground rent. Still, instead of transforming this mass of wealth into capital concentrated on a scale able to develop the productive forces, Argentine capitalism has spoiled it by feeding capitals whose mere existence comprises a retreat from that development. In the first place, it has fed small capitals that are incapable of stimulating normal levels of labour productivity owing to their restricted scale. Secondly, it has fed capitals bearing a normal global scale but that fragment themselves as small capitals for the purposes of operating in Argentina. Thus, they have freed these capitals from the inherent necessity to develop labour productivity in order to valorise themselves. Therefore, such spoilage of social wealth has meant in itself a retreat from the historical development of society’s productive forces inherent to the capitalist mode of production.

The Argentine working class emerged from the specific national form taken by capital accumulation. Hence, the reproduction of this specific form has been a condition for its reproduction as an actively employed working class that is able to maintain its labour-power. This subjection has hindered the Argentine working class from assuming the process of transforming ground rent into concentrated capital. Thus, the specific form taken by capital accumulation in Argentina has not only deprived the national working class of its generic historical powers as the direct personification of the development of society’s productive forces; it has, at the same time, closed the concrete path opened to the national working class in order to overcome that deprivation.

The mutilation suffered by the historical powers of the Argentine working class is immediately reflected in the leading role played by the unions within its political organisation. The fulfilment by the working class of its generic powers would have demanded independent political action. That is to say, an action able to impose itself over and above the conditions corresponding to the immediate reproduction of labour-power and, hence, over and above trade-union action. Conversely, the sterilisation of those generic powers has taken concrete shape through the subordination of the independent political
action of the working class to its immediate reproduction under the specific form of the national process of capital accumulation. In other words, it has subordinated working class political action to trade-union action.

Nevertheless, the historical powers of capital accumulation provide the Argentine working class with a specific possibility to reverse the present state of affairs, thereby halting its accelerated transition into the labouring surplus population. It is a question of the Argentine working class consciously regaining its generic historical powers by personifying the development of the material productive forces of society. This is not an abstract potentiality, let alone one that arises from the abstract consciousness of the working class. On the contrary, it arises from the consciousness of the Argentine working class being determined as an attribute of capital. Concretely, it is about overcoming the strength that Argentine capital accumulation obtains from freeing itself of its historical role in the development of society’s productive forces. It is to be achieved by imposing upon it the overwhelming strength that capital accumulation gains from accomplishing its historical role. A strength that, in the Argentine case, becomes specifically stressed by the magnitude of the extraordinary influx of surplus-value through differential agricultural and energy-sources’ ground rent.

The transformation of ground rent into capital able to actively participate in the development of productive forces by acting as a normal productive capital located in Argentina, requires its concentration on a scale necessary in order to compete on the world market. In turn, achieving this scale demands nothing less than the centralisation of capital as a direct social property within Argentina. Therefore, the transformation in question could only take the concrete political form of the abolition of the capitalist and landowner classes within the country. In other words, it could only be performed through a social revolution in which the working class, whose surplus labour would feed the concentrated capital, transforms itself into the collective owner of this capital under the political form of state capital.

By reproducing its specific form, the national process of capital accumulation reproduces only a diminishing part of the Argentine working class as an actively employed working class that is able to reproduce its labour-power. Nowadays, the transformation of ground rent into concentrated capital has become an immediate condition for regaining the normal reproduction of the Argentine working class. Thus, its independent political action has developed a new basis in order to impose itself on union action.
If even the thus-concentrated capital were unable to reach the scale needed to compete on the world market, only one further alternative would remain for the Argentine working class to take part actively in the development of the material productive forces of society. Namely, to integrate its immediate political action with that of the working classes of neighbouring countries in order to form an expanded domestic space for capital accumulation within which the centralisation in question could fit.

Only when the Argentine working class starts to move in these directions will it be truly possible to claim that everything has changed in Argentina.

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Juan Grigera

Argentina: On Crisis and a Measure for Class Struggle

If you want to make your dreams come true, the first thing you have to do is wake up.

J.M. Power

Capitalist crises have traditionally been a fruitful arena for Marxist analysis, and an opportunity to contrast the relative merits of contesting theories through the prism of the same empirical case.¹ Like lightning, though sometimes brief, crises illuminate many hidden aspects of social life, challenging our visions and forcing us to perform theoretical gymnastics. Politically, crises challenge our actions, unmask the limits of bourgeois and social-democratic alternatives and open a terrain for new opportunities.

Explaining and interpreting the causes and trends of the Argentine crisis was never going to be a task without risks. It was risky, both in the sense that subsequent events could prove your diagnosis wrong, and, moreover, that it could serve as a misleading guide during times when political action might be – at least locally – decisive. This intervention attempts

¹ Special thanks for insights and debate to Liam Campling, Pablo Ghigliani, Guillermo Almeyra, Alberto Bonnet and Jorge Sanmartino among others.
to contribute towards a serious and profitable debate on the Argentinean crisis, continuing from Dinerstein’s piece in a previous issue of this journal.²

The following is an empirical assessment of several of the political mobilisations or ‘social movements’ that emerged in and around the apparent ‘Battle of Buenos Aires’. In so doing, it constitutes a ‘reply’ to Dinerstein’s overly optimistic characterisation of the crisis as ‘the reinvention of politics as negative politics’³ as expressed in the actions and political programmes of these mobilisations. To this end, this intervention is divided into four sections, each providing a critical assessment of the more prominent individual social movements, namely, factory seizures, unemployed workers, barter clubs, and asambleas.

It should be noted that there are a number of other (more conceptual) points of contestation with Dinerstein’s analysis that – due to the confines of space – can only be very briefly noted here. First, while I am broadly sympathetic to her article, a striking peculiarity is that although it claims a Marxist theoretical framework, it draws heavily on a general diagnosis of crisis that can be traced – at least in Argentina – to its very immediate populist roots. The article itself explicitly quotes many artifices of a populist diagnosis, and generally relies on their theoretical interpretation of Argentine capitalist development and macroeconomic cycles since the mid-1970s.

First, Dinerstein relies on the idea of a financial form of accumulation inaugurated in Argentina by the military coup of 1976 and collapsed in December 2001. The idea of capital being valorised only financially over these twenty-five years is unsound, and this is used to enforce the populist myth of a segmentation of the capitalist class between productive and ‘parasitic’ capitals.⁴ At the same time, stressing a turning point in the beginning of 2002 puts forward a misconception: that a new form of capital-labour relation is about to take place, in order to support the new government (Duhalde, then Kirchner) that present themselves as detached from neoliberalism.

Second, Dinerstein accepts the notion of a supposed process of ‘de-industrialisation’ since the mid-1970s, but the figures used to support this position are controversial in a number of respects. For example, when assessing the relative importance of services vs. manufacturing, it difficult to pin down the precise

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² Dinerstein 2002.
⁴ See Bonnet’s article in this issue.
extent of this apparent trend because many factories now outsource the service-side of their productive operations (services that used to be done ‘in house’). Therefore, the representation of the industrial sector in national accounts may not reflect the fact that little transformation of the labour process might actually have happened. Similarly, from a Marxist perspective, it is awkward to stick to an arbitrary definition of ‘industry’ and to drop from analysis a plethora of capitalist social relationships of production (such as mining, but also most notably agro-industry, which was never based on petty peasantry and has always been of great importance in Argentina). In other words, de-industrialisation should not be conceived as a (foreign/imperialist) deliberate political plan whose ultimate aim is to destroy industry, but should ultimately be compared to similar trends in the rest of the world and explained in terms the dynamics of the capitalist mode of production, for example competition and the mechanisms of destruction of less productive fixed capital.

Third, the periodisation of her analysis is undertaken following institutional political changes (the military coup 1976–83, Alfonsin’s presidency 1983–9, Menem’s presidency 1989–99, De la Rua’s presidency 1999–2001). But, if we were to look at class struggle (which is the focus of her analysis), then a completely different periodisation should probably be applied. For example, if the Convertibility Plan is central to analysis, 1991 should be a turning point and not 1989. In addition, nowhere can 1999 be seen as a turning point in political economy, macroeconomic policy nor class conflicts. Overbabled institutional politics is sadly reminiscent of positivist historical writing and has a tendency to obscure hidden ideological decisions.

Finally, and perhaps most importantly, an overall ethereal version of class struggle that fails to be rooted in any kind of analysis of concrete capitalist forces of production is put forward (this, it should be noted, is not an attribute of Dinerstein alone). Class struggle and social relationships are portrayed as thought not subject to any material condition, as if they were forged ‘in ether’, that is only in subjects’ consciousness. The countless structural determinants of power, such as control of means of production, subsistence and reproduction are silently dropped. Within this frame of analysis, there is never a risk of being wrong. This sort of class struggle comes in and out as a real deus ex-machina ‘explaining’ cycles of capital accumulation, the end of régimes, political crises, and so on. Moreover, being unpredictable and omnipresent, class struggle accounts post facto for every event following both high and low tides of struggle. Not surprisingly, this interpretative framework is unable to
say much about the near future (in other words, it lacks predictive power). Rebellion becomes, then, the synonym of ‘unexpected results’.

In the empirical account of Argentine social movements that follows, I will try to show that ‘results’ were not at all ‘unexpected’. In so doing, I assume also that not all theoretical approaches are equally good. A class-struggle analysis of the Argentine crisis cannot run on into an optimistic view of rebellion without first giving an account of wages, job conditions, trade unions, and so forth. In the case of Argentina, the rebellion of social movements was not accompanied by proletarian struggles. Quite to the contrary, the appropriation of workers income and labour flexibilisation continued even more intensively than before 19–20 December (19–20D).

Rebellion put to paces

So where lie the promising features of the 19–20 December rebellion? Advocates of an optimistic view, despite the worsening living conditions of working class, focused on the fostering of social movements, because party politics was off-scene. A ‘holy quartet’ is often invoked when sketching the rebellion: there is a general consensus that identifies piqueteros (unemployed workers), seized factories, asambleas and barter clubs as the most dynamic and vanguardist movements.

The following empirical assessment tries to think about ways of measuring the prospects of worker’s struggle. I wish to discuss the extent and potential of each movement, stressing their subjective and ideological importance. That is, for instance, their actual control of means of production and other resources, or the quantity of people involved plus its expected reproduction. In order to achieve some level of objectivity, I will address two analytical points that are key to what follows. First, a careful look at the different competing practices within each movement. That is, movements that present themselves as revolutionary or counterhegemonic (and effectively occupy that ideological space) usually end up with very similar capitalist functional forms, sometimes the hegemonic response to the same ‘symptom’ (take for instance the case of trade unions: even when they can become instruments of the working-class struggle, bureaucratic ones become capitalist structures of control). Second, having identified the relative importance of ‘revolutionary’ practices inside each movement, we should assess their expected growth and their modes of articulation. In other words, to assess whether or not ‘enlarged reproduction’
of anticapitalist social practices is possible, and in which ways they integrate with (or become vulnerable to) capitalist social relationships. Both points are intimately interlinked. This encompasses a complex and diverse set of problems. Just to illustrate the question that, for instance, reproduction might arise: is reproduction even possible (that is, can it subsist through time)? Or are movements tied to specific and arbitrary initial conditions? What are the constraints to growth of the reproduction of movements (regionally, socially, quantity of people)? Do these constraints come from the forms of organisation (for example, scale) or from the means of production? Can these constraints be overcome? Are they strong enough to survive repression or co-option? On the problem of articulation, the issue is to assess the extent to which the articulation might be a strategic or crucial part of the movement. To what extent is this set of practices truly autonomous? Can they be controlled and forced to serve capital just through this articulation? Are they strong enough to subsist without capital? To confront state repression? Using these two analytical criteria, I will attempt to measure the extent and future of each of the ‘holy quartet’ vanguard movements.

**Occupied factories**

Ocupar, resistir e produzir  
Lema of Movimento Sem Terra (MST)

Left activists did not even dream during Menemism that a few years later it would be possible to occupy a factory in the context of a protest and end up with workers managing production and becoming factory owners. The almost world-wide repercussions of a hundred cases (even reported in Bloomberg and CNN) has been presented as a paradigmatic example of successful threat to capital or private property and of workers’ aptitude to produce autonomously.

Several points are of significant interest to Marxists; let us address them in no particular order. First, occupied factories challenge the supposedly indispensable role of management in production. In most cases (79%) professional workers and managers did not stay in the plant either during conflicts or afterwards, and yet workers coped with production (80% are productive). Many workers realised labour-knowledge, that is they learned...
that they knew how to produce without the supervision of foremen or middle management (when the first product or product line was successfully produced after months of conflict, machine repairs and searches for working capital, many workers literally collapsed in tears). Around 87% of the occupied factories now share their revenues in equal parts, regardless of the job. With the exception of FASINPAT (ex Zanon). See Fajn and Rebon 2005.

Workers’ control and ‘self-management’ might foster a revolution of labour processes, even when, so far, this has varying degrees of importance. Wherever management did not remain in the workplace or was not replaced by other personnel with the similar functions, changes in the labour process occurred in many ways. For instance, questions regarding inputs, prices, salaries and work charges were decided in assemblies, some workers were retrained, sometimes the factory workplace was restructured to give space for other activities such as lunch, assemblies, communal or cultural activities, new products were produced, or some inputs were replaced (sometimes simply due to the lack of them). In the medium term, presupposing no fragmentation of labour, the labour process could continue being recast with different constraints, perhaps without the usual capitalist constraint of labour control, even when this is not part of the factories’ agenda. (It should be noted that the absence of foremen and capitalists is substantially different from situations of self-employment, where the labour process involves one or very few workers.)

Second, the gain in workers’ self-confidence during occupations provided political fuel for some other struggles, and certainly constituted an advance in the power of labour that will not be easily lost in the future (at the very least in these factories). The tool of factory occupations has effectively become part of workers’ toolkit, either as a real choice or a credible threat. The precise impact both materially (namely, on practices) and ideologically is difficult to predict. Even within the bourgeois legal order, the conflicts demonstrated an important capacity to force favourable decisions, such as considering the occupation process as a labour conflict instead of a violation of private property.

Finally, we should also take note of the changing direction of labour conflicts in the context of Argentina’s capitalist crisis. The occupations usually started...
as ‘defensive’ conflicts, that is claims for months of overdue salaries or demands for the preservation of the workplace (sometimes to prevent auction). Then, as these basic demands remained unsatisfied, new solutions arose. Due salaries were first earned by selling goods in stock and later ‘defending’ jobs meant seizing the factory and producing under workers’ control. Even when classifying struggles as ‘defensive’ and ‘offensive’ is misleading (as the evolution of these conflicts show), it should not be forgotten that the typical case is that workers assumed control because capitalists ran away from indebted and bankrupted industries while the former were desperately trying to keep a job and not as a first step of workers’ control in the construction of a workers’ state.

However, despite this relatively optimistic account of the scope of the occupied factory movement, it is essential to assess more coldly the material basis of these transformations and the future prospects of this phenomenon. Two important empirical issues serve to discourage idealising the movement as a whole. First, the aggregate economic importance of occupied factories is quantitatively insignificant. They are at most 140–60 cases, and are composed of an average of 60 workers, and a mode in the range of 31 to 50. An optimistic figure of 10,000 workers involved in this movement would mean that only 0.1 per cent of Argentina’s employed workforce or 0.07 per cent of the economically active population (around 13.8 million people) are involved in this movement. The average age of fixed capital of the occupied factories is estimated to be around 30 to 40 years. Any estimate of the impact on GNP of these factories would therefore be minute, considering both that their labour productivity is below average, that they were owned by peripheral fractions of capital and the fact that they are being used well below full productive capacity. Moreover, the goods and services they produce are in no case critical or strategic (there is some predominance of small-scale metallurgical activities followed by food production).

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11 Lavaca 2004. Fajn et al. figures are based on a sample of 83, Rebon on a sample in the city of Buenos Aires of 23.
12 Fajn et al. 2003, p. 159.
13 With no more than five or six exceptions, like Zanon or Valero, whose fixed capital is not older than 10 years. As this is currently very much a delicate question due to assets valuing (for auction or expropriation), data on fixed capital is not generally available. An indirect measure is provided by Fajn et al. 2003, where they show that the average age of the factories is 40 years, 75% of them are older than 25 years. Most of these factories had no re-investment in machinery since the mid-1970s.
14 At an average of 54% of their productive capacity. Fajn et al. 2003.
The second important empirical issue refers to the combination of temporal and structural restrictions that these factories face. Examples of the first, such as the indefinite nature of property (that is, it is subject to claims by many actors such as capitalist owners, creditors, the state, and so forth) and the lack of financial assistance (most notably of working capital), have been more or less circumvented by many ingenious – though not optimal – strategies, like the widespread modality of work ‘a façon’.16 The structural restrictions arise more frequently on the side of demand. This restriction is twofold. First, workers in the productive process are separated from the product of their labour under capitalist relations of production. This means that problems of demand are handled by the capitalists themselves or by other white-collar workers. Reconstructing relationships of exchange between occupied factories and former clients has been troublesome in most cases and impossible in others, particularly where the demand came from the state. The second major structural restriction of demand comes from the configuration of industry that resulted from the strategy of ‘vertical integration’ that shaped the industrialisation process of the 1960s and 1970s. Many occupied factories are ‘trapped’ in the commercial relationships of a bigger capitalist holding, and thus dependent of their will.17

Besides approximately twelve cases of ‘recovered business’ predating 1999, seizures started by the end of 2000, and the majority occurred between October 2001 and May 2002.18 Since September 2002 there have been very few new cases, and there are little or no prospects of expansion. Less than a third of firms go bankrupt now (they were more than two thousand per year for the period 1995–2002), and even in the more intense period of occupations they represented 0.02% of them.19 The possibility of workers’ control where capitalists are still present, which might serve as a continuation of this process, is no longer significant.20

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16 Fajn et al. 2003, in 2003 44% of the total production was done a façon.
17 Occupied factories head 67% of production for ‘intermediate consumption’, that is, downstream the productive matrix (Universidad de Buenos Aires 2003). In the same survey workers answered that restrictions of demand where a cause for not producing at a higher capacity in 46% of cases.
18 More exactly 78%, see Rebon 2004, p. 34.
19 Veraz 2003.
20 Strictly speaking, we are referring to ‘supervision’ rather than control (that is, a situation wherein a workers’ committee has the right of access to all firm accounts). See, for instance, the case of Rio Turbio in Negro 2002.
It should be stressed that regardless of the extent to which some occupied factories try to stimulate anticapitalist practices, they co-exist with competing (and far more numerous) forms that are functional to capital. That is, no matter how phenomenologically similar both trends might look inside the movement, occupied factories are sometimes neutralised and others even serve the interests of capital. In this case, the genesis of the movement is relevant to explain this aspect of its current structure. As already noted, capitalists left on their own accord the great majority of these factories because they were facing (or faking) bankruptcy. _Convertibilidad_ meant lower rates of profit and strong international competition, especially in the majority of the sectors where seizures happened. Factories with old fixed capital faced the alternative of re-investing (taking advantage of cheap prices for import of machines), or moving non-fixed capital to the financial sector (then encountering problems of liquidity of their sunken capital). This is not a linear process, but it becomes clear that expropriation of a seized factory could be of great benefit to capitalists if useless fixed capital is (over)valued by the state and paid to former owners. It becomes a unique way of regaining capital liquidity while leaving low productive fixed capital to workers (or whoever). Alternatively, as in 26% of the recovered firms, the owners came to an agreement of renting machinery and the building. The extent of this process will depend on both the extent of and the amounts paid in expropriations and the way former debts are handled. Time is again an important factor in this struggle: the deferment of final expropriation undoubtedly serves capital’s interest.

A second source of capitalist hegemony is put into practice through ‘market power’. The valorisation process and ‘technical dominance’ are strong disciplinary forces (because they constantly constraint firms to increase productivity and produce surplus-value). In fact, capital worldwide since the late 1980s has relied on forms of market discipline in many areas (for example, outsourcing), thereby invalidating many co-operativist presumptions. The quality of fixed capital seized (quantity, productivity, criticality) is even more relevant, as any generated surplus is subject to appropriation by means of monopoly prices over inputs or outputs. Further research on the general and Argentine specificity of the logic of outsourcing and vertical integration (or domination) is strategically central for this movement.

Finally, there is the importance of capitalist representatives. It is true that firms like Brukman and Zanon were in many respects on the left of the movement (for example, they tried not to become co-operatives) and in 2002
Co-operatives have also been used frequently by capitalists to liquidate bankrupted firms, converting salary debt into initial capital and dissolving the few obligations left to workers by making them ‘partners’. An impressive robustness in re-establishing capitalist legal order was shown towards the end of 2002. Legal expropriation, as already said, is not only a possible source of bourgeois profit but it also means for the re-instatement of state order, that is, of legality and property rights. By giving legal form to de facto expropriations, the state reacts to a social demand/pressure but also reconstructs power as social actors accept its mediation and that (social) space re-enters the ‘normality’ of the state remit.

The Movimiento Nacional de Empresas Recuperadas (MNER) became the indisputable leader of occupied factories after 2002, even when a division on compromise with different bourgeois parties arose, giving birth to MNER and Movimiento Nacional de Fábricas Recuperadas (MNFR) later in 2003. A survey by the University of Buenos Aires found that 58 per cent of workers cited MNER as the source of support for their struggle (also emphasising the limited interaction with other movements). At the same time, the Trotskyist left opposition lost the paradigmatic case of Brukman. While contesting co-operativism, Brukman and Zanon were heading for ‘state ownership under workers’ control’ (a contradictory programme that either incorrectly presumed the ability to take control of the state or condemned workers to became public servants). Brukman’s workers accepted an alternative to a co-operative from the very beginning mainly because the former owner proposed to convert the firm one month before seizure. In a long process that started just before the presidential election that elected Nestor Kirchner, Brukman was dislodged for several months and returned to the workers only after their agreement to expropriate under the form of a co-operative aligned with MNER, now the MNFR. Brukman’s workers accused the left activists of forcing confrontation with the state instead of representing workers interests. By mid-2004, Zanon also formed a co-operative (called Fabrica Sin Patron or FaSinPat, that is, factory without foreman), and has survived six attempts at dislodgement. Zanon is not aligned with MNER or MNFR, and has not yet been able to

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21 UBA 2003.
22 Co-operatives have also been used frequently by capitalists to liquidate bankrupted firms, converting salary debt into initial capital and dissolving the few obligations left to workers by making them ‘partners’. 
achieve expropriation. In November 2004, the city of Buenos Aires finally agreed to definitive expropriation of 12 firms, to be paid by the workers themselves over twenty years.

To sum up, the anticapitalist trend within occupied factories can be characterised as extremely minoritarian, with interesting prospects but little or no chance to grow, also highly vulnerable to direct repression, subject to discipline through the valorisation process, conflicts of management, monopsonic/monopolistic domination through inputs and/or outputs, old or non-competitive fixed capital and low-profit perspectives.

**Unemployed workers**

In the shortlist of changes in the Argentinean playground of class struggle during 1990s, it is not possible to ignore the movements of unemployed workers. Appearing in 1997 and growing rapidly, they became the vanguard of social resistance (as human-rights movements were in their turn during military coup and most of the 1980s) along with state workers. These movements, frequently called *piqueteros* (after *piquetes* or roadblocks, their main form of protest), are a direct product of the growth of structural unemployment and to a lesser extent the breakdown of the state network of social welfare provisioning. These undoubtedly must be conceived of as worker organisations (a fact that the left of the movement normally stresses in their self-identification and political discourse: in other words, movements of unemployed *workers*, and not just the ‘unemployed’). The unemployed workers’ movements were the inheritors of many trade-union practices, even when the articulation of a common politics and interests with employed workers is extremely limited. In what follows, I will not discuss the countless subtleties of these movements, but simply sketch some outstanding characteristics in order to assess trends and their future evolution.

Territoriality is a central feature of these movements whose struggle draws upon the identity of the ‘neighbour’ and benefits from the daily familiarity of social relationships in suburban and rural areas. To some extent, one should more properly speak of ‘territorial organisations’ rather than unemployed workers’ movements, specifically those that grew outwards from nucleating neighbours fighting for housing, basic services or land. In many cases, the movement effectively reached a high degree of control of their

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23 See for instance MTD 2002.
small local territory, as they do during *piquetes*. These locally based political constructions found regional horizontal co-ordination in some cases and a regional vertical structure in others. The strength of forms of local power also implied important levels of fragmentation with competing groups sharing the same neighbourhood or nearby areas. Despite the predictable limits to political action, fragmentation also played a defensive role (for example, it made it impossible for the government to negotiate with *piqueteros* unilaterally) and, to some extent, led to the preservation of diversity.

Roadblocks are the most visible manifestation of the unemployed movements, although reducing these movements to *piquetes* would be absurd. As one of the few effective means of pressure in the 1990s, roadblocks allowed workers excluded from or marginal to the productive sphere to block the circulation of both labour and commodities. Demonstrations became futile under Menemism and strikes are self-evidently impossible for unemployed workers. Close to the end of the 1990s, roadblocks were adopted by other movements, even employed workers, both because the strength of this form of pressure was normally higher than strikes in marginal areas of production (such as bankrupt factories or dismantled state services such as education) and because it was an implicit recognition or emulation of the vanguard of resistance. For example, in the first three quarters of 2001 almost 40 per cent of all protests were demonstrations and 35 per cent roadblocks, whereas only 24 per cent of the latter were conducted by unemployed workers.24

Compared to other forms of protest, roadblocks require a high degree of organisation, involving many task forces for different activities. During the *piquete*, many activities such as communal casseroles, first-aid, activities of peer instruction and even music festivals are organised. The *asamblea* (the assembly of the *piquete*, composed of those taking part in the roadblock) used to be normally the only institution exercising sovereignty over negotiations. This form of decision-making normally implies some radicalisation, as assemblies do not tend to wind up the roadblock until some crucial demands are granted. Among the many differences in roadblocks as applied by each organisation (where to block, whether to allow alternative circulation, how long, what to claim for, and so forth) the practice of assemblies is being abandoned in vertical organisations (which prefer to resort to hierarchy).25

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The designation of rotating interlocutors with the government (without any power of decision-making) is an important mechanism in breaking common practices of bureaucratisation and other traditional relationships between workers’ organisations with the state, and was also a common source of complaint by the government.

State subsidies are by far the most important source of finance of these organisations. These are the direct product of historical struggles and an example of the complexities behind the distribution of the state budget.26 Social ‘plans’ are mainly personal subsidies for unemployed (misleadingly categorised as ‘workfare’), with an impressive variety in form of assignment and administration, where between 5–10% ($8–$15) from the monthly assignment of $120–$180 (around US$50) is given to the organisation (on a voluntary or compulsory basis). Despite the complexities of social ‘plans’ and state aid, they have not only served as a means of survival for individual unemployed workers, but many movements have tried ingeniously to search for ways of socialising their administration and overcoming both state restrictions and individualism.

Another promising initiative of the unemployed workers movement is emprendimientos productivos [productive ventures]. With varying levels of success, the movements have managed to start small bakeries and forges, produce concrete bricks, plant small orchards and manufacture diapers, among other ventures. Generally speaking, they are attempts to both offer a form of service to the community and to provide an alternative source of income for the organisation and its members, or at least create self-sustained businesses. Economically, these productive ventures are insignificant and the dependence of the unemployed workers’ movement upon government social programmes remains total. However, the underlying political importance of these ventures is their contribution to the deepening of unemployed workers’ self-confidence, allowing them to recover their productive capabilities, sometimes outside the capitalist machinery,27 which in some few cases was even combined with a

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26 Social aid programmes grew considerably, from $409 million pesos in 2000, $503 million in 2001 (Ministerio de Economia, DGP 2001) to the new programme ‘Plan Jefes y Jefas de Hogar’, that alone represents $3,240 million pesos, almost 1% of GNP and around 4% of national budget (Ministerio de Trabajo, 2002). These figures are, of course, smaller than foreign debt services and payments to banks as ‘compensation’ for the losses due to ‘pesification’ (conversion into national currency, the ‘Peso’) but twice the budget spent in high education.

27 Marx 1976, Part IV, Chapter 14.
commitment to finding alternative, democratic ways of organising production. They were initially financed by a percentage of the social plans and some NGO subsidies, but after 2003 the World Bank and, later, the Kirchner administration created different lines of state subsidies in the form of loans or mixed subsidies to start productive activities (thereby attempting to convert unemployed workers into small-scale capitalist entrepreneurs).

Besides this general picture, it is important to look closely at the differences within this heterogeneous movement. Despite personal and political sympathies, one cannot simply look at the phenomenon of the unemployed movements through the sole lens of CTD Aníbal Verón in 2002, as Dinerstein mistakenly does. The indisputable social importance of this phenomenon cannot be equated with the importance of this group alone, even if they were the most promising political construction.

The functional and political differences in the movement can be assessed more objectively if we take into account the number of militants, territorial expansion and the administration of social plans. By the second half of 2002, both FTV (Federación de Tierra y Vivienda, part of CTA) and CCC (Corriente Clasista y Combativa, affiliated with PCR, a Maoist party) were the biggest organisations, amounting for 65 per cent of people and 75 per cent of beneficiaries of social help plans. ‘Bloque Piquetero’ follows in number (32 per cent of people), then composed mainly of the unemployed/territorial movements of left parties (PC and Trotskyist), and ‘left’ nationalists and others (such as Raul Castells’s MIJD). The remaining 3 per cent of people and 2 per cent of social help was organised around the autonomist movement Corriente de Trabajadores Desocupados (CTD) Aníbal Verón (therefore, the very small comparable size of these movement illustrates the skewed imagery of Dinerstein’s analysis). It should be noted that this rough quantitative picture has been subject to countless changes since then as internal disputes (over alliances with Kirchnerism, compromise with horizontal practices, among others) have generated rapid transformations and re-arrangements in co-ordination and representation that would be tiresome to deal with here. Without needing to go into further detail, it is clear that the FTV and other Kirchnerists are now bigger at the expense of neighbourhoods previously aligned with smaller movements. The geographical distribution of these movements is not available as consistent or coherent data, but it is worth

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28 Dinerstein 2002.
29 Amato et al. 2002.
pointing out that CTD/MTD is restricted to Great Buenos Aires and Bloque Piquetero has few movements outside the province of Buenos Aires while CCC and FTV are the only two groupings with national coverage (especially the latter).30

In the light of this image of the relative importance of each movement, let us now reconsider the promising features of piqueteros, looking closely at the importance of different practices and trends within and among these movements. First, appropriating a share of state expenditure is at the same time a victory and an Achilles heel. Besides the nonsense of right-wing discourse that identifies state or state bureaucracy as the promoter or even creator of piqueteros (ignoring that both movements and budget share are the direct outcome of historical struggle, and that they will not simply disappear if social plans no longer existed), it is clear that a great deal of effort of the movements is directed towards sustaining social plans and finding the best strategy to relate to the state. The importance of this relationship becomes a point of vulnerability, as it gives the state a great deal of control, in ‘punishing’ some movements and promoting others and in setting the dynamics of conflict (that is, defensive/offensive periods). Despite the relative importance of social aid as a whole, it is still true that the ‘big partner’ of these funds is, undoubtedly, the Peronist Party (PJ) and after it the Catholic Church.31 Social programmes are mainly distributed in the context of long-standing clientelist relationships, closely mirroring those that constituted the party-political basis of the PJ mediated through state social programmes in the 1980s and early 1990s.32

Some authors even conceive the social movement simply as new mediators of state social aid.33 A good deal of unemployed workers’ discourse is directed to confronting clientelist practices which are deeply rooted in political activities in the suburbs. This does not mean, however, that this actually succeeds nor that all of them have a genuine intention to overcome clientelism.

Two indications of clientelist tendencies can be used. First the increasing efforts of organisations to have greater control over planes. Despite originally, once granted, it became property of the individual, new programmes, at the organisation’s demand, are giving them the power of revocation or reassignment of the plan, thus disciplining the holders. Another indirect

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30 Massetti 2003.
31 See for instance, Delamata 2004. The PJ distributes and administers around 90% of Plan Jefes y Jefas.
32 Auyero 2000.
indication of clientelism is the lack of political compromise with wider issues. Even left parties are unable to mobilise the movement for other questions besides basic claims of social assistance like food or planes (for instance, co-operation directed towards other social groupings, such as the occupied factories movement). The political limit of most organisations is rooted in the pragmatic relationship that their rank-and-file militants establish with them. A grotesque example of this description is Luis D’Elia, leader of FTV, one of the biggest organisations, who administers more than 60,000 planes in the province of Buenos Aires, who faced the stark limits of this political construction when standing as a candidate for governor of the province of Buenos Aires, supposedly as part of FTV’s strategic politics, but was voted for by only 43,834 people (0.76 per cent of the electors).

Furthermore, the most important tendency in the unemployed workers’ movements is the clear split in strategy regarding compromises with the state. This can be traced at least to Duhalde’s government (when some organisations participated in ‘Concejós de Crisis’) and later on with ‘transversality’ and co-optation by Kirchnerism. Besides ideological differences, the state is pushing movements towards either one strategy or the other, and has since stigmatised them in the media as either ‘soft’ (prone to ‘dialogue’, such as FTV or Barrios de Pie) or ‘hard’ (radical, violent, and so on, such as MIJD, Bloque Piquetero or MTD). The most radical are frequently forced to physical confrontation in order to continue receiving their plans, while the others have virtually ceased roadblocks (in 2003 there were 1,278, against 2,336 in 2002). As mentioned above, the democratic and horizontal institution of the roadblock asamblea is no longer universal, representatives increasingly take its place in negotiations (this is part of the compromise: a prerequisite to avoid tensions with state).

Regarding productive ventures, two hegemonic trends minimise the positive aspects noted above. First, populist organisations (CTA, CCC) but also many left parties (PC, MST) increasingly reproduce hierarchical processes of labour organisation in this small-scale production. Second, MTD’s ventures are still vulnerable to trivial state coercion, such as demand for taxes. Moreover, the state has entered the scene with new subsidies, heading a long-term

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34 That is, rank-and-file members of organisations have a clientelist relationship with their organisations since they do not care about or are involved in political issues (supposedly meaningful inside the organisation) beyond benefits for their neighbourhoods.

35 ‘Transversality’ is the attempt by Kirchnerism to (re)incorporate into the PJ those populist forces who are outsiders re the Peronist party apparatus.

36 Centro de Estudios Nueva Mayoria, 2005.
reformulation of unemployed workers as small-scale capitalists and giving new shape to these ventures. For instance, state financial aid specifies the labour process (for example, some subsidies allow for one or two foremen in the structure, who need not be unemployed workers nor beneficiaries of a plan) and demands a business plan (which might be more or less coherent, but stipulates that production should go to capitalist markets).

The state is playing a selecting role within movements (either via differential social reproduction or more crudely with open repression) in favour of those that are more prone to bureaucratisation. In the medium term, this process will look similar to the origins of trade-union bureaucracies under Peronism between c. 1943–50. What is under dispute here is the mediation between workers and the state, but now for a new segment of the working class. In other words, we can expect in the short term the rise of a *piqueteros* bureaucracy just as we witnessed a trade-union Peronist bureaucracy after 1943.

In sum, the indubitable importance of *piqueteros* is not to be confused with the smaller and weaker part of the movement whose social practices try to be genuinely democratic and/or promote genuine social change. The current weakness inside the movement stems from its dependence on and vulnerability to the state, which can be predicted to worsen as their ‘partners’ continue further down the road of compromise and become a new state-sponsored bureaucratic organisation to represent unemployed workers.

**Barter clubs**

The first barter club was opened in Bernal 1 May 1995, and was followed by an important growth both in the number of ‘nodes’ (clubs) and *prosumidores* [‘prosumers’ or producers/consumers]. By the end of 2000, there were close to 400 nodes and 320,000 people exchanging goods and services. Between October 2001 and May 2002 barter clubs reached their peak of participation, with nearly 3 million people and 5,000 nodes.\(^{37}\) After June 2002, the phenomenon reverted back to previous levels and has continually retracted since then; the most optimistic assessments (which initially reported 6 million people) recognise a decline to roughly 100,000 people in 2003.\(^{38}\) According to this same source (the newspaper *Clarin*) the number of nodes declined from 6,000 to 1,000 in the beginning of 2003.


\(^{38}\) *Clarin*, 19 February 2003.
Despite their name, barter clubs are, in fact, alternative monetary markets. Although with some variations, in most cases a pseudo-currency is used to exchange products, the most widely-spread is known as crédito. Yet the notion of commodity exchange is not challenged. At most there are conscious but futile attempts to establish a Commodity-Money-Commodity’ cycle, and to avoid accumulation strategies (for instance puntos – points – have a rule of ‘oxidation’, that is they degrade at a rate of 5 per cent every 4 months).\(^{39}\)

While barter clubs were not the only ‘alternative market’, especially considering the high degrees of ‘informality’ in the Argentinean economy (namely, economic relations that might be considered non-capitalistic or beyond state control of production and exchange), their major difference was that they provided a quick and cheap entrance, thus making it possible for ‘common people’ to sell home-made or used commodities.

Advocates of barter clubs can be found across a wide range of the ideological spectrum. The first node was founded by green activists promoting for regional self-sustainability, but the most structured discourse on bartering makes use of the concepts of ‘balanced exchange’ and ‘social money’, which in some cases combines ideas of solidarity and horizontality.\(^{40}\) According to these advocates, the problems of capitalist economy reside in its ‘imbalance’ or lack of stock money. The more enthusiastic regard barter clubs as a seed of future social transformation, a re-invention of the market, or a powerful ‘countercultural’ construction of a parallel economy, where accumulation, speculation, unfair prices, waste of resources and other vices of the formal economy were to be avoided with a wealth of different strategies ranging from strict rules to the (re)education of members. The original intentions and ideology of the ‘founders’ of the movement are not anyhow important, as we will shall see below.

Some interesting features of the barter clubs should be noted. First, is the widespread experience of a non-state form of money and market that helps shape consciousness and denaturalise the historical and social relationships behind these two fundamental institutions of capital. Second, had barter clubs engaged more actively in productive activities (perhaps in close analytical relationship with the productive ventures of the unemployed workers’ movements), they could have helped workers to develop productive activities independent from the capitalist apparatus. Finally, it should also be recognised

\(^{39}\) Puntos, as well as talentos or ecovalles are alternatives to créditos. See Illari 2002.

\(^{40}\) See Bombal 2002 or Coraggio 1998.
that these clubs (as with many others) offer a rich environment for communal experiences.

The indubitable boom of barter clubs, though, was not related to the described remastering of Proudhonian dreams. Instead, the network grew as it became an important addendum to the meagre basket of survival strategies in times of crisis. This ‘emerging economy’ that fulfilled crude subsistence needs for many is far from being a closed self-contained, self-sustained economy. Productive activities are very limited and most products (or their raw materials) come either from the formal market or from used commodities accumulated before the crisis. The nature of this success also presented a problem: ‘The very own [sic] development of the system puts forward a contradiction. A massive system that is seen as a medium to solve the most urgent needs can not be regulated hoping them all to behave [sic] with solidarity’. This strategy of survival was in the words of many participants ‘like a job’, one which was never preferred to a formal one.

Political confrontation regarding the future development of barter clubs was present in their very emergence. An earlier split, in 1999, of the network would become in the next year the Red Global del Trueque (RGT), which promoted ‘social franchising’; a system that allowed centralised control of the printing of créditos. Social franchising consists of a contract between the co-ordinator of a node and the RGT. The co-ordinator remains responsible for following rules and using and accepting créditos within the network. RGT has a monopoly over the issuing of créditos (thus also seigniorage), which are given to co-ordinators at the charge of 4 per cent of their value in pesos (i.e. 100 créditos cost $4). The RGT soon became the hegemonic network and in January 2001 it signed an agreement with the Secretariat of Small and Middle-sized Enterprises (SEPYME) that lasted half a year. The RGT proposed then to promote ‘social businesses’ that would have both capital and créditos and would sell in the formal and barter markets. They would receive a credit of créditos to pay their workers’ salaries and devote part of their product to the formal market and the other part to barter clubs.

The Red del Trueque Solidario (RTS) is a much smaller network (accounting for roughly 10 per cent of nodes) that in 2001 opposed the RGT practices (especially the project of ‘social franchising’ and the indiscriminate issuing

41 Marchini 2002.
42 For instance, for food see Abramovich and Vazquez 2002.
43 Abramovich and Vazquez 2002.
of créditos under the ‘solidarity system’) and claimed to respect the initial aims of barter clubs of building relationships of solidarity, reciprocity, equity and transparency.\(^{44}\) RTS focused on a horizontal form of organisation (that is, organisers should not be distinct from organised, ‘one member one vote’, autonomy of nodes, and so on), it promoted assemblies after exchange and made an important effort in training participants in solidarity and other values. The competition between the two groups (RGT and RTS)\(^{45}\) provided a pertinent lesson on the workings of hegemony: the success of RGT as the dominant form stemmed from the wide-scale distribution of brochures and courses on the methodology of (its) barter clubs, the extent of distribution and usage of its créditos, and the better availability of some products at its clubs.

The position of the Left went from a timid support of a popular survival strategy with a critique of several misunderstandings of the limits and direction of barter clubs, to an open accusation of the clubs as an ideological fake. The relation of the state to barter clubs has been that of tolerance when not of active support. The passive tolerance of the state refers to many practices that it ignored, but that raised controversial issues and claims made by lawyers and small merchants (who saw in barter clubs an unfair form of competition), including issues of contestation such as: commercial transactions without taxation, the printing of a parallel currency (this was circumvented with the legal form of a ‘mutual donation’ as stated in some créditos), payment of salaries in créditos, and the sale of food without health standards.\(^{46}\) On the side of active support, some city councils started to interact with barter clubs, accepting créditos as part of tax payments or involving clubs in the tasks of their social-welfare departments (usually training, but also supplying scarce or critical products from the formal market). The reaction of the mass media was also benevolent and contributed to the public recognition of the clubs.

After mid-2002, practices of corruption and clientelism in the RGT became apparent, such as the indiscriminate issuing of créditos (and the widespread use of falsified ones) and the political use of the network by the powerful social/clientelist network of the Peronist party. Inflation and local disparities of prices became common, and a myriad of forms of speculation arose

\(^{44}\) Primavera 2001, p. 3.

\(^{45}\) Other networks (such as Red de Trueque Zona Oeste) are even smaller than RTS and will not be dealt here.

\(^{46}\) Although the state could have picked on this and prosecuted the members of barter clubs for any of these issues, it actually ‘overlooked’ them. Some small merchants and lawyers raised complaints but had no success at that.
undermining the general performance of the network. By the beginning of 2003, the failure of barter clubs was undeniable and the debate inside the movement concentrated on the causes of its own crisis. Besides recognising the above causes they added that ‘Plan Jefes y Jefas de Hogar’ (2002) injected legal currency and destroyed their market. After 2003, the barter clubs were no longer a significant aspect of the ‘emergency economy’ but a marginal phenomenon of complementary exchange.

Regarding inflation, there was important debate between RGT and RTS on its causes (both utilised a monetarist framework to explain this phenomenon). In fact, troubles arose with the scarcity of production and the total absence of some vital products such as oil, flour and sugar (commodities that became the subject of the greatest variance and volatility in the clubs, and which were also subject to significant inflation in the formal market). The impact of inflation on the accumulation of créditos was more significant than that of ‘oxidation’. To avoid inflation, different unsuccessful strategies were implemented (such as maximum prices, that is members were forbidden to sell products at abusive or ‘unfair’ prices).

Local disparities in prices occurred not only between urban and rural nodes or between nodes geographically distant to each other; instead market speculation and price disparities was a common occurrence even between nodes relatively close in proximity. People who could afford a trip to a node 20 or 30km away could sell their products where prices where higher and buy somewhere else (for example, sometimes special transport would take you to another node and charge you in créditos). There were also other forms of labour appropriation (not counting the classic kinds of corruption and clientelism, like Peronist punteros selling or giving créditos for free) for those having at least small quantities of national currency. For instance, it was profitable to buy some products in the formal market and sell them in barter clubs, or to open a node and profit from collecting takings from entrance tickets (paid in pesos or créditos).

Another dimension of the failure of barter clubs was the functional use of this parallel ‘social market’ by the state and the Peronist party. This use was twofold: an immediate alternative to actual starvation and social unrest, and an attempt to promote a degraded form of workforce subsistence and social reproduction (especially suited to long periods of unemployment) or a novel form of articulation with non-capitalist production. The widespread adoption by thousands of people between October 2001 and May 2002 was grounded
on the strong conditions of development roughly depicted here. There is, to speak frankly, nothing revolutionary about barter clubs. They were the most unjustified inclusion in this holy quartet of Argentine social movements.

Asambleas

Within this empirical survey, the single absolutely new outcome of the December rebellion were the asambleas. In contrast to the other movements that were only fostered by the crisis, asambleas actually started after the 19–20D demonstrations. They are the expression of a fraction of the urban middle class that needed or desired to get politically involved. Dinerstein has dealt with some of the undeniably interesting features of the asambleas,\(^\text{47}\) including their appropriation of public space, building of solidarity bindings, the initial ideological power of their slogan *¡qué se vayan todos!*, their intrinsic heterogeneity, their talent to accumulate a cornucopia of social experiences, and their genuine attempt to build ‘direct democracy’.

It is notable that asambleas survived ‘competition’ with capital-functional forms. For example attempts by municipal governments to subsume asambleas failed: the city of Buenos Aires tried to give asambleas a place in CGPs (Centro de Gestion Participativa, small communal structures with no power at all),\(^\text{48}\) and later in 2002 to make them part of the ‘Participatory Budget’ (a social-democratic fantasy of democracy wherein citizens are permitted to decide how to spend a trivial part of the budget, amounting to 0.5 per cent of total budget). Political parties (especially the Trotskyist Left) also failed to impose a programme on or dominate the asambleas. Overall, the latter managed to solve contradictions and tensions in their relationships with the state and, with some caveats, with political parties. A generalised rejection of any form of mediation or representation served as an effective counter-tendency to subsuming forces, and yet this did not imply de-politicisation but rather the lack of any kind of co-ordination.

The problems with the asambleas can be grouped into two main issues: their lack of relevance and their contradictions and intrinsic limitations. By the end of 2002, despite a peak of general social interest in the phenomenon and important levels of participation between January and March 2002, asambleas were no longer quantitatively relevant. Outside the city of Buenos Aires, they

\[\text{47} \quad \text{Dinerstein 2002.}\]

\[\text{48} \quad \text{Guerrero 2002.}\]
had almost disappeared, and in the city of Buenos Aires they numbered around 45, with an average level of participation of around 20 people. In 2003, a few asambleas tried to overcome the fragmentation of the movement through a series of ‘national’ (Buenos Aires and Rosario) meetings, attended by 80 to 100 people. Those who managed to survive had generally incorporated activities of social aid and/or occupied buildings. They are now part of the political terrain because of historical reasons (namely, their relevance in the post 19–20D rebellion), but it would be a nonsense to consider them more relevant than the thousands of communal centres, trade unions or student movements, for instance. The practice of assemblies, which constituted their ‘constitutive character’, is no longer practised.

Even when most reports recognise the modest quantitative existence of asambleas, there is a frequent line of argument that consists of assigning significant qualitative importance in Argentinean politics to them. Many ‘asambeologists’ usually say that ‘the great social measure of asambleas is their own working existence’. This kind of nonsense is simply an exhibition of strong bias. For instance, another ‘social measure’ of the political relevance of asambleas, might be the 2003 elections, where their positions showed an absolute lack of influence and resounding political failure (in other words, they urged voters to vote blank or spoil their ballot, and the election registered 16% more participation than in 2001 and the smallest quantity of blank votes since 1946). In a similar vein, asambleas are reported as examples of a ‘new politics’ where power is unimportant or where ‘other priorities are in place: the question is to build collective empowerments’. In this line of argument, the power of these movements resides in that '[asambleas] realise social relationships that overcome capital’s barbarism'. The implicit refusal of recognition of any kind of quantitative importance in this discourse is to be noted along with this particular kind of postmodern micropolitics. For the purpose of this article, it is enough to say that these fragile, marginal and non-scalable (see below) social relationships do not ‘overcome’ or even represent any kind of threat to capital.

The second problematic issue for the asambleas comes from their severe constraints to growth, their particular vulnerabilities and their limited capacity

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49 Bellucci and Mitidieri 2003.
50 Ouviña 2002.
51 EGES 2003.
52 Fernandez 2002.
for integration with other movements. As already noted, the asambleas are an answer to a need for political participation by a fraction of the middle class, distrustful of party politics. This desire was of great importance because, during the 1990s, the middle class was extremely passive towards the bourgeois consensus and took almost no part in protests. The problem is that asambleas have become an autistic answer to this desire. Perhaps most importantly, they failed to construct any space of co-ordination among different asambleas: The ‘Interbarrial de Parque Centenario’ did not survive the bureaucratic practices of ‘political parties of the traditional Left’, as asambleologists like to stress. However, besides taking note of the severe mistakes of left political parties regarding asambleas, it should also be said it was impossible for social-democratic political forces (such as the dismembering FREPASO, ARI and CTA) to take part in or link with asambleas in any way. In addition, blaming left parties should not be an excuse for passing over the intrinsic fragility of the asambleas themselves, which are, in essence, a fragmented group of militants (no more than 100–150). After the virtual dissolution of the ‘Interbarrial’ by the second half of 2002 it became almost impossible to co-ordinate actions not only with other movements but even between different asambleas.

Summing up, no matter how progressive or ‘advanced’ the social relationships, forms of decision-making and activities of asambleas are said to be, their small scale, lack of influence and flawed co-ordination between themselves and other movements render this movement unable to overcome very narrow limitations. In other words, we cannot assign more importance to this phenomenon than any other of the various political and social movements in contemporary Argentina.

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54 See for instance Zibechi 2002. Also the slogan ‘respeten los mandatos, basta de aparatos!’, Ouviña 2002.
55 Reaching pathetic levels on 1 May, 2002. Three Trotskyist parties went over a public dispute on where to attend the action, exhibiting depraved anti-democratic practices and mutual accusations of lies and falsifying of mandates, that included, for instance, physical violence in the Interbarrial of 21 April 2002.
Concluding remarks

Pique y cacerola, la lucha es una sola
Slogan post 19–20 December

Before concluding, a critical point remains to be analysed: it might be argued that the ‘holy quartet’ is much more than the sum of its parts, a reasonable objection that might challenge the preceding empirical overview of social movements which addresses them as regards their individual developments. To counter this point, I will simply point out that even though many similar trends traverse these social movements (such as the contestation of private property both in occupied factories and asambleas, democratisation of instances of decision-making, involvement of new subjects in left or progressive politics, transformation of labour processes, rediscovery of non-capitalistic practices of social work, struggles over distribution of the state budget, among others), these are just analytic relationships. That is, despite the importance of common trends between these movements, as far as they do not imply concrete political relationships, they cannot be a source of optimism in the growth or development of these social movements.

The experiences of interaction between them were poor at best. Piqueteros lack any kind of political interaction with active workers in general and occupied factories in particular. The causes of this lack of co-operation are diverse and perhaps start with the lack of genuine politisation (i.e. a deep commitment to social change), and the co-opting influence of rising levels of clientelism. Asambleas and piqueteros, despite the slogan of the epigraph, failed to achieve any kind of co-ordination. Despite a few vivifying anecdotes repeatedly quoted and the efforts of many individual participants to co-ordinate the movements, claims by piqueteros and asambleas were made in political isolation. The limited operative capacity of asambleas played perhaps a decisive role in this failure, along with their class composition. Barter clubs remained isolated, and a timid integration with occupied factories failed despite its significant political potential and strategic importance (the productive ventures of piqueteros should be re-iterated here).

The bourgeois crisis situation opened by 19–20D is now over. Bourgeois normality is back in place. The answer, as a class, has come again from a (traumatic) re-arrangement of Peronism known as Kirchnerism. With high levels of popularity, Kirchnerism combines an anti-liberal rhetoric with a political economy of the status quo. Structural neoliberal reforms (flexibilisation, privatisations, state reform) carried out in the 1990s are not even on the
agenda of change. A devaluated peso, as opposed to convertibilidad, is the only substantial shift from the 1990s. The Left as a whole (including this author) failed totally to present any alternative or make any relevant intervention in the development of the crisis.

This assessment has probably promised far more than I have succeeded in delivering. A thorough ‘measurement’ of current and future class struggle probably entails a huge research project. Much of the essential statistical data is simply not available, and it might never be: such research requires substantial collective effort and, in some cases, it entails critical or strategic information that simply cannot be collected. However, this intervention will, I hope, be sufficient to provide readers with a more sober picture of the limitations of ‘the battle of Buenos Aires’ and the supposed ‘re-invention of politics’, and serve as a modest contribution to the forging of left strategies in periods of crisis. Our duty as left intellectuals is to discern revolutionary situations from those that are not, to distinguish lottery from history, to identify travestied capitalist practices from socialist ones, to grasp the strengths and limits of struggle, to predict possible outcomes, and to risk opening oneself to error rather than discussing matters of no importance.

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Review Articles

Class Theory and History: Capitalism and Communism in the USSR
STEPHEN A. RESNICK AND RICHARD D. WOLFF
London: Routledge, 2002

(i) Reviewed by PARESH CHATTOPADHYAY

The book under review is not just one more addition to the numerous works on the USSR that have so far appeared in print. This is an unusual work. It attempts to analyse the whole Soviet experience (1917–90) in terms of the concept of ‘class’ derived from Marx. According to the authors, the USSR was all along a ‘state form of capitalism’. The Bolsheviks had simply replaced pre-1917 ‘private capitalism’ with ‘state capitalism’.

I. The argument

The authors distinguish their kind of class analysis from the rest of such analysis. Contrary to the latter, which they say understands class analysis in terms of property and/or power, their own class analysis is grounded in Marx’s concept of ‘surplus,’ its production, appropriation and distribution involving different groups – ‘classes’ – in all societies (pp. x–xi). The organisation of the whole process constitutes ‘society’s class structure’. A ‘communist class structure’ is one where production and appropriation of surplus are effected by the same group of people – unlike in other class societies – but the distribution of the surplus still brings in a different group of people who simply receive a part of the surplus without being involved in the first two processes – and, so, constitute a different class. Let it be noted that, in their class analysis, the authors are guided by what they call the ‘Marxian notion of over-determination’, that is, all aspects of society conditioning and shaping one another (pp. ix, xiv, 9). Given more than one class in communism – in fact, ‘two groups of people’ as mentioned earlier – communism is neither ‘classless’ nor without ‘class conflict’. The second group is paid a part of the surplus in order to perform various ‘non class processes’ so as to sustain communist society (pp. 14–16). The authors distinguish communism from socialism. Unlike communism, socialism is not a distinct class process, with its own form of producing, appropriating and distributing surplus (pp. 76–7).
After discussing their notion of ‘communism’, the authors turn to ‘capitalism’ – focusing on ‘state capitalism’. The latter they ‘define’ as the ‘capitalist process of producing, appropriating and distributing surplus, consisting of and interacting with processes that place state officials in the class position of appropriators and distribution of surplus’ (p. 85). For the authors, the USSR is a ‘state capitalism’ rather than some other kind of exploitative class structure. In the USSR, collective property replaced private property in the means of production and plan replaced market but did not eliminate workers’ exploitation (pp. 90–7). They also discuss different kinds of ‘state capitalism’ in Lenin and summarise the basic alternative theories of state capitalism (particularly with respect to the USSR) (Chapter 4 passim).

In the historical part of their study, Resnick and Wolff first discuss the class situation in the pre-1917 Russia in order to show how what they call the ‘1917 revolution’ arose out of the existing multiple and contradictory class structures of the country (1861–1917), which they describe as being, essentially, a combination of ‘feudal,’ ‘ancient’ and ‘capitalist’ class structures where ‘communist class structures’ lay almost completely outside the experience of pre-1917 Russia’ (p. 144). In their account of the post-1917 period, based on standard ‘Western’ sources, they argue that the ‘1917 revolution’ at first simply displaced private capitalism in industry with state capitalism and eliminated private capitalism in agriculture with its vast number of small farmers. The NEP led to the re-emergence of private capitalist farms. However, with the exception of ‘communist class structures generated by collectivization of the late 1920s, exploitation remained a significant reality of soviet agriculture’ (p. 157). As regards the Soviet households, they retained ‘mostly feudal and significant ancient class structures’. Soviet workers in fields and factories and at home ‘did not free themselves from class exploitation’ (p. 157). After the NEP, the state-capitalist class structure of industry returned to a more centralised form. The collectivisation of agriculture established communist class structures (particularly in agriculture). However, the state’s subsequent policies did much to undermine them (p. 256). Finally, while the ‘1917 revolution’ had eliminated private in favour of state capitalism, in the 1980s, it was state capitalism that was in decay. ‘The crises reversed the direction of 1917: the last transition went from state back to private capitalism’ (p. 281).

This unusual work, closely argued, raises many important – particularly theoretical – issues which deserve careful discussion. In what follows our focus mostly will be on theoretical issues, the most challenging in the book. However, given the limited space available, we propose to take up only some of them (naturally, arbitrarily).

II. Marx on capitalism – a particular reading

Most of the theoretical discussion in the book concerns the authors’ very original ideas about surplus and class and, connected with these questions, their innovative notion
of ‘communist class structure’. However, before we come to look at those interesting ideas, it is, perhaps, only proper to say a few words about the authors’ view of Marx’s approach to capitalism.

According to the authors, Marx’s analysis of capitalism ‘concentrated on the particular kind of capitalism dominant in his day’, that is, ‘private capitalism’. To ‘understand’ this he devised his value formula \( (c + v + s = w) \) (pp. 13, 86, 171). To support this contention, they refer to the well-known opening lines of *Capital* about capitalist ‘wealth’ consisting of an ‘immense accumulation of commodities’ where the ‘individual commodity appears as its elementary form’. They interpret this to mean the ‘exchange of privately owned and produced commodities’. Unfortunately, we do not agree with this reading of Marx. To start with, Marx’s *Capital* is an ‘enquiry into the capitalist mode of production and corresponding relations of circulation’ with a view to ‘discovering the law of motion of the modern society.’¹ It is a question of capital as such independently of the specific juridical form of ownership, whether ‘private’ or ‘public’ (state). In his manuscript for *Capital*, Volume III, composed before *Capital*, Volume I, Marx takes full account of the evolution of capital’s ownership form, which, he argues, is dictated entirely by the demands of capital accumulation, till the stage when capital remains no longer ‘private’ and becomes ‘directly social’ – signifying the ‘abolition of capital as private property within the limits of the capitalist mode of production itself’.²

On the other hand, virtually neglected by Marx’s partisans as well as by his detractors and, needless to say, totally unrecognised by bourgeois jurisprudence, private ownership of capital has another and more profound meaning in Marx – beyond that of individual private ownership by household or by corporation. In this sense, capital is always private property even when it exists in the form of ‘public’ (state) property. This is the sense in which Marx speaks of the objective conditions of labour becoming capital: when, separated from the immediate producers and confronting them as an ‘autonomous power’, they are ‘monopolised by a part of society’ as ‘private property of a part of society’.³ They become the ‘class property’ of the capitalist class.⁴ Private ownership of capital disappears only with capital itself, that is, only when the conditions of production are collectively appropriated by the associated producers themselves.

With regard to the ‘individual commodity as the elementary form of capitalist wealth’, the ‘individual commodity’ does not necessarily mean ‘privately owned and produced commodities’ as the authors contend (our emphasis). When Marx speaks of the commodity as a product of ‘private labour’, ‘private’ does not necessarily mean juridical private ownership. ‘Private’, in this case, means not directly social labour,

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¹ Marx 1962a, pp. 12, 15–16.
² Marx 1964a, p. 452; 1992, p. 502; emphasis in the manuscript, not in Engels edition.
⁴ See Marx 1966b, pp. 71–3; 1971, p. 75.
where workers ‘operate[ ] independently of each other’.\(^5\) This allows for the ‘State’ to act as ‘the capitalist producer’ of ‘commodities’, where such a commodity ‘possesses the specific character of every other commodity’.\(^6\)

The authors say that ‘Marx nowhere argued that capitalist exploitation must always exist with commodities and markets’ (p. 86). One could turn this around and say, on the basis of Marx’s texts, that Marx nowhere argued that capitalism could exist without commodities and everywhere argued that capitalism is simply generalised commodity production (with labour-power necessarily appearing as a commodity). Indeed, while the commodity (and markets) could exist in the absence of capitalism (as in precapitalist societies), the existence of commodities there concerns only a part of society’s products. Only in capitalism all or most of the products of labour assume commodity form. In precapitalism, use-value and not exchange-value dominates production where what is exchanged is basically the surplus of production beyond the producer’s immediate self-satisfaction. The aim of production is use-value, not exchange-value. However, ‘the (capitalist’s) determining aim is not use value and enjoyment, but exchange value and its expansion’. The ‘capitalist’ indeed, is the ‘fanatical agent of valorization’. As Marx says:

> To produce commodities does not distinguish the capitalist mode of production from other modes of production, but rather that commodity is the dominant and determining character of its product. This immediately implies that the labour is only a seller of commodity and thus a free wage labourer.

Marx underlined in his *Urtext* (1858):

> To wish that exchange value will not develop from commodity and money into capital, or that labour, producing exchange value, will not develop into wage labour is as pious as it is absurd.\(^7\)

\[^5\] Marx 1962a, p. 87.
\[^6\] Marx 1962c, p. 370.
\[^7\] Marx 1953, p. 916.

### III. Surplus approach to class in relation to Marx

It is to the authors’ great credit to have brought (back) one of the central ideas of the classical political economy, which was later revolutionised by Marx’s ‘critique’ (to be subverted soon by the marginalist ‘counterrevolution’ in [bourgeois] political economy); namely, the notion of ‘class’ in relation to that of ‘surplus’ (labour). It is with this notion that they undertake the analysis of Russian society of the period 1917–90 – quite properly calling their approach a ‘surplus theory of class’ (p. ix). In this, they affirm their Marxian heritage and sharply distinguish their approach to the analysis...
of (ex-)Soviet society from that of the dominant 'Marxism' which, not without reason, they accuse of setting aside the surplus (labour) approach to class in favour of the property/power approach. They should be praised for this innovative treatment of the question.

Right at the beginning of their book they assert that they base their analysis on the 'unique surplus labour notion of class offered by Marx' (p. 8). However, this affirmation is not without problems. In their approach, they 'define class' exclusively in terms of surplus (labour) – how society organises production, appropriation and distribution of surplus (p. xi). Stated in this way, their 'surplus theory of class' does not seem to move beyond the surplus approach to class of the great bourgeois political economists, particularly, Quesnay and Ricardo; and it embraces only a part of Marx's approach, leaving aside his specific contribution to this question. It is well known that Marx had no part in inventing (discovering) the notions (of the reality) of 'surplus' and 'class' (and their connection), which he found already more or less elaborated by his predecessors (economists and historians). Marx's specific contribution lies elsewhere, namely, from his absolutely revolutionary materialist method: what he calls the 'new materialism' – as opposed to both idealism and to the 'old materialism' which went before him (and Engels), including Feuerbach's – whose standpoint is proclaimed as that of 'human society or social humanity,' not 'bourgeois society' as with 'old materialism'.

This materialism, the 'materialist conception of the world' or the materialist 'conception of history' (hereafter MCH), was elaborated firstly in the *German Ideology* (1845–6) and, later, found its classic expression in Marx's, much misunderstood, magisterial 'Preface' to the *Contribution* (1859), whose importance he reiterated, even calling it 'my method' and the 'only scientific method' in *Capital*, Volume I.

This method centres on the way, the 'mode [Weise]', in which people in a particular society produce and reproduce their 'material life'. Hence, this materialist method gives a profoundly historical sense to social-economic categories (in contrast to the method of the bourgeois political economy). Surplus (labour) arises in the process of production within a particular mode of production and is integral to what Marx calls the 'social relations of production'. And, in a class society, it is precisely these social relations of production that are expressed in the antagonism between classes.

The specific economic form in which the unpaid surplus labour is pumped out of the immediate producers determines the relation of lordship and bondage as it results directly from production itself and in its turn appears [erscheinend] as determining it. It is on this that the whole form of the

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8 Thesis ten of the so-called ‘Theses’ on Feuerbach, 1845.
9 Marx 1962a, pp. 25, 96, 393.
10 In Engels's edition 1964a the last part reads 'reacts upon it [zurückwirkt auf sie] as determining elements.'
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economic community, born out of the production relations themselves, . . . is based. 11

The mode of production, with its correlated relations of production and the classes that arise from these relations, together with the mode of obtaining surplus (labour) from the immediate producers are all historically specific to particular, historically evolved societies. In his much quoted letter to Weydemeyer (1852), Marx argues that the existence of classes is bound up with the historical stages of the development of production. 12 With regard to surplus (labour), in all class societies in general, wherever a part of society possesses a monopoly of the means of production the labourer has to add surplus labour time to the labour time necessary for her/his self sustenance in order to create surplus for the possessor of the means of production. 13

However, this statement, valid for all class societies throughout the ‘pre-history of human society’ – in the specific sense of Marx (1859) – does not indicate which specific class society it is referring to. Hence Marx’s more specific statement:

It is only the mode through which surplus labour is imposed on and extorted from the immediate producer that distinguishes the different economic forms of society, slavery, for example, from the society of wage labour. 14

Following the MCH, in the absence of any explicit reference to the specificity of the mode of production and the corresponding (social) relations of production, and the specific mode of obtaining the surplus connected with it, any discussion of class and surplus as such remains ahistorical and, at best, incomplete. Resnick and Wolff, in

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12 We regret to note that the authors’ representation of Marx’s first (original) contribution (among three) mentioned in this celebrated letter is not really warranted by the letter’s text. Speaking of Marx’s ‘new contributions’ our authors paraphrase the first contribution as being ‘a specific definition of class in terms of surplus production relations’ (p. 43). Now, whatever concordance this paraphrase might have with the authors’ own position, it has very little to do with Marx’s own text which literally runs as follows

what new I did was (1) to prove that the existence of classes is simply bound up with the definite historical phases of the development of production [bestimmte historische Entwicklungsphasen der Produktion] . . . (Marx and Engels 1964: 423, emphasis in text.) We immediately see that the term ‘surplus’ is absent and that there is no attempt at any ‘definition’ of class. (It is well known Marx never gave a ‘definition’ of class). On the other hand, the crucial historical aspect of the text (crucial for MCH) is missing. On a broad canvas, Marx’s standard phrase is ‘relations of production’ tout court, not ‘relations of surplus production’. Indeed, there are no relations of ‘surplus production’ apart from the relations of production. It is remarkable that, while the authors claim that their class theory is based on Marx’s class analysis, the three contributions mentioned in this letter by Marx as specifically his own, distinguishing him from the bourgeois historians and economists on the class question, do not find much echo in their work. (While the first – which we have been discussing – finds no application in their work, at least not explicitly, the second and the third, that is, proletarian dictatorship and future classless society, given by the authors in their quotation from the text, p. 71, are simply not accepted by them as a part of class analysis.)
13 Marx 1962a, p. 249.
14 Marx 1962a, p. 231.
their highly innovative discussion of the surplus theory of class, nevertheless, seem to abstract altogether from the question of the mode of production, the corresponding relations of production, and from the specific mode of obtaining surplus labour, all of which lie at the heart of Marx’s ‘materialist conception of the world’. Far from ascribing the ‘conditions of existence of classes’ to the ‘non class aspects of social life,’ as the authors do (p. 43), the MCH seeks to find the ‘conditions of existence of classes’ in what Marx calls the ‘economic conditions,’ the ‘economic foundations,’ the ‘economic structure of society’, that is, in the ‘mode of production of material life and the relations of production that follow from it’.15 Put tersely, ‘classes are based on the relations of production’.16 Similarly, Engels writes in 1878:

the classes of society . . . are always the products of the relations of production and circulation, in a word, of the economic relations of their epoch.17

Quite consistently with their own logic, Resnick and Wolff cannot see how surplus can exist in a society without classes since they link surplus necessarily to class. However, despite their internal consistency, problems do arise when they bring in Marx to support their position. Thus they write:

Marx wrote extensively on class in terms of surplus, he said little about either the dictatorship of the proletariat or classlessness. (p. 71.)

As noted earlier, the first part of the statement is, at best, an incomplete representation of Marx’s specific contribution to the surplus-and-class question. Whereas the second part appears to ignore Marx’s entire theory and practice of the emancipation of the proletariat – from the early 1840s and to his death – with which his idea of a classless ‘union of free individuals,’18 after the demise of capital, is intimately connected. (We leave aside for the moment the question of the proletarian dictatorship.) Marx did not have to repeat – like a ‘mantra’ – ‘classless society’ to describe society after capital, and there are a sufficient number of his texts which explicitly refute our authors’ contention. Marx’s logic is straightforward. For him, the existence of classes in a society, the lot of ‘humanity’s pre-history’ till now, signifies an unfree society, whether the individual’s unfreedom is (predominantly) ‘personal’ (subjective) – including patriarchy – as under slavery or serfdom, or it is (predominantly) ‘material’ (objective) as under capital (through ‘commodity fetishism’ and ‘wage slavery’). Moreover, bourgeois relations of production – obviously including classes under capital – are the ‘last antagonistic form of social production process’.19 (Let us note that for Marx classes exist only in mutual antagonism.) Now we turn to some of Marx’s texts.

16 Marx 1973c, p. 89.
17 Engels 1962, p. 25, emphasis in text.
18 Marx 1962a, pp. 92–3.
In one of the first polemical works written jointly by Marx and Engels (1845), we read: ‘The proletariat will triumph only by abolishing itself and by abolishing its opposite’.20 Given that the work basically speaks of only two opposing classes – the ‘possessing class’ and the ‘proletarian class’21 – the sentence cited could only mean the ‘abolition of classes’. In the very next major work (1845–6) – where, as we earlier noted, the MCH is first fully elaborated – we find en toutes lettres the expression: the ‘communist revolution’ as ‘abolishing the domination of all the classes’ and as ‘abolishing the classes themselves’.22 About a year later Marx affirms that the ‘condition of emancipation [affranchissement] of the labouring class is the abolition of every class.’23 The Manifesto, shortly afterwards, speaks of the ‘disappearance of class differences [Klassenunterschiede] in course of the movement’ and of the proletariat, as the ‘ruling class’, ‘abolishing classes in general and therewith its own domination as a class’.24 Two years later, in his Class Struggles in France (1850), Marx declared the ‘class dictatorship of the proletariat as the necessary transition point towards the abolition of class differences in general [Abschaffung der Klassenunterschiede überhaupt]’.25 A few years later, in his 1857–8 manuscripts, Marx wrote that ‘any attempt at exploding society’ required that the ‘material conditions of production and corresponding relations of circulation for a society without classes’ exist latently in class society.26 Again, in the ‘Statutes of the First International’ – composed by Marx – we read about the struggle for the ‘emancipation of the working class’ aimed at the ‘abolition of all class regimes’.27 Similarly in the ‘Afterword’ to the second edition of Capital (1873) Marx famously wrote about the ultimate ‘abolition of classes’ as the ‘historical mission of the proletariat’.28 In his ‘Address’ on the Paris Commune (1871), Marx wrote of the ‘class struggles through which the working classes strive for the abolition of classes’.29 Then, in the Gothakritik, Marx reaffirmed the ‘abolition of class distinctions [Abschaffung der Klassenunterschiede]’ leading to the ‘disappearance of all social and political inequality itself arising from them’.30

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20 Marx 1972b, p. 38.
21 Ibid.
22 Marx 1973b, pp. 69–70.
24 Marx and Engels 1966b, p. 77.
25 Marx 1973c, p. 89; emphasis in text. Two years later this phrase will appear (almost verbatim) in Marx’s famous letter to Weydemeyer, as his third original contribution to class analysis. The same idea will reappear in the Gothakritik twenty-five years later.
26 Marx 1953, p. 77.
27 General Council of 1864, p. 420.
28 Marx 1962a, p. 25.
29 Marx 1971, p. 156.
30 Marx 1966b, p. 184.
IV. Communism: utopian and class-based

Quite consistently with their own logic, Resnick and Wolff (and they are not alone!) qualify classless communism as ‘utopian’ (p. 11), which, following from our demonstration above, would also include the communism envisaged by Marx. By using the same term for classless communism in general that Marx and Engels had used about their ‘utopian socialist’ predecessors (such as St. Simon, Fourier, Owen), the authors seem to obscure a basic difference between the two approaches. Marx (and Engels) definitely did not call these socialists ‘utopians’ simply because they had earlier envisaged the society after capital as classless. Their systems, qualified by the *Communist Manifesto* as ‘authentically socialist and communist’, developed at a period when the proletariat was only in its embryonic stage, was far from having its own political movement, and was in a situation where the material conditions of their emancipation – the product of capitalism itself – were lacking. For this reason, their systems would have no real basis in society and, therefore, could only be the product of their will and imagination unconnected with the adequate subjective and objective conditions for a revolutionary transformation of the capitalist society. Conversely, the *Manifesto* praises them for their ‘positive formulae about the future society’, which anticipated, among other things, the abolition of wage-labour, of the state, and the disappearance of class antagonisms.31 Years later, Marx would add that the ‘ends of the movement proclaimed by the utopians are the ends proclaimed by the Paris Revolution and by the International’.32

A perusal of Marx’s own texts – the most telling ones selectively taken – would also show how, unlike the ‘utopians’, he did not derive his projected classless society from his own thoughts but that the appearance of such a society required proper material conditions as its basis – the conditions created by past history. Overtly taking an anti-idealist position, he wrote as early as 1844:

> We will not proceed in the old German way – in the way of Hegel’s *Phenomenology*. . . . To supersede the *idea* of private property, communism as *thought* is wholly sufficient. To supersede real private property there has to be a *real* communist action. This will come out of history.33

About a year later, while elaborating their MCH, he and Engels wrote:

> communism is not . . . an *ideal* to which the reality has to conform. We call communism the *real* movement which abolishes the present state of things. The conditions of this movement result from the pre-condition [*Voraussetzung*] existing at present.34
In the same work we read: ‘If the material elements of a total revolution are absent, it is wholly indifferent from the practical development if the idea of this revolution has been formulated a hundred times’ (Marx 1973b, pp. 38–9, emphasis in text).


Engels 1972, p. 357.

Marx 1966b, p. 70.

Marx 1953, p. 79.

Marx 1953, p. 77.

Marx 1962c, pp. 92, 94.

In his polemic with Karl Heinzen (October, 1847) Engels put the matter lucidly:

Communism is not a doctrine, but a movement. Its point of departure is facts, not principles. The communists do not have as their prerequisite this or that philosophy but the whole history of the past and above all the present day real results in the civilized lands. . . . In so far as it is theoretical, communism is the theoretical expression of the position of the proletariat in the class struggles with the bourgeoisie and the theoretical résumé of the conditions of liberation of the proletariat.

In the same year, one month later, Marx takes over the same idea from Engels and writes: ‘In so far as communism is a theory, it is the theoretical expression of a “movement”’. And, the very next year, the Communist Manifesto famously observes:

The theoretical conceptions of the communists are in no way based on ideas, principles, discovered or invented by such and such world reformer. They only express, in general terms, the real condition of the class struggle which exist, of a historical movement which is going on before our eyes.

In his 1857–8 manuscripts, Marx underlines that

universally developed individuals whose social relations would be subject to their own collective control as personal and common relations (that is, the communist collectivity) are a product of history.

And

if, in the society as it is, the natural conditions of production and the corresponding relation of circulation for a classless society do not already exist in a latent state, all attempts at exploding the society would be Don Quixotism.

Then, in Capital, we read that a ‘union of free individuals’ requires ‘a whole set of material conditions of existence which can only be the naturally grown product of a long and painful development’. In his ‘Address’ on the Commune (1871), Marx insists:

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35 In the same work we read: ‘If the material elements of a total revolution are absent, it is wholly indifferent from the practical development if the idea of this revolution has been formulated a hundred times’ (Marx 1973b, pp. 38–9, emphasis in text).


37 Engels 1972, p. 357.

38 Marx 1966b, p. 70.

39 Marx 1953, p. 79.

40 Marx 1953, p. 77.

41 Marx 1962c, pp. 92, 94.
The workers have no *ideals* to realise, but to set free the elements of the new society with which the old collapsing bourgeois society is pregnant.\(^42\) The same biological metaphor we find in the *Gothakritik*, where we read that the ‘communist society comes out of the womb of the capitalist society through prolonged birth pangs’.\(^43\)

Now, a word about Marx’s allegedly saying ‘little about the dictatorship of the proletariat’ (p. 71). True, if we take the particular *term* itself, it is infrequently used in Marx’s texts. But – what is more important – if we take the *concept* behind the term, that is, if we take proletarian dictatorship conceived as – and this is what it is – the absolute class rule of the proletariat (constituting the ‘immense majority’), then it is clear from Marx’s writings that, for him, it is an integral part of the proletarian revolution’s aim to establish a ‘union of free individuals’. Indeed, proletarian dictatorship is nothing but the ‘conquest of political power by the proletariat’ – the ‘conquest of democracy’ – only as a ‘first step,’ as the Manifesto asserts, towards ultimately revolutionising the whole bourgeois mode of production, from which ‘moment’ all political power ceases to exist. This (class) ‘dictatorship’ is all the more necessary for the proletariat. Because, unlike the bourgeoisie that, in its revolutionary phase, undermines the pre-bourgeois social relations long before overturning the existing political power (thus ‘ensuring its already acquired [schon erworbene] position by subjecting the whole society to the conditions of its appropriation’), the proletariat has to *start* its revolution by conquering political power as preparation towards ultimately abolishing the bourgeois mode of production.\(^44\) A couple of years before, the *Manifesto* spoke of the necessity of conquest of political power by the proletariat, Marx and Engels affirmed, for the first time, the necessity for the proletariat to ‘conquer political power’ as one of the ‘conditions’ for the ‘abolition of all the old forms of society and of domination in general’.\(^45\) In 1850, Marx uses for the first time the *term* itself, which appears twice in the same work: ‘dictatorship of the working class’ and ‘class dictatorship of the proletariat’.\(^46\) Then, two years later, we have the famous letter to Weydemeyer (which our authors have partially cited). Some years later, in his ‘Inaugural Address’ (1864) to the First International as well as in its statutes that he drafted, Marx reaffirms that the ‘great task of the labouring classes is the conquest of political power’ in order to prevent the privileged classes from ‘defending and perpetrating their economic monopolies’.\(^47\) In the *Gothakritik*, Marx returns to the exact

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\(^42\) Marx 1971, p. 76, our emphasis.
\(^44\) Marx 1966b, p. 68.
\(^45\) Marx 1973b, p. 34.
\(^46\) Marx 1973c, pp. 33, 85. In the same work, associating ‘communism’ with ‘revolutionary socialism,’ Marx wrote: ‘This socialism is the *declaration of the revolution in permanence*, the class dictatorship of the proletariat, point of transition to the full abolition of class differences, to the abolition of all the relations of production on which they are based . . .’. Marx 1973c, pp. 89–90, emphasis in text.
\(^47\) General Council 1964, p. 426.
term in question: ‘revolutionary dictatorship of the proletariat’ presiding over the ‘revolutionary transformation period’.

V. Two concepts of communism

Resnick and Wolff claim that their ‘concept of communism’ is elaborated on the basis of Marx’s class analysis as a ‘distinct non exploitative communist class structure’; that theirs is a ‘new Marxian view of communism’; that ‘Marx provided the analytical basis for as well as gestured towards this class notion of communism’ (pages ix, 5, 14–15; emphasis in text). This is, of course, a society ‘without exploitation’, because the same people who produce the surplus collectively are also its collective appropriators. However, this is a society with classes and class surplus inasmuch as, besides the producers-appropriators of the surplus, there exists a second group that receives distribution from the first to perform various ‘non-class processes’ – involving political, administrative, cultural and other activities – to sustain the communist class structure. These two groups constitute ‘different communist class positions’ (pp. 14–15). They affirm that ‘Marx criticized the Gotha Programme . . . because it neglected the non-class processes’ and that ‘Marx viewed such processes as necessary to sustain a communist class structure’ (p. 46). They assert that societies with communist class structure may exhibit varying political forms ranging from those that are fully democratic in nature to those that are clearly despotic, they may display property ownership ranging from fully collective to the very private. The mechanisms of distribution in these societies may range from ‘full scale central planning to private markets including markets for labour power and means of production’ (p. 10). While dismissing the notion of communism as a classless society, they envisage a communist society to have categories like ‘values, surplus values and profit rates’ – prefacing them with the attribute ‘communist administered’ – as well as market in ‘labour power commodity’ that is ‘sold’ for ‘wages’, that is, ‘market communism’ or ‘generalized communist commodity production’, all this occurring within a ‘communist state’, without excluding non-state communism (pp. 34, 39, 60, 63, 93).

Our authors’ arguments here remind us of the arguments advanced by the spokespersons of the Soviet régime about the existence of value categories in socialism (understood à la Lenin as the first phase of communism). By a strange reading of the Gotha Programme, Lenin in his *State and Revolution* – purportedly the most libertarian in Soviet political literature – affirmed the presence of ‘hired employees of the state’ (supposed to be under working-class control) earning ‘wages’ (which totally contradicts the text of the Gotha Programme). (In his ‘Inaugural Address’ [1864], Marx had opposed ‘associated labour’ to ‘hired labour’.) Later, Lenin’s first disciples – Trotsky, Bukharin, Preobrazhensky – spoke of the presence in socialism of value categories (including wages) as simple ‘forms’ without ‘capitalist content’ under the supposed ‘working-class state’. This rationalisation was taken over with ‘refinements’ under the successive Soviet rulers till the régime’s evaporation. Elsewhere, we have discussed this question at some length on the basis of the relevant texts. See Chattopadhyay 2004.
To what extent is this portrait of communism related to Marx’s? To answer this question it might be helpful to take a look at the future society as it appears in Marx’s texts. Even though Marx refused to write a ‘cookbook’ for the future society, he provides enough material throughout his writings for us to get a fair idea of the kind of society that he thought would succeed capital.\textsuperscript{50} Here, we try to present an aperçu, drawing on what we consider to be Marx’s most important texts on the subject.\textsuperscript{51}

Fundamentally, the society which Marx envisaged would follow capitalism and which informs his theoretical (and practical, militant) work right through his adult life, is one characterised by immense emancipatory possibilities. The whole process – which is ‘epochal’, not momentary (like a ‘seizure of power’) – starts with the working-class self-emancipatory revolution, the conditions for which are prepared by capital itself through its self-annihilating contradictions. It passes through a ‘long, painful’ ‘revolutionary transformation period’, ‘changing circumstances and individuals’ in preparation for the future ‘Association’. Once the workers in the main eliminated the existing elements of the old society – such as classes, private ownership of the means of production, state, commodity production, wage-labour – in course of the transformation period, at the same time as carrying over all the ‘acquisitions of the capitalist era’, a new mode of production comes into existence. Marx calls this the associated mode of production (AMP) that forms the basis of the new society: ‘society of free and associated producers’ in contrast to all earlier modes. Corresponding to the AMP, there is a new mode of appropriation of the conditions of production: collective appropriation by society (of producers) itself. This is totally different from earlier private appropriation (be it household/corporate or ‘public’ [state]), where ownership had appeared to the producers as an oppressive configuration autonomously standing against the producers. Similarly, the mode of distribution in the new society corresponds to the new mode of production. In the case where the conditions of production are appropriated collectively and when labour is directly social, neither the allocation of labour time (across the different branches of production as well as between society’s necessary and disposable labour time), nor the distribution of society’s total product with regard to reserves and enlarged reproduction requirements as well as personal consumption need to be mediated by money-commodity-wage-form – the enslaving elements of the old society. After being separated from the conditions of production –
their own creation – under capital, the producers are now (re)unified with them ‘at a higher level’. Furthermore, the end of the mutual alienation between individuals of the earlier era, signifies the unmediated union of individuals who are all simple producers (and no longer proletarians). Individuals cease to be subject to ‘personal dependence’ (as under precapitalism) as well as to ‘material (objective) dependence’ (as under capitalism) and, as universally developed ‘social individuals’, they achieve ‘free individuality’. Inasmuch as the proletariat constitutes the immense majority, being at the same time the lowest class in society in the ‘last antagonist social form’, the rest of society is naturally emancipated along with the proletariat. Humanity enters into history leaving its ‘pre-history’ behind.52

Now, we return to the question of the relation between Resnick/Wolff and Marx’s accounts of communism. As we have shown, for Marx (and Engels), communism is a ‘historical movement’, a process of long and painful revolutionary transformation leading to the advent of a new society, a ‘union of free individuals’. In contrast, in order to focus on class and surplus aspects of communism, the authors of Class Theory and History seem to have abstracted from the entire revolutionary transformation process (including the necessary material conditions towards its realisation) and from the emancipatory implications of the new society. In addition, if we take the two communist societies portrayed (by Marx and Resnick/Wolff), there seems to be almost nothing in common between them excepting the term ‘communism’. It is not at all clear how we should view the claim by Resnick and Wolff that this is a ‘new Marxian view of communism’ or that their ‘class notion of communism’ is derived from Marx. Even more seriously, if one works within Marx’s conceptual framework of ‘commodity’, ‘capital’, ‘wage-labour’, and so forth, which we might suppose our authors do, then we are forced to conclude that some of their possible communist forms are simply forms of capital. In Marx’s conceptual framework, ‘generalised commodity production’ and ‘wage-labour’ are simply two different names for the same ‘beast’ – capital, whether or not one tries to qualify them as ‘communist’ (and ‘socialist’, as with the ‘market socialists’). To anyone with even partial familiarity with Marx’s texts, this should be too clear to require any demonstration.

Before proceeding further, let us briefly mention Resnick’s and Wolff’s second reading of Marx’s Gotha Kritik, focusing on the communist society.53 This is the second reading we want to discuss. They write:

Marx criticized the Gotha Programme ... because it neglected the non class processes. He viewed such processes as necessary to sustain a communist class structure. (p. 46.)

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53 The first reading, see above, concerned Marx’s letter to Weydeneyer 1852.
This is, again, we submit, to say the least, a very problematic reading of Marx’s text. First of all, Marx is explicit in the text of this society’s classlessness even in its ‘lower’ phase. Of course, this society that is characterised as ‘co-operative [genossenschaftliche]’ would automatically exclude classes. However, with respect to the right of producers to be proportionate to the labour they supply, Marx specifically affirms that even though this equal right is really unequal for unequal labour, ‘it recognizes no class differences because everyone is a worker like everyone else [Es erkennt keine Klassenunterschiede an, weil jeder nur Arbeiter ist wie der andre]’.54 Again, Marx criticised the Programme’s formula: ‘removal of all social and political inequality’, and suggested the correction: ‘with the abolition of class differences [Abshaffung der Klassenunterschiede] all the social and political inequality springing therefrom vanishes of itself’.55 Hence, there is no question of ‘communist class structure’ here. In a sense, everything in this society belongs to or is a ‘non-class process’ simply because there are no classes at all. Resnick and Wolff have misread the object of Marx’s critique of the programme. What Marx criticises the programme for, among many other things, is that it took into account the personal consumption of the labourers but failed to give an explanation for the use of society’s total product. That is, he questions the Lassallean notion of distribution that allows each labourer the ‘undiminished fruit’ of individual labour but that fails to provide for the common (social) needs such as reserve and insurance funds, resources for the extension of society’s productive apparatus, provision for those unable to work, etc. Basically the same ideas appear, in non-polemical forms, in Marx’s texts that antedate the Gothakritik.56 Thus, however favourable such a reading of Marx’s Lassalle critique may appear to be for the authors’ own position,57 it is simply not warranted by Marx’s text.58

But even leaving aside the relation to Marx’s description of communism, there is a problem within the authors’ model of communism itself. Their notion is that of a society without exploitation, inasmuch as the same group of people produce and appropriate the surplus. However, the authors also posit the possibility of forms of communism – as we saw earlier – with workers selling their labour-power as a commodity and receiving their revenue as wage. If this is the case, does this society remain communist in the authors’ original sense (being non-exploitative)? Labourers sell their labour-power because, separated from the conditions of production, they must exchange their unique asset, labour-power, for wages to the possessors of those conditions and thereby to produce, besides their own subsistence, a surplus for appropriation by the owners of the conditions of production. Thus, at least two

54 Marx 1966b, p. 179.
57 Like their reading of Marx’s letter of 1852.
58 This reminds one of Althusser’s famous expression ‘lecture symptomale’ referring to the ‘existence of two texts’ in a single text – one visible, the other invisible (different from the first) Althusser 1966, pp. 31–2.
antagonistic classes arise: the producers and the appropriators/distributors of surplus. The society in question is thus exploitative and not communist on the authors’ own terms. However, they are internally quite consistent on another point regarding their communism, although their approach differs greatly from Marx’s (and Engels’s). This concerns the question of the existence of surplus (labour) in a classless society. It goes without saying, given the authors’ definitions, that surplus (labour) is invariably associated with class and vice versa: if there is a classless society – which they discount as utopian – it must be without surplus. ‘In a classless society no division between necessary and surplus exists. Hence the production, appropriation, distribution of surplus labour disappear’ (p. 72). However, if ‘in all societies one part of the population [workers] . . . produce a quantity of output . . . which always exceeds the portion returned to this part’ and the ‘surplus’ goes first to the appropriators who then distribute ‘portions of this surplus’ to the rest of society (p. xi; emphasis added), then, classless society does not exist by definition.

The ideas of Marx (and Engels) on this question are very different. From their point of view, that is based on the MCH, whether an association exists between surplus (labour) and class depends entirely on how this surplus is obtained. Only when surplus labour is ‘imposed on and extorted [abgepresst]’ from the immediate producer (the term ‘imposed’ was added in the French version), do we have this association that has been prevalent in human society till now. But, once again, the specific form this association takes depends entirely on the specific mode of extorting this surplus, in other words, on the specificity of the (social) relations of production on which classes are based. We earlier saw that Resnick and Wolff fail to bring the question of relations of production or of the latter’s historical specificity into their surplus-and-class analysis, which is the central aspect of the MCH. Conversely, if the producers themselves collectively dominate the conditions of production (and appropriation) – as is the case with the AMP, which operates ‘under the conscious, planned control of the freely socialised [vergesellschafteter] individuals’ – then the surplus continues to be produced by surplus labour but it is no longer ‘pumped out’ as ‘unpaid surplus labour’ by the non-producers. In this case, we have a surplus without classes. There are numerous texts by Marx (and Engels) that discuss the surplus in the future (after capital), classless society. This is explicit in the Gothakritik’s discussion of the division of the total social product of the (classless) communist society at its ‘lower’ phase into the part satisfying the immediate consumption needs of the producers – corresponding to ‘necessary’ labour – and the part satisfying requirements of enlarged reproduction of the productive apparatus, as well as the provision for society’s insurance funds and for the consumption

60 In the French version ‘freely associated men acting consciously (and as) masters of their own social movement’. Marx 1962a, p. 94; 1965, p. 614.
needs of society’s members who are unable to work. Similar ideas also appear elsewhere.62 Here is a succinct statement from Engels:

A surplus of labour product beyond the cost of subsistence of labour and the formation and extension of society’s production and reserve fund out of this surplus was and is the foundation of all further social, political and intellectual development. Till now in history this fund was the possession [Besitztum] of a privileged class to whose lot also fell, thanks to this possession, the political domination and intellectual leadership. Only the coming social revolution will really make social this production and reserve fund, that is, the entire mass of raw materials, instruments of production and subsistence, by taking away the disposition from the privileged class and transferring it to the whole society as the common property [Gemeingut].63

The most original and innovative part of Class Theory and History concerns the class-based analysis of the Russian (Soviet) household – particularly the emphasis on the basically unchanging situation of the exploitation of women in the Russian households after 1917. We do not know any other work on Russia based on ‘household class structure’ which is so thoroughgoing. For this, Resnick and Wolff deserve high praise. Not even Marx attempted to bring the class analysis right inside the household, although Marx had proposed emancipatory ideas on women – unsurpassed by any other thinker of his time that we know of – based on his severe analysis of women’s oppression/exploitation under patriarchy.64

Consistent with their ideas on class and surplus, the authors of Class Theory and History hold that the Soviet policy proceeded without reference to the direct and often antagonistic class relations between men and women in relation to household production. Quite rightly, they emphasise that, in spite of improvements in several aspects of women’s lives (education, formal equality, and so on), the eventual policy decision affirmed that the best course was to fall back upon ‘the family’. In the end, Soviet policy reinforced the traditional household structures inherited from pre-revolutionary Russia (pp. 188–9, 197).

Though Resnick and Wolff should undoubtedly be praised for bringing to the fore the question of women’s subjection to male domination, their concept of ‘household class (structure)’ still poses a small problem. If, to use a phrase of Marx’s (though he had no concept of ‘household class’), there is the ‘slavery of the family members by the head of the family . . . using and exploiting them’,65 then the non-producing
appropriating-distributing (that is, exploiting) ‘class’ is reduced to the single individual of the household, assuming that each household is an autonomous family unit. In the case of a two-member (male-female) household, each single individual would constitute a class – exploiting or exploited. Only in the case of a single member household combining all the three operations would there be no class. In such a case – an individual constituting a class – the term ‘class’ ceases to mean a collective entity, as it is usually understood (in Latin ‘classis’ is assembly) and has to be redefined.

VI. Aspects of Soviet history

The historical part (Part 3) of *Class Theory and History* is a good, albeit brief account of Russia’s modern history (nineteenth/twentieth-century) based on standard sources that they analyse in their own original and innovative class-theoretical terms. We have nothing to add here. Unable to do justice to their entire analysis, we confine ourselves to a few remarks on some aspects of this analysis. First, whenever the authors speak of the Russian Revolution of 1917, they, following the dominant Soviet historiography, seem basically to mean what occurred in October of that year. This, we submit, amounts to an oversimplification of the revolutionary reality of 1917. There were after all two qualitatively distinct ‘moments’ of the revolutionary process in 1917: February and October. The revolutionary mass upsurge in February sallied forth spontaneously without any organised direction from ‘above’. Initiated by women (to their greater credit) on Women’s Day, the movement was entirely dominated by the toilers of the land and had all the basic characteristics of the great popular revolutions of the past, such as those of 1789–93 and 1871 in France. Targeting mainly the pre-bourgeois social order, this revolutionary upsurge started out as an immense mass movement in an open-ended, plural revolutionary process that had the potential – given appropriate material conditions – to turn into an authentic socialist revolution (in Marx’s sense) had the masses been allowed unfettered freedom – through their self-administering organs – to continue their onward march. The Bolsheviks put a brake on the process, destroyed the democratic part of the revolution – derogatively called by Lenin ‘notorious democratism’ – and accelerated the bourgeois part. We hope that, in a future edition, the authors would bring this great event to the fore.

The authors’ statement that the ‘USSR never attempted, let alone achieved, communism . . . on a society-wide basis’ and that it represented a ‘state form of capitalism’ (p. x) is absolutely true. But this seems to be inconsistent with their subsequent statement that the USSR made the ‘boldest and most successful socialist experiment’ (p. 99; our emphasis). We also read in the book:

The absences of the surplus labour notion of class and of the non-determinist reasoning with most Marxian conceptualizations of socialism and communism... helped to thwart the revolutionary potential of the regimes these movements sometimes created: a possible transition from a capitalist to a communist class structure. (p. 4.)

The reason for the non-advent in Russia of a communist society is, we submit, better explained in terms of the MCH than in terms of any conceptual inadequacy of the notion of surplus labour based class or in terms of a lack of clear reasoning on determinism/non-determinism. Even a 'correct' conceptual perspective about communism (by those engaged in revolution) will not establish a communist society. In spite of all the correct ideas about a 'union of free individuals' and all the will and energy to bring it about, it will not arrive in the absence of the 'material conditions of the emancipation of the proletariat', which are – as the Manifesto affirms – 'the product of history'. This Marx (and Engels) never tired of repeating. Thus in his 'Bakunin Kritik' (1874–5) Marx observed:

A radical social revolution is bound up with certain historical conditions of economic development. The latter are its pre-conditions. . . . Bakunin understands nothing of the social revolution, excepting its political phrases.

For him, its economic conditions do not exist.67

1917 Russia lacked precisely those necessary material conditions, amongst which one must count the small number and cultural backwardness of the 'historical agents' of such a radical transformation – which could only be created by a certain level of capitalist development. While never giving up the ideological discourse that October 1917 had inaugurated a 'socialist' revolution, Lenin, perhaps more than anybody else, soon understood – much to the chagrin of the 'infantile' Left – that given Russia's backwardness, there was no other way to go forward, but to 'catch up and surpass [dognat i peregnat]' the advanced capitalist countries. This demanded the rapid growth of the productive forces and an advanced proletariat, which itself necessitated the development of capitalism in a largely precapitalist country where socialism would be an impossible project for some time to come. Hence the NEP, which, as Resnick and Wolff have correctly observed, was developing capitalism (p. 157).68

The statement that the 'workers largely concurred in celebrating' what they considered 'as a transition from capitalism to communism' (p. 185) should be taken cum grano salis. In fact, only a few months after October (1917), workers' dissatisfaction with the nouveau régime started and grew fairly rapidly with increasing mass protests and demonstrations. 'A third stage began to unfold in the Bolshevik-labour relations leading...
to open conflict, repression and the consolidation of the dictatorship over the proletariat’. The ‘turn of the masses away from the Bolshevics’, as Medvedev calls it, became apparent in the elections to the soviets in spring and summer 1918, where the Bolshevics lost ground. Towards the beginning of 1921, workers’ disenchantment reached high intensity in different urban centres, particularly in Petrograd’s factories, previous strongholds of the Bolshevics. Referring to the situation globally, Deutscher writes that the bulk of the working class, not to speak of the peasantry, unmistakeably turned against the Bolshevics. If the Bolshevics had now permitted free elections to the Soviets, they would almost certainly have been swept from power.

Popular discontent reached its climax in early 1921 in Kronstadt, earlier dubbed by Trotsky as the ‘pride and glory of the revolution’. There, the immense majority of the toilers realised that the nouveau régime, by overturning the promises of October had turned into an oppressor of the labouring people, had created a ‘new serfdom’ and that the country required a ‘régime change’ or what they called a ‘third revolution’. Their movement – falsely dubbed ‘counterrevolutionary’ – was suppressed and drowned in blood. Thus ended the ‘Red Kronstadt’ which ‘had produced a bustling, self governing, egalitarian and highly politicized soviet democracy the like of which had not been seen in Europe since the Paris Commune’.

VII. Conclusion

As we said earlier, the book under review is an unusual work. It is highly original and, to the authors’ credit, extremely challenging. Indeed, the book stands out among the myriad of works on the Soviet question. Going back to the tradition of classical political economy and, to an extent, to Marx’s analysis of class, they have succeeded in giving new meaning to the notion of ‘class’ by firmly connecting it to that of ‘surplus’ (labour) and disconnecting it from the notions of property and power which has been so prominent with most Marxists till now. They have surely to be praised for going against the current.

By introducing the very innovative notion of ‘household class structure’ – which even Marx never attempted to advance – they have brought to the fore the important

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69 Rosenberg 1987, p. 117.
70 Medvedev 1979, pp. 148–9. He also gives some election results.
72 Daniels 1960, p. 144.
73 See Heller and Nekrich 1989, p. 91.
74 Getzler 1983, p. 246. Resnick and Wolff recognise ‘mounting anger and strikes’ of workers, but strictly limit their account to their specific economic demands while referring also to the ‘class crisis of the ancients’ on the question of grain requisition p. 207; our emphasis.
question of women both in their historical analysis of the Soviet class society but also in their purely theoretical analysis of class structure based on surplus.

To them, as to many others, the USSR was a state-capitalist society. But their approach is very different from the rest, precisely because of their very original notion of class based not on property or power – as it is with the other partisans of the state capitalism thesis – but on surplus (labour). However, problems when they lay claim to Marx as their source both of the surplus theory of class and of future communist society. They do no need to claim the authority of Marx. Their work stands alone. It shows strong internal consistency and proves to be a very significant contribution to class theory, and a fruitful application of Soviet history. This highly original and challenging text should be compulsory reading for all serious students of the Soviet question.

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* * *
1. Making state capitalism and communism without knowing it

Resnick and Wolff argue that the USSR was state-capitalist, every bit of the way from 1917 to 1991, because the surplus product was appropriated and distributed by people other than those who produced it.

First, the surplus was concentrated in the hands of Vesenkha, the Supreme Council of National Economy, set up in December 1917. Under the New Economic Policy, from 1921 to 1928–9, it was mostly in the hands of the boards of various industrial trusts; after Stalin’s turn to forced-march industrialisation, in those of the Council of Ministers.

It was not that the Bolsheviks acted as a social élite to do down the workers and cheat them of the fruits of revolution:

We are not arguing that some conspiracy or conscious betrayal blocked the workers from achieving a different, non-capitalist class structure after 1917. The socially prevalent discourses of class revolution at the time focused on property and power distributions. The workers thus largely concurred in celebrating as a transition from capitalism to communism, done in their name, what was actually a transition from private to state capitalism. (p. 165.)

The state officials who now received the surplus are described by Resnick and Wolff as ‘workers’ state officials’ (p. 165), and the new order as ‘a state capitalism with strong welfare and workers’ rights commitments’ (p. 152). But all was limited by ‘the virtually complete absence’ – among both rank-and-file workers and Bolshevik leaders – ‘of a consciousness of class structures – in terms of surplus labour production and distribution’:

Their [the workers’] dominant notion of socialism – socialised property, central planning, workers’ state, and sometimes self-management – left them quite content to deliver their outputs (including the surplus) to a council of ministers comprising state functionaries other than these workers. Exploitation and a state capitalist, not a communist, class structure were thus installed in part by the revolutionary workers themselves – often alongside their self-management. (p. 97.)

Resnick and Wolff cite two reasons for calling the appropriation of surplus in the USSR capitalist rather than any other sort. First, they argue by elimination:

We found neither arguments nor documents indicating that a culture, politics, or economy existed in support of a class structure that differentiated (de jure or de facto) slaves and masters inside Soviet state enterprises...
found no evidence that... the prevalent class structures in the USSR... included slave class structures. (pp. 89, 102.)

Equally, the USSR was not feudal because:

[T]he mass of workers was at least nominally free in the sense of having individual rights – albeit sometimes limited – to choose how, when, and for whom they worked as well as rights to struggle over the modes and remuneration of their work. The socially sanctioned concept of labour understood employer and employee to be contractually engaged in bargained exchanges of equivalents rather than bound by interpersonal relationships as in feudalism. (p. 90.)

Second, and more vaguely, that ‘certain freedom of Soviet workers’ was positive evidence of ‘capitalist class structures’. Resnick and Wolff do not, however, regard wage-labour as the defining core of the capitalist mode of production, citing as counter-example a hypothetical sort of market-communism with wage labour (co-operatives buying labour-power from individuals: p. 60).

Stalinism was neither a counterrevolution (p. 273), nor ‘inscribed in some intrinsic nature attributable to Bolshevism’ (p. 269). It was simply a way of managing the ‘contradictory and contested class structures’ of the USSR, and specifically the contradictions of the New Economic Policy, which eventually proved overwhelming as the state was unable to secure sufficient grain deliveries for the cities.

Alongside the main state-capitalist class structures of war-communist and NEP Russia, there had also been other class structures, notably family-plot peasant production and the old ‘feudal class structures’ within households (man as lord, woman as serf). In the early years of the Revolution, some people tried to establish communist household economies. Resnick and Wolff criticise the Bolsheviks for giving insufficient support to them.

But, according to them, ‘communist class structures’ on a larger, though still subordinate, scale came later – in the collective farms of the 1930s. Resnick and Wolff concede that

accusations ever more dire choked the space of public discourse. The terrors now known as Stalinism engulfed the USSR... Dissent was banned or tightly circumscribed. (pp. 241, 270.)

However, since the ‘farms’ working members... comprised the officially designated collective entity that appropriated and distributed [their] produced surpluses’, they were communist. ‘Collectivization freed masses of farmers from exploitation’.

Just as in 1917, according to Resnick and Wolff, the workers had thought they were making a communist revolution, yet through inadequate theory had made state
capitalism instead, so, now, when the Stalinists were making communist class structures, they did not know they were doing it:

Neither Soviet officials nor collective farmers recognized how processes of producing, appropriating and distributing surplus labour defined communism’s difference from any kind of exploitation. Consequently, whatever potential economic, cultural and political benefits might have accrued from a consciousness of communism in surplus terms were lost. (p. 247.)

After Stalin, the people of the USSR turned to private life and individual making-do. Work rates declined. The USSR state could not mobilise enough surplus product. People became disaffected:

Had Marxian class consciousness and debates over the class analysis of the USSR been major features of Soviet life, [a radical] alternative might have . . . become official policy . . . a serious, society-wide experiment with communist class structures in industry; a return to and reform of communist class structures in agriculture; a renewed interest in and experiment with communist class structures in households. (p. 286.)

However, ‘an officially Marxian society could not deploy a Marxian class analysis to save itself’ (p. 285).

Since everyone saw the alternatives in terms only of collective property and economic planning, on one side, and private enterprises and markets, on the other, the collapse, when it came, was back to private capitalism:

Soviet history starkly exemplifies a global pattern of the twentieth century. The century’s first half displays tendencies of transition from private to state capitalisms. The second half [Resnick and Wolff seem to mean the last quarter – MT] moves in the reverse direction. (p. 310.)

Resnick and Wolff foresee further oscillations between private and state capitalism. The way out is that:

[T]he sort of class analysis of the USSR undertaken here [can] contribute to the realization that communist class structures can and should be tried and tested on a social scale as an alternative to all forms of capitalism. (p. 325.)

II. Argument from legalism and excluded middle

Resnick-Wolff criticise what they believe to have been ‘the pre-1917 consensus that private property’s demise would be capitalism’s demise’ (p. 117).
They are wrong about that. Antonio Labriola, for example, declared:

It is better to use the expression ‘democratic socialisation of the means of production’ than that of ‘collective property’ because the latter implies a certain theoretical error in that, to begin with, it substitutes for the real economic fact a juridical expression and moreover in the mind of more than one it is confused with the increase of monopolies, with the increasing statisation of public utilities and with all the other fantasimagoria of the ever-recurring State socialism, the whole effect of which is to increase the economic means of oppression in the hands of the oppressing class.75

The draft of the German Social Democrats’ authoritative Erfurt Programme of 1891 included a clause stating that:

[T]he Social Democratic Party has nothing in common with what is called State socialism, with the system of exploitation by the State for fiscal aims, a system which substitutes the State for the private entrepreneur and thus unites in a single hand the powers of economic exploitation and political oppression.76

Hostility to ‘state socialism’ was a common theme of pre-1917 Marxism. Russian Marxists would have been least likely of all to confuse state property with socialism, because their agitation had been chiefly about democracy and workers’ control, with scarcely any talk about nationalisation of industry before 1918. Even the demand for nationalisation of land had been resisted by many Russian Marxists on the grounds that it would probably lay a basis for despotism, and defended on the grounds that it was a radical-bourgeois measure which could and would be accompanied by a radical-bourgeois-democratic revolution.

However, both Stalinists on one side, and capitalist ideologues on the other, in much of the twentieth century, surely did identify socialism with state ownership and economic planning, and capitalism with private ownership and the free market. In criticising that dichotomy, Resnick-Wolff are on well-trodden ground. But they approach it by an unusual route.

All the usual critiques they dismiss as being focused on power, on the question of who had power over the officially-collective property. Power, they say, is a tricky thing to define or measure, and most real developments are shaped by all sorts of influences – from above, from below, from various sides – rather than one unambiguous ‘power’ (pp. 119–22). Instead, Resnick-Wolff’s social analysis focuses on the more clear-cut question of who, according to the legal and other institutional definitions, appropriates and distributes the surplus product.

75 Labriola 1908.
76 Marx and Engels 1971, p. 70.
To divorce the question ‘who appropriates’ from ‘who has power’ is, however, to turn it into empty legalism. To appropriate something is to make it your own, to have determining power to dispose of it. If you legally ‘appropriate’ something, yet an overriding power actually determines its disposition, then the ‘appropriation’ is an empty word; if, on the other hand, some committee or council of which you are not a member legally ‘appropriates’ the collective product, yet you have democratic voice in its disposition, then you have the substance of ‘appropriation’ without the legalism.

Using this legalism to analyse the extraordinarily lawless world of Stalin’s Russia leads Resnick-Wolff into a sort of self-refutation by *reductio ad absurdum*. The collective farms were ‘communist class structures’ because, legally, their whole product was the property of the collective? Resnick-Wolff do not dispute that the state’s compulsory requisitions of collective-farm produce squeezed most of the collective farmers so much that only the private plots allowed alongside the collective saved them from starvation (p. 254). Not even the private plots could save large numbers, and they starved to death. The Stalinist state extracted from the collective farmers not only their surplus product, but also a large part of the product necessary for their subsistence.

Resnick-Wolff also do not dispute that the ‘thaw’ after Stalin, which saw more collective farms converted to state farms where the workers received wages, made the remaining collective farms more like state farms (eventually introducing set wage-rates for collective farmers), gave greater scope to individual plots, and eased controls on people moving out of the collective farms, brought significant relief from that horror for the peasants.

Nevertheless, for them, despite all ‘abuse, violence and suffering’, in the 1930s ‘the state’ only ‘exerted power, while the collective produced, appropriated and distributed a surplus’. The collective farms were thus ‘communist class structures’. The changes after Stalin were a backsliding to ‘state capitalist class structures’.

A similar point arises with Resnick-Wolff’s discussion of Russian industry. They see Vesenkha, pre-NEP, as occupying the ‘fundamental state capitalist class position’ because of the legal formalities, not because of any special argument about it having hitherto-unrecognised clout. They do not mention, let alone dispute, the usual account according to which ‘Vesenkha . . . after 1919 ranked as no more than equal among several commissariats concerned with different branches of the economy’. They do not go into the question of whether, in the dire conditions of war communism, Vesenkha was actually able to get into its hands any surplus from industry at all, though standard history records that:

Before 1921 destruction and wear-and-tear of plant and machinery had gone unchecked. Nothing but the most essential repairs could be thought of . . . .

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77 Carr 1966, p. 198.
It was not until 1925–6 that investment in industry effectively overtook depreciation, and that proper accounting processes ... became effective in state industry.78

Nor do they raise the question usually raised by those who see the early Bolshevik régime as ‘state-capitalist’, of whether Vesenkha, or other economic bodies, were under genuine working-class control, or only represented the special interests of an élite. They are happy to call them ‘workers’ state officials’, implying a connection and responsiveness to the working class, but regard the ‘power’ question as altogether secondary to the legalisms of who owned what.

Even in its own idiosyncratic terms, Resnick-Wolff’s argument is weak. To show that the legal separation of owner-of-produce from producer in Russia defined the structure not just as ‘exploitative’ (in their terms) but also as specifically capitalist, they rely mainly on argument-by-elimination that it was neither slave nor feudal.

In their range of alternatives to be eliminated, they exclude, without explanation, the other of what Marx listed as the great modes of production in history so far, the ‘Asiatic’. In fact, they suggest (without committing themselves) that ‘oriental despotism’ may have been a form of communism-combined-with-despotism (pp. 70, 80). They do not consider the argument that the USSR might have generated a new form of exploitation, neither capitalist nor slave nor feudal nor ‘Asiatic’.

They cite Moshe Lewin’s description of collectivisation as a species of renewed serfdom only as an example of the wrongness of ‘power-focused definitions’ (p. 244) without seriously taking account of how the combination of tying peasants to their collective farms and extracting produce and labour from them by overlord force did indeed revive feudal forms of exploitation.

Without even mentioning the Gulag or slave-labour camps, or the overwhelming coercion which reduced most workers to labouring by state decree, they find ‘no evidence’ of ‘slave class structures’ in the USSR. A case can be made, and a convincing one to my mind, that the Stalinist régime’s failure to establish comprehensive slave-labour structures in the 1930s – its inability to establish systematic direction of labour; its failure to stop very extensive movement of workers from one enterprise to another, seeking less intolerable conditions; its incapacity to put the subsistence of the working class on a basis of rations doled out by the state – and the later drift of the Stalinist economy to more ‘normal’ wage-labour patterns (workers selling their labour-power for wages, buying their means of subsistence on the market), demonstrates the inability of Stalinism to break out of the historical limits of the capitalist epoch. But to deny the huge Stalinist state effort to reduce the USSR’s workers to outright slavery, and its measure of success for a long period, is quite another matter.

III. Postmodern Marxism?

In Resnick-Wolff’s account, decisive to putting or keeping the USSR on a state-capitalist course in 1917, in the collectivisation crisis after 1929, or in the period of slowdown and floundering from the 1960s, was, at each point, the fact that the population, leaders and ordinary citizens alike, lacked the special understanding of what is communism and what is state capitalism that the professors’ ‘class analytics’ could have given them. If the professors had been on hand, and listened to with proper attention, then the USSR could have gone communist. In short, the twentieth century went badly, was an age of non-extremes or falsely limited extremes, oscillating only between private capitalism and state capitalism, because no-one understood the communist alternative to capitalism as only Resnick-Wolff can explain it.

Resnick-Wolff concede, indeed boast, that theirs is an unusual Marxism. They stress the concept of ‘overdetermination’, which they get from Louis Althusser but interpret thus:79

The goal of social analysis is not to find the key, determinant cause or causes that ‘explain’ social structures or historical change. . . . We affirm instead the Marxian notion of ‘overdetermination’: the proposition that all aspects of society condition and shape one another. (p. 9.)

That ‘all aspects of society condition and shape one another’ is a ‘Marxian notion’? Rather, a banal truism. Science begins only at the point where we start to identify some aspect – or some dynamic of which those ‘aspects’ are aspects – as a central driving force.

But, for Resnick-Wolff, not even their ‘class analytics’ are ‘determinant’ or ‘essential’:

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79 The interpretation is an example of what Peter Thomas calls ‘the unravelling of the Althusserian paradigm, often in the direction of abandoning the claim of the economy’s role in determining the dominant element of any particular formation, and . . . the elimination of the adjective in the phrase “relative autonomy” to produce the “pluralism” Althusser explicitly repudiated’ (Thomas 2002, p. 103). I doubt that Althusser’s article on ‘Contradiction and Overdetermination’, with its reverent references to Mao and to the texts of the ‘Communist leader’ Stalin, ‘excellent in many respects’, is the best place to seek advice on method as regards understanding Stalinism. But, in any case, its argument that basic contradictions and causes always work in combination with others is not at all the same as a know-nothing eclecticism which rejects a search for causes in the name of the commonplace that everything influences everything else. The basic contradiction dominating the period . . . is active in all these “contradictions” and even in their “fusion”. But strictly speaking, it cannot be claimed that these contradictions and their fusion are merely the pure phenomena of the general contradiction. ‘The Capital-Labour contradiction is never simple, but always specified by the historically concrete forms and circumstances in which it is exercised . . . the apparently simple contradiction is always overdetermined’. ‘The economic dialectic is never active in the pure state; in History, these instances, the superstructures, etc., are never seen to step respectfully aside when their work is done or, when the Time comes, as his pure phenomena, to scatter before His Majesty the Economy as he strides along the royal road of the Dialectic. From the first moment to the last, the lonely hour of the “last instance” never comes’. (Althusser 1969, pp. 94, 101–100, 106, 113.) The argument here is not that the capital-labour contradiction is merely one of a vast number of aspects, all indifferently influential on each other, but that it always works itself out in combination with other, less basic, contradictions: there is no ‘last instance’ when history is simply or purely the result of that basic contradiction.
Our analysis... is... *not* asserting that class is what determined the rise and fall of the USSR. Ours is not a determinist class analysis intended to confront alternative analyses arguing that what determined Soviet history was politics, bureaucracy, technical productivity, or any other essentialized cause. Instead, we produce a class analysis of communism and the USSR to draw attention to aspects that other analyses overlooked and to relationships that they missed. (p. 9.)

Everything is relative, nothing is definite. In the vacuum of science thus created, naturally explanation regresses to the most naïve form – things went wrong because people had the wrong ideas.

Resnick-Wolff ‘class analysis’ is very different from class analysis in any ordinary idiom. It has essentially nothing to do with any form of analysing social development in terms of the interests and conflicts of large groups of people pitted against each other by their different positions in the social structure.

‘Class structure’, in their idiom, is a technical description of any economic unit, from an individual self-sufficient household to a large industrial complex. At one point, they claim that ‘fundamental class struggles occurred within the same person’ in the case of independent peasant cultivators who had property rights over their whole produce, and explain in a footnote that for them:

> The term [class struggle] refers to the object of the struggle, not to the individual or groups of individuals struggling. It is class struggle when the objects are the production, appropriation, and distribution of surplus labour; non-class struggles are conflicts over other aspects of society. (pp. 144, 155.)

In other words, a conflict within one individual’s psyche, between different economic impulses, is a class struggle. A large economically-based conflict between workers and bosses – if they mentioned such a thing, which they do not – might well be ‘non-class’.

**IV. Theory without class or history?**

The ‘state capitalists’ and the other critical Marxists who defied the hypnosis of Stalinist success in its decades of plausibility certainly deserve to have further work done on their ideas.

Since 1991, no-one much considers Stalinism as a working model for a good society. Yet various forms of ideological indulgence towards Stalinism are still widespread on the Left; sharp Marxist critique is far from being so thoroughly assimilated that it can be taken for granted. Resnick-Wolff’s opinion that even Khrushchev or Brezhnev, given only sufficient Resnick-Wolff seminars, could have launched ‘communist class
structures’, is one (even with their radical anti-determinism, would Resnick-Wolff say the same of Blair? Or Schröder?). Another, more insidious, is the widespread assent to Eric Hobsbawm’s idea that the ‘short twentieth century’, opened by 1914 and closed by 1991, made a single, coherent ‘Age of Extremes’. Not all those who have adopted this suggestion follow Hobsbawm’s conclusion that the working-class revolutionary socialism of 1914 must now be seen as a pathology, understandable and admirable in its way, of a bygone age. But it is hard to see how Hobsbawm’s conception can be adopted without in some way or another seeing the whole USSR, from 1917 to 1991, as a commendable attempt at an emancipatory ‘extreme’; or without seeing today as an age of less-extremes, in which milder, less brash forms of emancipatory struggle are called for.

Moreover, under the labels ‘state capitalism’, ‘bureaucratic collectivism’, and so on, the critical Marxists produced a vast variety of conflicting theories. All the theorists felt obliged not only to indict the Stalinist autocracies’ plunder and despotism, but also to place them in the general movement of history. With the overview we now have, since 1991, we can see that most of the theories placed it wrong. A settled critical synthesis has yet to be produced.

If Resnick-Wolff’s book helps in this, it will only be by negative example. They continue a line of argument which has gained strength in recent years, which characterises the USSR as ‘state-capitalist’ or similar in order to define it away, rather than to understand and indict the betrayals and catastrophes which led to a great workers’ revolution, in 1917, producing such grim results. Resnick-Wolff’s account includes no triumphs and no catastrophes; no heroes and no traitors; no glories and no crimes. The ‘Age of Extremes’ dwindles into an age of misunderstandings.

The starting point of Marxist critiques of the USSR in all earlier times was that the Russian workers did make a great revolution in 1917; that the building of communism after a workers’ revolution, though a long, difficult, and necessarily deliberate task, was not a matter of special ingenious theories such as might be proposed in one university or another, but of ‘setting free the elements of the new society with which old collapsing bourgeois society itself is pregnant’;80 that those elements existed on an international scale, so that it was never possible to build socialism in one country, let alone in capitalistically underdeveloped Russia; that it was possible, however, to make a bridgehead there for international revolution; that at some point, through some defeat in struggle between the working class or those loyal to it and a bureaucracy separating off in the harsh conditions generated by the attempt to hold an isolated bridgehead, the revolution collapsed into counterrevolution.

80 Marx 1966, p. 73.
Even the serious social-democratic enemies of Bolshevism – people like Karl Kautsky – essentially shared most of those starting points. They held only that the defeat was more or less instantaneous and automatic, because the international revolution was never an immediate prospect, and forcing the pace produced immediate disaster.

Resnick-Wolff’s radical anti-determinism wipes away all these issues. They raise no doubts about the authentically working-class nature of the 1917 revolution, but, in their account, it flowed over into state capitalism smoothly, without any question of betrayal. There was no problem of material preparedness for communism: viable ‘communist class structures’ could have sprouted in the households of ruined Civil-War Russia, or in the devastated countryside of Stalin’s forced collectivisation drive of the 1930s, given only good ‘class analytics’. There is no question of the place of the USSR in history, because nothing has a determinate place in history; in fact, in the sense of a process with systematic causal linkages, there is no history to have a place in.

V. Both state-capitalist and socialist?

In Resnick-Wolff’s account, there is no defeat in struggle; almost everything happens in the passive voice (‘the conflict was resolved by . . .’) or by the working of some abstraction (‘the state-capitalist class structure . . .’). Sometimes they cite ‘the state’ or ‘Soviet leaders’ as the agent of policy, but, even then, the policy is described without reference to any sectional class-against-class motivation. Thus, for example, they report, with studied neutrality, that ‘managing the contradictory and contested class structures of the 1930s led Stalin’s state apparatus to perform a set of nonclass processes expanding itself into . . . a massive state bureaucracy’ (p. 269).

In the days when the USSR still appeared to flourish, calling it ‘state-capitalist’, even if an unsatisfactory theoretical argument underpinned the label, usually at least indicated a militant hostility to the bureaucrats. Resnick-Wolff’s book shows that it is no longer so. Resnick-Wolff consider Stalinism deficient and unsatisfactory – who, these days, would dare to argue otherwise? – but they take the work of researchers who have shown the conflicts, slippages, divergences, abilities to mobilise selective mass enthusiasm and inabilities to overcome effective mute resistances which existed in the apparently monolithic top-down Stalinist state – as indeed they did exist – and use it to blur and soften their picture of the Stalinist terror. They claim that ‘the terrors . . . never fully silenced the longstanding Bolshevik tradition of questioning, criticizing . . . ; that in the 1930s industrial workers were ‘to a degree, gaining increased control over aspects of their factory life’; that ‘the new industrial labour force basically supported Stalin and his policies’; that ‘the Soviet Communist Party and media proved themselves responsive, more or less, to the workers’ concerns’; and so on (pp. 241, 243, 263, 265). A crisp one-sentence reply is provided by the Russian war correspondent
Vasily Grossman’s notebook for 26 April 1945. Grossman was at a meeting between municipal officials of parts of Berlin controlled by the Russian Army, and Berzarin, the Russian military administrator. One municipal official, told to organise working parties to clear streets of rubble, asked how much they would be paid. Grossman was taken aback: ‘Everyone here certainly seems to have a very strong idea of their rights’, he commented, wonderingly.81 Such was the measure of things given to Grossman by his experiences in the high-Stalinist USSR that Berliners who had lived twelve years under Nazi rule, and now fearfully dealt with their military conquerors, seemed to him people ‘with a very strong idea of their rights’.

For Resnick-Wolff, to describe the USSR as ‘state-capitalist’ is compatible with simultaneously calling it ‘socialist’, since they define ‘socialism’, in contradistinction to ‘communism’, as more benign capitalism (pp. 253, 276). I think they mean also to suggest that the USSR was a ‘dictatorship of the proletariat’, only a ‘socialist’ and not a ‘communist’ one (p. 77). They regard the USSR’s official Marxism as inadequate, but evidently an authentic Marxism, no more inadequate than many another un-Resnick/Wolff-ed Marxism. Their models of ‘communism’, in the first part of the book, are various, but many include, as a part of their structure which Resnick-Wolff present as normal, ‘a communist party’ (one party only) whose job it is to secure the population’s acquiescence to the ‘communist’ rules.

The first third of Resnick-Wolff’s book is not about the USSR at all, but a disquisition on defining ‘communism’. Presumably in order to emphasise their distance from all ‘determinism’ and ‘essentialism’, Resnick-Wolff construct a huge variety of models of ‘communism’ (defined as structures where the producers themselves ‘appropriate and distribute’ the surplus). ‘Communism’, in their definitions, is compatible with private ownership of the means of production, competitive markets, large economic inequalities, and ‘clearly despotic’ political forms. ‘Capitalism’, on the other hand, can coexist with collectivised property, democracy, workers’ self-management, or state economic planning.

The political conclusion seems to be the very ‘anti-determinist’ one that, if we want communism, common ownership, democracy, planning, and equality, then we must struggle for each of them separately. ‘Achieving any subset does not guarantee achieving the rest’ (p. 12).

This scheme is plainly incompatible with any notion of ‘communism’, and the other social objectives mentioned, being the organic expression of the self-emancipatory movement of the working class. ‘Communism’, and all the other objectives, are simply a range of desirable ideas, to be achieved separately, in a range of ‘non-determinist’ ways.

All very ‘postmodern’. But when Resnick-Wolff have done their work on the concept of ‘communism’, it becomes not at all clear why any person of an emancipatory bent should think ‘communism’ more desirable than ‘capitalism’, or why discussing the USSR (or structures within it) in terms of whether they were ‘communist’ or ‘capitalist’ is any more than an exercise in obscure technical labelling. It is not clear, at least to me, why Resnick-Wolff should consider supposed elements of ‘communist class structure’ which existed in the USSR but failed for lack of the nurturing which Resnick-Wolff ‘class analytics’ would have inspired – households in the early days, collective farms in the 1930s – as more significant for emancipation than collectivist units in ordinary capitalist society, kibbutzim, co-operatives, computer freeware-developing communities; or whether Resnick-Wolff consider state capitalism generally a better deal (more conducive to ‘communist class structures’) than private capitalism.

The book teaches us not so much about the USSR as about Resnick-Wolff’s special definition of ‘communism’. And, to my mind, the last two-thirds of the book serve more as a proof by example of the inadequacy of that definition than as an illumination of the USSR.

References
Guglielmo Carchedi offers his readers one of the few serious analyses of the political economy of the European Community available today. Together with Peter Gowan’s dissection of finance capital in the post-Cold-War USA,\(^1\) it is indispensable for anyone who wants to understand the twin poles of the new imperialism.

Carchedi seeks to explain the European Union (EU) as a project whose aim is to re-organise and re-establish European domination over the extraction of surplus-value from the Third World in the face of a new and unilateral US ascendancy, overcoming the weaknesses of the individual nations which make it up by forming a political and economic bloc on a continental scale comparable with the size of the USA.

A testimony to the book’s acuity is that although published five years ago, it addresses issues now at the forefront of debate on Europe: the response to the US’s world offensive; the world political economy of the euro; trade relations with the Third World; expansion to the East; and socially dissolute yet seemingly permanent levels of unemployment.

This strength comes from the combination of three elements. The book contains a wealth of factual detail. It offers a thorough critique of the economic theories of trade, exchange and money that are usually invoked to explain European Union. And it provides an alternative account, rooted in a non-equilibrium value analysis of technological change, monetary policy and the role of state institutions.

Weaknesses are inevitable in such an ambitious project, and reflect the depth of the problems, which value theory is capable of tackling, after fifty years of more or less barren theoretical development, once non-equilibrium approaches are brought into play.

**Non-equilibrium value theory: a decisive innovation**

Carchedi’s decisive innovation, in comparison with all works on Europe and most works on value theory, is that he analyses Europe within the perspective of the temporal

\(^{1}\) Gowan 2002.
(non-equilibrium) interpretation of Marx’s value theory, generally known as the TSSI.\(^2\)

Value theory – the core of Marx’s historical materialism, to which he devoted the great bulk of his work – has for decades languished in a kind of cross between Limbo and Purgatory, which Marxists out of polite loyalty never quite finally consign to the flames, but cannot regard as in the least bit interesting or valid, and above all, can never put to any practical use.

This is entirely due to catastrophic weaknesses in the dominant presentation of this theory, which interprets it as a variant of neoliberal general equilibrium theory. If Marx’s theory is interpreted in this way, it contains unresolvable inconsistencies, which have lead most intelligent observers to reject and ignore Marx’s contribution, having wrongly ascribed this false interpretation of Marx’s theory to Marx himself.\(^3\)

The TSSI school evolved when researchers worldwide independently discovered that, provided Marx was not understood as an equilibrium theorist, all these inconsistencies went away. They began to work together, forming the International Working Group on Value Theory (IWGVT) and held annual conferences at which, over ten years, more than 140 papers on value theory were discussed, forming a substantial and solid corpus of evidence that ‘another Marx is possible’.

There is a further consequence of this body of work, which makes Carchedi’s book especially relevant. Marx’s theory, within the dominant interpretation, is frankly useless for explaining anything important that happens in the market. This is why so few people show any great inclination to apply it to understanding the world today. This might not be a problem if there were superior theories around. Unfortunately, there are not. The temporal interpretation of Marx’s value theory, applied by Carchedi in this book, thus, provides the only theoretical framework now in existence capable of explaining what is actually going on in Europe, in particular because of its ability to explain two decisive phenomena, which shape the process of European integration, and the relation of Europe to the rest of the world:

1. Superprofits, or the transfer of value between technically advanced and technically backward capitals arising from differences in productivity.
2. Transfers of value between financial and industrial capital, arising from the operation of financial markets, from the course of the business cycle, and from the way in which currencies and exchange rates are managed.

None of these phenomena are satisfactorily explained by neoclassical economics which, since it is also rooted in the equilibrium paradigm, is equally thwarted by this limitation in its attempts to most of what is observed in the real world.

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\(^2\) For detailed exposition of the Temporal Single System Interpretation (TSSI) of Marx’s value theory see Freeman and Carchedi 1995; Freeman, Kliman and Wells 2003, and the website of the International Working Group on Value Theory (IWGVT) at <www.iwgvt.org>.

\(^3\) For example, Brenner 2002.
They are, however, perfectly and scientifically explicable using temporal value analysis, and may very well be the only way to understand what Europe is really about. This approach to Marx’s value theory is, therefore, not a minor act of obeisance or restitution; it is indispensable to the task that Carchedi undertakes, which is the concrete explanation of European institutions and how they have been shaped by the market.

**Politics and the market**

Carchedi’s starting point is empirical. The first section deals with the history of European institutions and the process of its enlargement, with special attention to the EU’s *Ostpolitik* and its complex relations with Britain. Carchedi offers a detailed description of the EU’s precursor, the European Economic Community (EEC), in its origin a free-trade zone, and traces how it evolved into its modern form. Central to his account is the detailed description of the EU’s monetary and financial institutions – not least the European Investment Bank (EIB), which claims, probably justly, to be the largest single financial institution in the world.

This empirical starting point is essential to the book. However, such a starting point can be found, perhaps not presented so clearly, in any contemporary scholarly work on the EU. Carchedi’s work is distinguished by its theoretical framework. The elements mentioned above are integrated into a work of value-based political economy, a rare breed of writing these days.

The function of any work of critical political economy is to lay bare social and political relations that are disguised, by the working of the market, as economic relations. The problem is that orthodox economic theory is instrumental in this disguise, where it should be corrosive of it. It participates in, and even glorifies, commodity fetishism and alienation, theorising them into a logically perfect system in which the ‘economy’ consists of exchanges between physical objects, quite independent of the relations between the humans who produce and consume them. ‘Society’, then, appears as an irksome intrusion, instead of the real subject, which uses and produces these physical objects.

In consequence, orthodoxy commits an interlinked series of mistakes arising from its most basic assumption, equilibrium. Moreover, all those heterodoxies which share this assumption, notably the dominant interpretation of Marx, at worst commit the same mistakes, and at best, find themselves unable to articulate an alternative.

The idea of equilibrium, expressed non-mathematically, asserts that we can analyse the market as if it could reproduce itself perfectly, and without change, provided only that the ‘correct’ levels of unemployment, interest, and wages, were allowed to occur.

This idea is most evident in neoliberal policy prescriptions, which dictate that the best thing to do is to let the market take its course. However, neoliberal economics is
not a straight ‘lie’. It is also an attempt, however inadequate, to understand the world. It does not assert that the world actually is in equilibrium or even that it can attain equilibrium. It asserts something much more subtle – that we can understand what we actually, empirically, find in the market by treating it as a deviation from equilibrium.

The difference between neoliberal theory and Carchedi’s approach lies, therefore, in the causes they attribute to the evident fact that the market does not behave as neoliberal theory predicts. Within neoliberal theory, any failure of the market to deliver the behaviour expected of it is attributed to a non-economic external intervention. Since it conceives of the market as perfect, when the market is otherwise, it has to attribute this difference to something external.4

This ‘something external’ is politics. For all equilibrium-based theory, the way to understand what the economy is doing at any point in time, is to study how society’s institutions and political interventions condition, restrain and distort its supposed ‘natural’ functioning. Governments may of course opt for such interventions – witness the EU’s huge agricultural subsidies – but this is presented by standard equilibrium theory as a sacrifice of economic optimality for regrettably non-economic goals such as protecting farmer’s incomes. Orthodoxy, therefore, quantifies the impact of such interventions by measuring their departure from a hypothetical optimum.

In other words, for neoliberalism, politics explains what the market really does; for Carchedi, the market explains what politicians really do.

Carchedi seeks to explain what the market does as a consequence of its own internal workings. He does not see political intervention as arising to restore or interfere with the market for non-economic reasons, but to hold together the political and social order in the face of the recurrent havoc which the market plays with it, and to extract, for whichever classes hegemonise the political order, differential benefits with respect to all other classes and class fractions of society.

Carchedi shows how these benefits may be quantified. For him, the agents of this intervention are not Weberian technicians or functionaries outside the market; they are social classes and fractions of social classes, or their servants, which the market brings into being: wage-labourers, industrialists, bankers, farmers, and so on. For orthodox economic theory, in contrast, public servants merely apply its technical methods, which form a perfectly logical system if the initial premise is accepted, quantify the economic consequences of what politicians do and decide, allegedly objectively, between alternative policies.

For Carchedi, when state institutions take a decision such as the creation of a strong euro or the provision of agricultural support, what this really represents is that a

4 As John Weeks has noted, this is like thinking of a horse as an imperfect unicorn. A surprising amount of economic theory is devoted to solving questions equivalent to ‘how can I get my horse’s horn back?’.
coalition of various class forces, which will secure special benefits from the policy, has come together and secured support for it.

**Class and value**

We can illustrate this point from Carchedi’s own book. Simplistically put, for example, the EC’s Common Agricultural Policy (CAP) represented a coalition of small farmers who sought to defend their incomes, agribusiness seeking to organise its supply chain, and capital from exporting sectors seeking subsidies to protect their domestic markets from competition from the world market.

This method does not stop with policies like the CAP that appear as a ‘deviation’ from equilibrium. Carchedi seeks to show that it applies also to those policies which claim to restore this equilibrium, and thus, that the real content of neoliberal policy is not the neutral one of promoting the general public good, but the private interest of specific classes, which orthodox theory successfully presents as if they were merely neutral technical formulae.

He sees the policy of a strong euro, for example, as arising from a coalition of finance capital seeking to challenge US hegemony on world financial markets, and large capital seeking to use unemployment to discipline organised and undefeated labour forces. It actually sacrifices a great deal of social optimality, since it keeps fifteen million people out of work. It is not, however, presented in this way, as a social choice between full employment and world-financial status – at least not by the economists, although politicians and journalists generally get the idea. Within formal theory, the policies of the European Central Bank and of the Treaty of Maastricht are presented as dictated by the requirement of price stability.

Value analysis is central to Carchedi’s project. He seeks to quantify the economic consequence of policy measures in terms of the losses and gains to each class or class fraction. This is difficult to do when value is conceived as a mere physical quantity of ‘real output’, an approach that introduces many very intractable distortions, as economists themselves recognise. The best way to overcome this is to convert money quantities, not into magnitudes of physical product, but magnitudes of social labour, since this allows us to compare the social consequences of the market in different parts of the world (where the ‘physical product’ varies enormously from place to place), and for different classes (who use this ‘physical product’ for completely different purposes).

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5 The power of small agricultural producers within many countries was unrepresentative of their numbers, because of their ability to mediate in disputes between labour and capital, and because they provided, as Carchedi notes, a reservoir of right-wing votes, particularly, during the Cold War. Thus, in Germany, a decisive role was played by the small CSU party, traditionally, the part of small capital and farmers, because it could shape the coalitions that the CDU and SPD were able to enter into.
However, until now, economics – led, unfortunately, by the Marxists – has declared this logically impossible and, indeed, almost heretical. Thinkers in the TSSI school have, however, not only shown this project to be completely logically consistent but have exhibited the results for the US and world economy.

Unfortunately, the resources devoted to such approaches are extremely small, precisely because of the theoretical threat which it poses to orthodox thinking. Carchedi, in common with many empirical Marxists, is therefore obliged to quantify value transfers directly in money, which is a measure of value that fluctuates according to extraneous factors such as exchange rates, interest-rate policies, and financial markets. This represents the limits of what is possible, until and unless real resources are released to convert these magnitudes into labour hours.

Carchedi, therefore, demonstrates these value transfers theoretically in terms of labour values, and empirically in monetary terms. This is a significant achievement, not to be underrated. It emphasises the need to unblock what is effectively an organised censorship of the non-equilibrium value approach, explained in terms of alleged ‘logical inconsistencies’ in Marx’s value approach that do not in fact exist.

**In what sense is equilibrium economics ‘wrong’?**

Carchedi’s book has a weakness, which the TSSI in general is attempting to address in its wider critiques of the functioning of political economy. The problem can be expressed as follows: does the ideologic character of the neoliberal view make it a simple lie, a simple error? If so, then, it is hard to explain how neoliberalism – or, for that matter, Keynesianism – has been able to generate institutions that reproduce it. I have elsewhere used the word ‘ideologic’ to express the contradictory, two-faced nature of what is essentially a theological account. Carchedi touches on this issue on pages 54–6 in his critique of the neoclassical demand curve but does not expand this critique to the whole of equilibrium theory.

A good analogy is the Ptolemaic theory that the earth is the centre of the universe. On the one hand it is, not to put too fine a point on it, barmy. Today not even the most ardent Mid-American creationist defends it. But it is all too easy to forget that using it, astronomers for nearly two thousand years made very accurate calculations of the positions of the stars and planets, eclipses, and not least, the dates of the key events of the seasons. It is very probable that if today it were compared with Galileo’s theory using standard econometric analysis, it would be found superior. If we wish to understand it, we cannot characterise it as ‘simply false’ in the sense of flying in the face of all observation. The key is to realise that it was not chosen for its ability to predict reality at all, although it would have been unusable unless it could, at least,

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6 However, modernity is full of surprises.
make a stab at it. It was chosen to make sense of the social order, to justify the ‘divine’
rights of kings, bishops, emperors and popes. It was a crazy theory but it was what
made government possible. So it is with neoliberal economics.

Carchedi tends to offer a straight unmediated contrast between two extreme forms
of appearance of the same underlying reality: between false neoliberal theory and
valid non-equilibrium value theory. If European states were so mesmerised by false
visions that they could not understand the most basic things about the world around
them, then, it is hard to understand how and why the project of European Union has
succeeded, let alone it achieves the technical complexities of the CAP and euro projects.

I think it is insufficient to make a simple confrontation, which Carchedi does, between
a valid, non-equilibrium value-theoretic approach, and ‘false’ neoliberal or Keynesian
approaches. Equilibrium analysis allows the governing classes, élites and functionaries
to make judgements adequate to resolve a number of key problems – not least to
continue governing. Neoliberalism is a conscious ideological reaction, a return to an
earlier and less competent view of the market than, for example, Keynesian analysis.
It is, however, a successful ideological reaction, and we forget this at our peril.

The real problem is, thus, to explain what role neoliberal theory actually does play
in the organisation of institutions such as the European Union, which, if one analyses
them objectively, run in key senses counter to the doctrinal provisions of this theory.

The EU’s shifting and complex policies are generally presented in terms of neoliberal
or orthodox equilibrium theory. Therefore, to understand these policies, one has to
get behind the language in which they are described, often couched in terms of ideal
conditions of trade and exchange which, were they ever to exist, would instantly be
torn apart by the very workings of the market. One has to ‘invert’ this language to
find what it really means.

Carchedi shows that, if one confronts EU trade legislation objectively, it promotes
the contrary of its own claims. Its goal is declared to be the creation of a free market
in capital, goods and labour. However, first, even within the EU, there are key institutions
and policies which are not explicable in terms of this drive. The agricultural policy,
the role of the EIB, the social fund – all these are directed not at establishing the
market against society’s resistance, but at overcoming the natural divergence that the
market produces, in order to bring about political and social integration and create a
United Europe.

But, even more significantly, whilst the general thrust of European trade policy is
to provide for free movement within the EU, the sharpest contrast is between this
internal policy and its external policy. What we actually find in the EU is ‘free trade
within, protection without’. But, as a result, the whole context of the ‘free market’
within Europe is not any kind of natural or unconstrained equilibrium at all; it is a
constructed relation to the world market. It exists within a context; and this context
is that the euro, the EU’s trade relations with the world, and Europe’s system of
internal subsidies and transfers, have been used to create a club of privileged members. The European free market is no more than a system for distributing their privileges.

Between the EU and the rest of the world, the legislation consciously promotes all manner of protection and special agreements: massively subsidised agriculture; asymmetrical trade arrangements with the Third World; and the very conscious political goal of converting the euro into an alternative world currency to the dollar.

If the real goal of European policymakers were to implement neoliberal theory worldwide, they would drop agricultural subsidies, provide free access for Third-World producers to their internal markets, and lower interest rates to world levels equal to or lower than the equivalent dollar rate. The problem is, on the one hand, to understand what these policies really seek to achieve, but also to understand how its ‘hidden goals’ can be formulated at all, within a theoretical framework which, at least nominally, treats them as contrary to nature.

The key to this puzzle, as in general with understanding the constitution of the nation-state, is thus the contrast between internal and external policies. What neoliberal economics actually defines is a system of distribution, not a system of production. The key to understanding reality is to ask one simple question: what does it distribute? To this, Carchedi has an answer: plunder.

Why the euro?

Carchedi begins from the world economy, not from the idealised free-trade zone of orthodox theory, which writes as if nowhere outside Europe existed. His objective is in the first instance to understand the relation between Europe and the rest of the world, and, in particular, the USA and the Third World.

He succinctly demonstrates the inadequacy of existing formal theory in a critique of the modern theory of trade and money, the twin pillars of the theory of modern neoliberalism, which underpin standard approaches to European Union. The second section of his book is devoted to a basic critique of Ricardian trade theory and its successors, followed by a critique of the exchange-rate theory that is based on this trade theory.

Starting from this critique, he proceeds to show that the fundamental reason for the failure of both is not the failure of the market but its working – in particular, its continued tendency towards uneven development. This acts systematically to transfer value from those lands and regions of average or below-average productivity to those parts in which innovation has created higher than average productivity. This wholly dynamic effect completely negates and overrides any tendency towards convergence of high- and low-productivity regions and nations, because it provides the advanced parts of the world with a much higher share of world surplus-value than their
competitors, providing a positive feedback loop which enables them to reinforce and augment their productivity advantage.

Political intervention is needed to offset this natural tendency; within the EU to raise the previously backward regions to the level of the most advanced and externally to construct a bloc capable of competing with the US through control of specific areas of the Third World in which European capital seeks hegemony.

It is a great achievement of the book to revive the forgotten but valid concept of unequal exchange, situating it in the non-equilibrium framework, without which it cannot be rendered rigorous. This places the theory in a new position. Dependency theorists of the 1960s and 1970s tended to explain unequal exchange either as, in some sense, a result of unfair conditions external to the market such as non-capitalist sectors, or as an outcome of the equalisation of the profit rate, assuming – as is the case with all equilibrium theory – that this can be treated as an actually realised fact. Marx held no such prejudice, speaking of the equalisation of profit rates as a rule recognised only in the breach: ‘But this constant tendency to equilibrium, of the various spheres of production, is exercised only in the shape of a reaction against the constant upsetting of this equilibrium.’

In a non-equilibrium framework, Carchedi is able to show how that unequal exchange is indeed a product of the market itself, as a simple consequence of the way it organises the diffusion of technology and the acceleration of technological differences worldwide. And he is able to show that it arises not from the equalisation of the profit rate but precisely because profit rates do not in fact equalise.

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7 For example, Amin 1974, p. 169: ‘The capitalist mode of production possesses three means of checking the tendency of the rate of profit to fall... the second means, which is of special interest to us here, is spreading the capitalist mode of production to new regions where the rate of surplus value is higher, and from which it is therefore possible to obtain a superprofit through unequal exchange – in other words, by methods belonging to the category of primitive accumulation and not to that of expanded reproduction in the true sense.’ Thirty years on, dependency and unequal exchange are every bit as much with us – not in ‘new’ sites of ‘primitive’ accumulation but precisely in a world fully penetrated and dominated by the ‘expanded reproduction in the true sense’.

8 See, for example, Emmanuel 1972. Emmanuel argues that wages, and thus costs of production, are high in the Developed Countries (DCs) and low in the Less Developed Countries (LDCs). If rates of profit are equal, prices will likewise be high in the DCs and low in the LDCs. He develops his theory of unequal exchange from the effect that these two phenomena have on export earnings.

The difficulty is quite simple: it contains no explanation of why these phenomena persist. If profit rates really are equal, then, the LDCs should have at their disposal a substantial investible surplus with which to set right their condition, and indeed, their low wages should make it easier. The flaw is quite straightforward: rates of profit are not equal in the LDCs and the DCs. The DCs are actually the site in which virtually all advanced technology is developed and applied, giving the companies that undertake these activities a permanent and inbuilt profit differential which never goes away, since the extra profit they make from their technical advantage is re-invested to maintain this advantage. The high wages in the DCs are thus a consequence of these high-profit centres, that is, they arise not at all from the equalisation of the profit rate but precisely from its failure to equalise. Wages are low in the LDCs because there is an absolute lack of value available for revenues of any kind, whether wages or profits, not because the value is produced, and then ‘stolen’, by some mechanism external to the market.

The appropriation of surplus profits through exchanges between unequally productive producers, Carchedi shows, acts as the principal source of accumulation in Europe. The real secret of capital in Europe is that it organises to maintain and intensify all political factors, which defend and extend its relation to the capital-starved poor majority of the world. This is at the heart of his account of European trade policy.

His treatment of European monetary policy then develops out of this – a second significant theoretical achievement of the book. He demonstrates the magnitude of seigniorage – a further mechanism of value transfer that arises from a basic asymmetry of trade, namely, it takes place in the currency of one particular country, the commercially and financially dominant country.

The products of the USA do not exchange ‘equally’ with those of the rest of the world as if, in Ricardo’s treatment, money did not count for anything and US computers were simply exchanged against Latin-American coffee. Latin America receives dollars for its coffee, and pays dollars for its computers. The USA extracts, as Carchedi remorselessly documents, enormous and significantly underestimated advantages from this arrangement. Not least, as we now see, it has the advantage that, having obliged the surplus countries of China, Japan, and Germany to finance its rapacious deficit with their surplus dollars, it can now devalue their holdings at a stroke, simply by devaluing the dollar by 30, 40 or 50 per cent.

Carchedi shows that static, equilibrium treatments of seigniorage greatly underestimate its extent. The attempt to offset the advantages which the USA can achieve by wiping out up to 50 per cent of its huge debts – a dynamic effect not visible within an equilibrium framework – are the only reasonable explanation for the fact that the European policymakers are prepared to run the nearly suicidal risk of maintaining an economy of permanent underemployment, in order precisely to attempt to supplant the dollar with the euro, in a decisive section of the world economy.

This sheds an entirely different light on the monetary policy of the European Union than that in terms of which it is usually explained. It is not, as often claimed, the internal stability of prices within the European Union which provokes its central bankers and politicians alike to ruinous monetary and fiscal policies, which have rendered 15 million European workers unemployed. It is the external imperative of confronting the power of the almighty dollar on a world scale, attempting to turn the euro into the trade currency of choice of ever larger parts of the world, and into the reserve currency of choice of the zones of would-be European hegemony.

At the core of the present process of European union is thus a financial project: to convert the euro into a world currency, as a means to challenge US hegemony by reorganising larger and larger sections of Third-World (and ex-Second-World) capital around European finance capital. This, in turn, dictates the otherwise highly irrational Maastricht project of maintaining a strong euro whatever the cost to Europe’s competitiveness. The function of the priority to price stability is not just an
insane neoliberal prejudice but is intended to ensure that as the US’s insatiable thirst for capital steadily erodes the dollar’s capacity to serve as a store of value, the euro can substitute for it.

The pivot of Carchedi’s analysis is the central section of his book on the geopolitics of the euro. This provides an explanation of the function, which the dollar has played for US finance capital in terms of the mechanisms, which it creates for a world system of surplus-profit extraction. This is not simply a technical analysis but a class analysis; it explains who wins and who loses as a result of dollarisation and how this arises from the particular type of capital that they own. Since the issuing of a reserve currency confers enormous competitive advantages on the blocs of capital that participate in it, it follows that the world battle over currency is, in fact, a competitive struggle between continental blocs of capital.

This, incidentally, explains the prolonged ambivalence of British capital towards the euro. On the one hand, British capital possesses a world currency in its own right – the pound sterling. This provides British capital with great advantages in world markets, which it is unwilling simply to give up. On the other, as US finance capital becomes more and more narrowly committed to the purely national interests of US capital in general, and less and less interested in holding together a hegemonic bloc of world capital as a whole, British capital finds itself less and less able to hold its own against the dollar. In the context of an unresolved tension between the dollar and the euro, British finance capital has secured an extended lease of life as an intermediary; the City essentially functions as an offshore staging point for the interaction between Europe and America. Eventually, it will have to choose – but, as Keynes might have said, eventually we are all dead.

**Trade, war and geopolitics**

The second core European project is an ambitious attempt to re-organise the largest possible chunk of the global South under European hegemony. This is the subject of Carchedi’s next section on ‘Trade, Development and War’. Despite the intense rhetoric about free trade, which has accompanied the rise of the WTO, its actual operation brings about something quite different from a genuine free world market. In fact, it strives for an open market for Northern exports to the South, and a protected market for Southern exports to the North.

Europe has developed a series of instruments for this, of which Carchedi focuses on two: Europe’s preferential relations with the African, Caribbean and Pacific countries (ACP), and its relation with the Central and East-European countries (CEEC). The thesis submitted here,’ he writes, is that ‘the EU as a whole has a colonial type of imperialist relation with the ACP countries but could establish a different type of imperialist relations with some of the CEECs’.
Europe’s project towards the ACP countries is quite simply to regulate trade to the greatest possible advantage of its own capitalists. It has established a series of bilateral relations in which it provides (quite limited) aid and capital grants, in return for preferential treatment in exports. As a consequence, 40 per cent of ACP exports are towards Europe – mostly in primary commodities. These countries are, therefore, dominated by their relation to European capital. The situation is the reverse for European capital. ACP share of the EU market declined from 6.7 per cent in 1976 to 3.4 per cent in 1993.

Exactly the same situation arose in the EU’s relation to the CEEC countries. Between 1991 and 1996, EU exports of food, beverages and tobacco to CEEC countries rose from ECU 1.7 bn to ECU 4.7, whilst its imports were almost static, rising from ECU 2.2 bn to ECU 2.7 bn. Its trade balance with the CEEC countries in this sector thus moved, over this relatively short period, from a deficit of ECU 0.5 bn to a surplus of ECU 2 bn. As Bojnec notes, one cannot but wonder ‘whether the Association Agreements contribute to improve the CEEC food and agricultural trade, or whether they merely protect the CAP’. Over the same period, the trade balance in manufactured products multiplied by 6, from a surplus of ECU 3.0 bn to a surplus of ECU 19.2 bn.

However, in Eastern Europe, it confronts a difficulty which does not concern it with the ACP countries; it shares a common border with them. It had to make a strategic decision, exemplified in the choices made by West Germany in relation to East Germany, whether to keep them at arms length and leave them to the economic and social fate dictated by the world market (suitably skewed to suit European interests), or whether to attempt to integrate them socially and politically.

Carchedi demonstrates the intimate interconnection between these choices and the military, geopolitical questions facing Europe. To operate as a world economic power, Europe requires also to operate as a world military power. Although, therefore, the integration of Eastern Europe is economically immensely costly, for strategic geopolitical reasons it is indispensable. Europe’s highly ambivalent and conflictual relations with the accession countries are dominated by the contradiction between the thirst of European capital to extract the maximum possible surplus profit from them, and the danger that this over-exploitation will drive them into the arms of the rival hegemonic project of US capital.

The construction of convergence
The last great puzzle of Europe is the process of integration itself. European capital, despite its outward commitment to neoliberal values, could not actually organise itself as a coherent world bloc on the basis of the North-South and East-West disparities

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10 Bojnec 1996, p. 452.
that existed thirty years ago, between, say, Germany or Benelux on the one hand, and Ireland, Greece or Portugal on the other, let alone the accession countries.

If the market functioned as theory predicts, then these large gaps should disappear by the mere creation of a universal market. From the standpoint of trade theory, the principal obstacle to the rapid growth of these countries was the barriers created by their obsolete national boundaries.

In this sense, neoliberal doctrine does make sense insofar as it provides a guide to action. European integration is motivated explicitly in terms of the removal of these barriers and the creation of a European market in capital and labour, and this is the subject of Carchedi’s last two chapters on the Common Agricultural Policy (CAP) and on European Social Policies, respectively.

The convergence of the Eurozone countries and the reduction of what were, at one time, major differentials in output and average income, although far from complete, is a significant achievement. Is it, then, a vindication of free-trade neoliberal policies? Although having set the framework in which this question could be answered, Carchedi does not really address it. Yet, the answer is in his grasp.

He rightly emphasises that the project contains redistributive as well as deregulatory elements. Convergence within Europe did not just ‘happen’. It has been helped along by the perfectly conscious spending of very large sums of money. The three mechanisms have been agricultural policy, the social fund, and the EIB.

The EIB is completely and literally dominated by capital. Its management board reads like a list of the key personages of Europe’s transnational companies. It is responsible for large-scale infrastructure projects, which are indispensable for European capital to operate on a continental scale, most notably transport – a fact about which British capital remains obdurately ignorant, which is why British trains do not work. It has created the physical infrastructure of a continental market in its network of high-speed trains and in the construction of a (highly protected and subsidised) air industry which, for the first time in history, has gained the ascendancy over its American rivals. It has shifted very large investments from where they would ‘naturally’ occur, were the market to have its way, to places dictated by strategic necessities. And it has physically invested large sums of capital where it would not otherwise have been invested.

Thus, in a paradoxical sense, a key element of a very neoliberal EU project has actually been a redistributive core – based not on the traditional class redistribution of income but actually on the regional redistribution of capital. The EU, in this sense, represents ‘capital organised’, but organised to offset the natural tendency towards divergence of the market left to its own devices.

Within this, it organises also the relation between capital and other classes, which are determined by a complex combination of factors – the actual relation of forces with organised labour, the real need to maintain political and social solidarity, and
so on. Again, these policies are designed not to correct but to offset and negate potentially destructive forces arising from the market. The Common Agricultural Policy has also been the very opposite of a free-market project, as even its supporters acknowledge. The social fund, the social provisions of the Charter, and those formidable elements of the welfare state that persist within individual countries of the EU are – at least from a UK standpoint – a significant concession to labour and to a priority for human and social rights above those of mere profit.

Does this make the EU a socialist or progressive project – at least in comparison with the USA? To answer this question, we need to step back from the details of the project and ask ourselves what is the real historical peculiarity of the EU. It is an attempt to create, in essence, a new nation. Like all nations, it is in the words of Benedict Anderson, an ‘imagined community’. This particular nation requires a particularly creative imagination. It requires us to conceive of two World Wars as minor civil conflicts. It poses almost unanswerable questions about the relation of East to West; it cannot even settle accounts in a decent manner with the meaning of the Crusades. As Kagarlitsky points out, it cannot even place faces on its coins for fear of the conflicts this would evoke.11

This is not a problem with the idea of Europe or European Union per se. It is a problem of the type of state that the Europeans are attempting to construct, which is, in essence, a new nation-state, which depends for its existence on an exploitative and indeed militaristic relation to the global South. Few should weep for most of the nations which it seeks to dissolve. We should, however, be concerned at the idea that they can be replaced by a bigger and more effective version of the same idea.

The problem is a complex one. The entire project of creating an identity based on supposed historical civilised values, which run in a spectrum from Athenian democracy to the Holocaust, is a chimerical dream. Europe has the misfortune to be defined, initially, not by what it is for, but by what it is against. Put most simplistically, Europe is defined by its opposition to the USA; more precisely, it is defined by its opposition to George Dubya Bush.

The question is, however, what form and kind of opposition stands a real chance of defeating this new, dangerous and militaristic phase in the evolution of US politics. Following Carchedi’s analysis, the forms of political organisation needed to confront it flow from the class coalitions needed to defeat it. A coalition which is based on exploiting and further impoverishing the very people that suffer most at its hands – the great majority of the world’s people which live in the global South – is not only unlikely to succeed, but unlikely even to hold together.

There are two types of world coalition that can be constructed. One is the present attempt: to create a ‘civilised’ mirror image of the USA in Europe. Not only would

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this be the very opposite of civilisation: it could not even succeed. There is, however, another road. This is to construct a relation with the Third World based not on opposition but identity; not on a supposedly superior ‘European’ domination of Africa, Asia, the Middle East and Latin America but on a new partnership with them, a partnership based on a true equality of human rights, a mutual commitment to peace and on economic relations that correspond to these social goals. What Carchedi shows is that European capital cannot construct such a partnership. Whether Europe’s workers can remains to be seen.

References

L’Histoire générale de ‘L’Ultra-Gauche’
CHRISTOPHE BOURSEILLER
Paris: Denoël, 2003

Reviewed by LOREN GOLDNER

One might be a bit suspicious of any author, such as Christophe Bourseiller, who publishes twenty-five books, some of 500 pages and more, in fifteen years. But logorrhoea by itself does not necessarily mean falsehood. Bourseiller’s 1999 biography of Guy Debord already showed that historical accuracy is not the author’s strong suit. People mentioned there, as in the book at hand, have said often enough that everything Bourseiller wrote specifically about them was false, casting serious doubt on the rest. Before turning his hand to writing books, Bourseiller tried a number of venues in the media, including a stint at the pulp weekly Paris-Match. He is neither of the far Left or ultra Left.¹ Once again, these are not automatic disqualifications, and serious and useful books about the revolutionary Left have often been written by people who are only observers: one need only think of Burnett Bolleton’s The Spanish Revolution. Nonetheless, the appearance of Bourseiller’s book in France unleashed a furore, and gave rise to a series of reviews taking apart his treatment of various currents,² to the point that there has been talk of assembling the ‘counter-book’ that would be required to correct all his mistakes and falsifications. Others have accused him of doing the work of the police in abundantly publishing names of living people linked to obscure organisations still in existence or only recently defunct.

All of this is unfortunate, since Bourseiller’s book, obviously intended to be a coffee-table conversation piece for the ‘with it’ crowd among the French middle-class moderate Left, is the only one in existence, in any language, that attempts to treat the history of the ultra Left in its entirety. Unless it is definitively and widely discredited, it stands a chance of also becoming a work of reference for young militants who heretofore have never heard of Anton Pannekoek, Karl Korsch, Herman Gorter, Amadeo Bordiga,

¹ Despite the inadequacies of the term ‘ultra Left’ (as explained momentarily) this review will keep the distinction (more clear in French) between ‘gauchisme’/’extrême gauche’, or far Left, which since 1968 has referred primarily to Trotskyists and Maoists, and ‘ultra-gauche’, or ultra-left currents, for which Trotskyism and Maoism are the ‘left wing of capital’.

² Two quite useful reviews are in A Contretemps. See Gomez and Sommermeyr 2004, and particularly Escobar 2004, a former member of Socialisme ou Barbarie, who takes apart Bourseiller’s assertion that ‘three-fourths’ of the ex-members of that group were won over to the sordid ‘negationist’ theses (cf. below). The Bordigist critique is in Le Prélètaire 2004.
Otto Rühle, Paul Mattick, Maximilien Rubel, Daniel Guérin, Grandizo Munis, Guy Debord or the early Cornelius Castoriadis and Claude Lefort\(^3\) and who, for that reason, associate ‘Marxism’ with the defunct Soviet bloc or the still-existing ‘workers’ states’ (as Trotskyists gamely call them) China, North Korea, Vietnam and Cuba.

At first glance, prior to a careful reading, *L’Histoire générale de L’Ultra-Gauche* might seem a superficial telephone directory of a (still) little-known tradition, but, like a telephone directory, perhaps useful for its references and its bibliography (unfortunately, for readers lacking French, almost entirely in that language). But a closer look shows Bourseiller to be anything but an innocent voyeur. His first distortion is the loose use of the term ‘ultra Left’, which originated as an epithet of derision going back at least to Lenin’s 1921 pamphlet *Left-Wing Communism, an Infantile Disorder*. The more appropriate and less demagogic term, which has been revived with the historical recovery of various defeated currents and their theoreticians (most of them from the 1920s), beginning in 1968 and above all since 1989–1991, is ‘left communism’ (though that term, in turn, would be rejected by the former members of Socialism or Barbarism, or the situationists, or anarchists, or councilists, or libertarian communists, who appear in Bourseiller’s book). The most concise, brief definition, whatever the ultimate term used, is quite simply: self-declared revolutionary currents that situate themselves to the left of Trotskyism (about which more in a moment). This is a better definition than ‘anti-Leninist’, as there are left communists who insist they are Leninists.

But, before getting into a critique of Bourseiller, it is necessary to delineate the historical currents he is discussing, and distorting.

The two historical groups to which the term ‘left-communist’ unequivocally applied, and which, in contrast to all their various libertarian successors (with the single important exception of Spanish anarchism) actually constituted mass-based currents with tens of thousands of working-class members, were the German-Dutch council-communist Left and the Italian communist Left of the 1910s and 1920s. (The latter group is widely known as Bordigist, in spite of its own best efforts to reject the label as reflecting a cult of personality and as a transgression of revolutionary anonymity.) Complications, of course, begin immediately, since neither of these currents accepts any assimilation to a term including the other: the German-Dutch Left, and their successors the council communists, consider the Bordigists to be authoritarian Leninists, and the Bordigists, in turn, hurl the epithets from Lenin’s *Left-Wing Communism* at the German-Dutch Left, deriding them as everything from Proudhonists to syndicalists to anarchists to anti-Marxists.

Be that as it may, what both the German-Dutch and Italian Lefts have in common is a questioning of the generalisation of the Russian revolutionary model to Western

\(^3\) A wide variety of texts of these figures are available online at <http://www.plusloin.org>; an even more comprehensive site, with texts in ten languages, is <http://www.left-dis.nl>.
Europe immediately after World War I, a generalisation which was, in fact, the bedrock assumption of Lenin’s 1921 pamphlet, and of early Third-International policy. Despite their later reputation, based on the anti-party councilism for which they became known after 1930, much of the German-Dutch Left in the early 1920s was quite in favour of a communist party, even if they rejected the Leninist party as articulated in What Is to Be Done? and as transmitted by the emissaries of the Comintern. Both the German-Dutch and Italians, particularly after the Comintern’s right turn of 1921 (following the Anglo-Russian trade agreement, the crushing of Kronstadt, the failure of the German March Action and the implementation of the NEP) rejected Lenin’s arguments for tactical alliances with non-revolutionary groups. In Herman Gorter’s 1921 Open Letter to Comrade Lenin, he makes the simple (and correct) point that, in contrast to Russia, where the working class could ally with the peasantry in the ‘dual revolution’, in Western Europe the proletariat stood alone.

The Italian Left, which has always presented itself as orthodox-Leninist, takes a different tack. They rejected the united-front strategy adopted by the Comintern’s 1921 Third Congress. They argued against accepting the Serratian Left (which, like the left Social Democrats of other countries who were accepted into their respective CPs, included many people who had been pro-war in World War I, and who became Stalinist zealots after 1924) of the Italian Socialist Party into the newly-founded PCd’I, and criticised the 1921 application of the united front in the creation of a Communist-Social-Democratic ruling alliance in the German state of Thuringia. The Bordigists have always insisted that these disagreements with Lenin were merely tactical, and that the PCd’I of the early 1920s constituted far and away the most rigorous Leninists of the Western-European Communist parties.

The German-Dutch and Italian Lefts were the product of the worldwide revolutionary surge following World War I, the extent and depth of which have never been seen since. In the brief period (up to 1921) when foreign communists could openly debate the Bolsheviks as rough equals within the Third International, before the prestige of the Russian Revolution (not to mention less exalted realities) marginalised and silenced them, they represented, whatever their shortcomings, a genuine working-class current confronting the problems of revolution in advanced capitalist countries where the working class stood alone, in contrast, once again, to Russia’s ‘dual revolution’ based on a worker-peasant alliance. The left communists had counterparts in Russia, such as the small Democratic-Centralist group or the Workers’ Group of Miasnikov, but these latter were never anything but isolated sects fighting a losing battle against the ebb of the world (and hence Russian) revolution. The historical experiences which produced the German-Dutch and Italian ‘ultra Lefts’, as indicated, involved, if not exactly masses, then important working-class minorities coming out of rich traditions of mass strikes and anti-war actions before and during the World War, not to mention
in the potentially revolutionary situation thereafter. Bourseiller, focused as he is on
the history of sects, totally omits this larger social history (without which the evolution
of these currents, and that of their later offshoots, are incomprehensible). Until quite
recently, the dominance of Trotskyism as the best-known international left-wing
opposition to Stalinism, particularly in the ‘core countries’ France, Britain and the US
(but also in Latin America), has buried the memory of this experience, and most
militants have never looked beyond Lenin’s 1921 pamphlet.

Bourseiller presents himself as an observer ‘fascinated by microhistory’. He begins
his book by describing the ultra Left as the ‘other communism’, the communism that
never built Gulags or Berlin Walls. But his fascination with his subject is mixed with a
less edifying agenda that runs as a leitmotiv through much of the book, and then
emerges as the real ‘lesson’ toward the end. That agenda is simple and straightforward:
Bourseiller wants to show that anyone with an internationalist or ‘Third-Camp’
perspective on World War II, of ‘turning the inter-imperialist war into civil war’ on
the model of the Zimmerwald Left of World War I, not to mention any subsequent
heir to such a view, is a forerunner or partisan of the bizarre ‘negationist’ affair that
erupted in the French ultra-left milieu in the ebb period of the 1980s and 1990s. As
a corollary to this, those with a left critique of ‘anti-fascism’ find themselves under
the same cloud.) Already in Bourseiller’s historical treatment of the left communists
of the 1920s, the ‘national Bolsheviks’ (‘linke Leute von rechts’, ‘left-wing people of
the Right’, as they have been called) who emerged in the Hamburg workers’ councils6
are given a treatment all out of proportion to their importance for the German-Dutch
ultra Left, then or later. He also underscores some of the Italian communist Left’s
early 1920s formulations (with which one can agree or disagree) which saw fascism
as merely another face of capitalist rule, or even as the culmination of bourgeois
democracy. In so doing, he is setting the stage for his potted conclusions hundreds
of pages later.

With this agenda in mind, let us return to Bourseiller’s subject.

By the late 1920s, the German-Dutch Left had ebbed, in both Germany and Holland,
into small sects, and its subsequent history is the history – however interesting – of
such sects (the Bordigists did briefly constitute a mini-mass party just after World
War II). In the case of the Italians, it is little known (and Bourseiller never mentions)
that Antonio Gramsci was the key figure implementing Stalin’s policy of purging the
Bordigist majority from the apparat of the PCd’I in 1924–5, and also helped fix the

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4 Two excellent overviews of the German-Dutch and Italian Lefts are by Philippe Bourrinet
has been published by the International Communist Current, and a new version, amended and
approved by the author, will be published in the Historical Materialism book series.
5 An overview is Igounet 2000. See also V.V.A.A. 1996.
6 On national Bolshevism, see Faye 1972.
vote against that majority at the Party’s 1926 Lyons conference in exile. It was not until the 1970s that the postwar (slightly renamed, for nationalist accommodation) PCI could bring itself to even admit Bordiga’s leading role in the early years of the Party, and it never took the step of admitting Gramsci’s pro-Stalin machinations, undoubtedly sparing consternation to the many innocents in the refined heights of academic ‘Western Marxism’. Bordiga lived until 1970, and wrote brilliant theoretical works (whatever their problems) on Marx’s 1844 manuscripts, on the capitalist nature of Russia, as well as 1960s texts on capitalism’s destruction of the environment that are only being rediscovered today.

For historical reasons, the subsequent legacy of the 1920s ultra Left had more resonance in France than in Holland, Germany or Italy. (Fascism, of course, took a heavy toll in the latter two countries.) Many militants escaping totalitarian (fascist or Stalinist) or reactionary régimes of the interwar period found refuge in France, and, even after the Nazi occupation of 1940, were able to relocate to the unoccupied zone (above all to Marseilles) and either regroup or, later, survive in the US and Mexico until 1945. In this milieu, Trotskyists, anarchists, Bordigists, and council communists, particularly in the Gauche communiste de France and the Revolutionäre Kommunisten Deutschlands (RKD), a group mainly of exiles in France had survived both Gestapo and Stalinist repression during the War in uneasy associations imposed by the harshest necessity.

These groups and individuals had precisely the unabashed internationalist orientation toward World War II, based on a rejection of bourgeois-democratic ‘anti-fascism’, that Bourseiller is tracking throughout his book. But Bourseiller never mentions that the internationalist viewpoint – ‘the main enemy is at home’ – was a commonly-held view of Stalinists, left-wing Social Democrats, and Trotskyists, as well as of ultra-leftists, both during the 1939–40 ‘phony war’ and beyond because of the Stalin-Hitler pact. Hitler’s invasion of Russia in June 1941 pushed the first three groups into outright or critical or military support for the Allied side. Thereafter, any militant organising for such an internationalist view in France (or anywhere else in occupied Europe) was risking her life, and one veteran of the RKD said later that, when distributing leaflets at the Renault-Billancourt factory in Paris, its members were more afraid of the Stalinist-dominated Resistance than of the Gestapo. While most of these groups, like the Trotskyists, expected a deeper world revolutionary wave following World War II than had occurred in 1917–21, nothing of the kind took place. There were many
reasons for this, but one of them was that the Allies had studied history too, and did everything in their power to militarily pre-empt any repetition of the post-World-War-I insurgency. Bourseiller, howling with the wolves of post-1989 ‘triumph-of-democracy’ fashion, is totally oblivious of this aspect of the War. Allied bombing of Germany targeted working-class residential areas and infrastructure rather than factories; the Red Army stopped its advance at the eastern edge of Warsaw long enough for the Nazis to wipe out the 1944 uprising there prior to Soviet capture of the city, thus eliminating any unwanted independent liberators; Bourseiller mentions the strike wave in northern Italy in the spring of 1943, which toppled Mussolini, but he does not mention that one week later, similar Allied bombing of Milan and Turin began, as if on cue. Despite the perilous existence of the internationalist groups, they survived, and, in one of the first important strikes of the postwar period (at the same Renault-Billancourt plant, contributing to the French Communist Party’s May 1947 departure from the government) several of their members, including a founding member of Lutte Ouvrière, a Bordigist and a future member of Socialisme ou Barbarie, were on the strike committee.

Having brought his narrative into the postwar period, and surveyed the regroupments of the (greatly reduced) currents which had survived, Bourseiller turns to the history of Socialisme ou Barbarie. In 1945, the Greek Trotskyist Cornelius Castoriadis, escaping from murderous Stalinist and ‘Truman doctrine’ repression in the Greek civil war of 1944–7, arrived in France (Castoriadis, in turn, had been decisively formed by the remarkable Greek revolutionary Aghis Stinas). By 1949, Castoriadis and a group of collaborators had broken with the Fourth International and with Trotskyism generally, asserting that the Soviet bloc was state-capitalist and also rejecting the Leninist vanguard party. A few months later, Castoriadis and Claude Lefort, along with a number of others, founded the group Socialisme ou Barbarie (Socialism or Barbarism, widely known as SoB), which was already in touch with international counterparts such as the Johnson-Forest (C.L.R. James-Raya Dunayevskaya-Grace Lee) tendency in the US, and, in the course of its existence, also had ties to the British group Solidarity, and the surviving Dutch and German council communists, including Pannekoek, Canne-Meier, and Paul Mattick.

From 1949 to 1965, (and, initially, in the extremely tense international and domestic atmosphere produced by the Cold War) Socialism or Barbarism attempted to think anew the revolutionary project. Its real merit was its attunement (like that of the American Johnsonites) to the wildcat struggles that increasingly came to the fore

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11 80% of German industry was left intact by Allied bombing with an eye to enlisting a resurgent Germany in an anti-Soviet alliance after the War. Martin 1950, lays out Anglo-American-German business collaboration during the war; João Bernardo 2003, pp. 339–43, describes the same collaboration at the Bank of International Settlements (BIS) in Basel.

throughout ‘advanced capitalism’, but above all in France, the US, and Britain in the 1950s in the postwar period. This allowed the ‘Social Barbarians’, as they called themselves, to see, more lucidly than the Trotskyists, the limits of the supposedly ‘reformist’ Stalinist, social-democratic and labourite mass parties, and above all of the Trotskyist perspective of ‘capturing the unions’ for revolution. Less perspicacious was Castoriadis’s outright rejection of the Marxian critique of political economy, and an increasing tendency to see capitalism mainly or entirely as a system of ‘order givers and order takers’, as opposed to a system shaped by the Marxian law of value, as well as one subject to classic forms of crisis (This is most apparent in Castoriadis’s 1959–62 series, and later widely-diffused pamphlet The Revolutionary Movement in Modern Capitalism13). Some key developments that had an impact on S ou B’s evolution were the East-German workers’ uprising of 1953, the ‘events’ of 1956 (the Twentieth Congress of the CPSU, the Hungarian Revolution, Polish worker unrest, the Suez crisis), the French defeats in Indochina and Algeria, the collapse of the Fourth Republic and the return of De Gaulle at the head of the Fifth, and decolonisation generally. By its openness, its refusal to ‘choose its camp’ in the Washington-Moscow world condominium, and its refusal to be petrified in the proliferating variants of Trotskyist ‘orthodoxy’, the ‘Social Barbarians’, whatever the limitations of their theoretical production and their (very modest) interventions in the working class, created a space for younger figures who passed through it on their way to later important contributions of their own, such as Guy Debord, Gilles Dauvé (aka Jean Barrot)14 and the founders of Informations et Correspondances Ouvrières (ICO). Some of these limits are shown by S ou B’s 1967 statement announcing its dissolution (the journal had ceased to appear in 1965), saying, one year before the six-week wildcat general strike of May-June 1968, that it expected no revolutionary upsurges in the working class in the years just ahead. But the ‘councilist idea’ that S ou B diffused during an historical low ebb of such a conception of revolution, also helped to theorise the subsequent working-class tempest that continued (as in the US and Britain until 1973, and in Italy, Spain and Portugal until 1977).

Bourseiller (as mentioned, author of a problematic biography of Guy Debord) could hardly have omitted the Situationist International from his narrative. The situationists, and the 1967 books of Debord and Raoul Vaneigem, anticipated the ‘spirit’ of May 1968 better than any other current.15 Many people repelled by the austerity of the more visible Marxist Left, including the pre- (and post-) 1968 ultra Left, discovered in Debord’s The Society of the Spectacle a Marx they never knew existed, and could connect that Marx to the daily life they were living in modern capitalism in a way

13 Castoriadis 1979.
14 Barrot 1972 and 1984; Barrot et al. 1973. Multiple writings of Barrot/Dauvé in several languages are available online.
the previous ultra Left never approached. Be that as it may, the situationists were never a group seeking members on a programmatic basis, and formally dissolved in 1972, so their texts often served as gateways to the discovery of Marx, of the historical role of workers’ councils, and other currents of the ultra Left for people who went on to other things. (Other roads to the ultra Left included the famous (and later infamous Vieille Taupe bookstore, and the books and pamphlets published by the Editions Spartacus collective around René Lefèvre.)

The May-June general strike in France in 1968, in which Maoist and Trotskyist and even anarchist currents were more prominent, had the medium-term effect of pulling the ultra Left out of virtual historical oblivion. As the James/Castoriadis/Lee book *Facing Reality* had prophetically put it in 1958, ‘The French workers will move, and when they do, they will leave the French Communist Party hanging in the air’. But the French May, however deep and far-reaching, was in turn only part of the worldwide surge of 1968, and beyond, which saw ‘radicalisation’ of workers and other social strata (above all students) in Germany, Italy, Britain, the US, Japan, China, Mexico, Brazil, Poland, Yugoslavia and Czechoslovakia, to name only the most pronounced cases. It seemed no accident that the deepest movement with the most global resonance happened in exactly the country where the ultra-left tradition had had the most complex, relatively unbroken continuity. Suddenly the old refrain ‘when France sneezes, Europe catches cold’ was radically made anew.

In terms of mass action by the French working class, May 1968 was, in fact, a peak never approached since. The ‘creeping May’ in Italy from 1969 to 1977 and the Portuguese upsurge of 1974-5 were arguably as deep or deeper working-class moments, but did not achieve anything like the international impact of the French events. May ‘decanted’ the councilist idea, as developed by the historic German-Dutch Left, SOB and then the situationists, to the point that, by the early 1970s, even the Socialist Party had to talk about ‘self-management’. But, as the mass movement ebbed away, and, above all, after the beginning of the world economic crisis in 1973 (something about which neither SOB or the situationists had anything to say – Bourseiller has nothing to say about it either) other currents moved to the fore. Initially some Maoists, and, over the longer haul, the three dominant Trotskyist groups seemed to be the

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16 A broad overview of texts in English is in Knabb 1982. A corrective to Bourseiller’s account of the SI is in Jappe 1993.
17 Cf. La Vieille Taupe (Old Mole) bookstore, from 1966 to 1972, was a major resource for ultra-left texts in Paris in those years; it later underwent an unfortunate metamorphosis, about which more below.
18 Initially, it was the German-Dutch and SOB councilist wing which had influence; the Bordigist influence became important a few years later.
21 The three main Trotskyist factions, (which, for what it is worth, received a combined vote of 11% in the 2002 presidential elections) are Lutte Ouvrière, the Ligue Communiste Révolutionnaire, and the Lambertistes, currently known as the Courant Communiste Internationaliste, a ‘current’ in the Parti des Travailleurs. One overview is Nick 2002.
main organisational beneficiaries of May in France. But, caught as they were in
repetition of the frayed theoretical framework they inherited from Lenin and Trotsky,
little that they have written since 1968 gets beyond the ephemera of political tracts
or, at best, books and pamphlets of the political season.

Some of the richest contributions to a theoretical understanding of the present (if
not in any mass political expression to date) came from currents attempting to synthesise
the best of the German-Dutch and Italian communist Lefts. The most important figures
in this ferment were Jacques Camatte22 and his journal *Invariance*, and Gilles Dauvé
(who for many years wrote under the pseudonym Jean Barrot). In an atmosphere
dominated (and not merely in France) by interminable debate over ‘forms of
organisation’ (the party, the council) their contribution was concisely to connect
historical forms of organisation to the categories of the Marxian critique of political
economy, and, in particular, to the ‘Unpublished Sixth Chapter’ of Volume I of *Capital*.
It is characteristic of the superficiality of Bourseiller’s book that he says nothing
whatsoever about this development. He mentions Jacques Camatte, whose writing
has a wide influence, all of three times, and says nothing about either his books or
about the evolution of *Invariance*.²³ He is in such a hurry to get to the ‘negationist’
affair, in which Gilles Dauvé/Jean Barrot was implicated (without himself being a
negationist, but, by some accounts, being complacent toward negationists) that he
says nothing of substance about Dauvé’s early writings, which, with some of the 1970s
writings of Camatte, are among the few theoretical expressions of the post-1968 period
in France still worth reading (and still being read) today.²⁴

One figure in the backdrop of this ferment was Mark Chirik (1907–90). Having had
one of the most interesting lives of any figure in this narrative (and having therefore
been a main character in Malaquais’s *roman à clef*)²⁵ Bourseiller can but dwell on
Chirik. Born in Russia in 1907, Chirik was a founding member of the Palestinian
Communist Party in 1919, and, after emigrating to France in the 1920s, had passed
through Trotskyism before encountering the influence of the ultra Left. He survived
World War II in France, but in 1952 had left for Venezuela in anticipation of World
War III. He stayed there until 1968, developing a small current of students, then
returned to France, where he and some of his Venezuelan recruits launched Révolution
Internationale (RI), the only French ultra-left group after 1968 that attempted to build
systematically an organisation in the shadow of the larger *gauchiste* groups, though,
beginning in the ebb of the 1980s, and particularly after Chirik’s death in 1990, it
suffered a series of splits.

²² Above all, Camatte 1978; but see also, Camatte 1974.
²³ Beginning in the mid-1970s, Camatte (first systematically declared in Camatte 1975) moved
away from what he called the ‘theory of the proletariat’ (i.e. Marx).
²⁴ See footnote 14 above. Barrot/Dauvé’s most-widely circulated text in English (with Francois
Martin) is Barrot and Martin 1974, available at various sites on the Internet.
²⁵ See footnote 9 above.
Mass struggle was declining in France after the early 1970s, and took as much of a toll on the ultra Left as among the gauchistes. Many small groups and publications disappeared. This ebb set the stage for the ‘negationist’ episode, which flared up on several occasions between 1979 and 1996, and poisoned the atmosphere of a significant part of the ultra-left milieu. The convolutions of this episode, centred on the ‘revisionist’ denial of the existence of the Nazi gas chambers and of a concerted plan to exterminate the Jews, cannot be recounted here. But it is necessary to underscore Bourseiller’s outrageous assertion (culminating many asides throughout the book) that ‘three-fourths of the militants who emerged from the “social-barbarian” milieu were won over to the “revisionist” theses within a few months’ in 1979 (pp. 439–40).

At the centre of the entire affair was Pierre Guillaume, the founder of the Vieille Taupe bookstore (and who, today, after being repudiated by the virtual entirety of the ultra Left, continues in the same vein, increasingly frequenting circles of the far Right). Guillaume and the ultra-left elements who initially followed him in the negationist affair seized on the theses of Robert Faurisson, with the idea that, if they succeeded in unmasking the ‘myth’ of the Nazi gas chambers, they would bring down the entire edifice of bourgeois ideology, built around the triumph of democracy over fascism in World War II. None of the other internationalist currents from the War and thereafter ever felt the need to take this step, starting with the ultra leftists who had lived through it. This included the Bordigists, whose article ‘Auschwitz or the Great Alibi’, while in no way denying Nazi genocide, gave a very mechanistic analysis of it. (The republication of this article as a pamphlet by La Vieille Taupe in 1979 can be seen as the public beginning of the negationist affair in the ultra-left milieu.) My own sense is that, in a period of downturn of mass struggles which lasted over two decades, negationism and the serious media attention it attracted seemed to give new life and a sense of motion to small marginal coteries numbering at most a few hundred. It also gave the ideologues of the dominant society (hence Bourseiller’s book), particularly after the events of 1989–91, an excellent pretence to pounce on currents rejecting anti-fascism and ‘democracy’ with the old saw that the radical Left and the radical Right converge, with ex-Stalinist apologists such as Didier Daeninckx sensing an excellent opportunity to redeem themselves as demystifiers.

Five hundred pages on, Bourseiller announces in conclusion that ‘the ultra Left as such has never existed’. Such an assertion demonstrates once again that this insect collector of ‘microhistory’ is blind to the social history that gives rise to his subject, particularly of the early 1920s when the German-Dutch and Italian Lefts were the expression of tens of thousands of workers, or of 1968 and its fallout when the ideas...
Bourseiller has been tracing shaped thousands of militants. He offers no explanation why, since 1989–91, it is precisely the ‘other communism’, from the American IWW to C.L.R. James to the German-Dutch and Italian Lefts, that is attracting the attention of theoretically-minded militants, and why more people today, in a number of languages, are reading Camatte, Debord, Dauvé/Barrot, Bordiga, Munis, and Gorter than when many of their works were originally published. Bourseiller’s book is in the genre of Stéphane Courtois’s Black Book of Communism,\(^{30}\) piling it on with the refrain that ‘there is no alternative’, to the downward spiral of conditions under world capitalism. One senses in this ideological production that they doeth protest too much.

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\(^{30}\) Courtois et al. 1999. One must cite, as an exception to the overall tendentious quality of these essays, the study of Nicolas Werth on the Soviet Union, particularly his treatment of the 1917–21 period.


What's the Matter with the Internet?
MARK POSTER
(Electronic Mediations, Volume 3)
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Reviewed by CHRISTOPHER MAY

**Technology, Social Revolution and the Information Age**

Considerable effort has been deployed to convince us that we are witnessing a revolution as important, as life-changing, as the industrial revolution. And, while some of the hyperbole has subsided in the wake of the dot.com crash, still the claims that we are entering a new age, the ‘information age’, abound. Leaving aside the posturing of the most extreme proponents of the ‘Californian ideology’,1 perhaps what is more worrying is that these claims have become a commonplace in the socio-political literature that contributes to our continuing analysis of the everyday. Here, I examine a recent contribution to these debates by Mark Poster and lay out two important problems that an historical-materialist analysis might identify with these claims.

Like most literature examining the internet, Poster identifies its constituent technologies as being important drivers behind globalisation. Indeed, he offers us the by now relatively commonplace (if mistaken) state-in-decline treatment of globalisation. While he recognises that the more extreme characterisations of this process need to be approached with caution, he is nevertheless clear that many of the activities by which the nation-state established and maintained its position in the world have been undermined by the processes of internet-based communication. Adopting the notion of deterritorialisation, he suggests we are at the
cusp of an age of global interactions whose density and scope has never before existed and never before been materially and technically possible.

(p. 128.)

Poster reminds us that ‘Cyberspace is surely no total departure from all previous history’ (p. 5). Encapsulated in these remarks is the central analytical problem when encountering the internet: is it something new or not? No analysis can claim all is new, or conversely that nothing is. Analytical differences relate to the stress which any particular writer puts on continuity or change.

1 Barbrook and Cameron 1996.
Poster tells us that the Althusserian notion of overdetermination has become so exaggerated and expanded over the internet that, in cyberspace, everything is in effect underdetermined by virtue of the overdetermination of all virtual ‘objects’ (pp. 17–19). There are just too many elements which networked knowledge and information contains to discover any determining factors, even in the last analysis. In this new world, all is indeterminate and thus a world of new possibilities emerges. Furthermore, new analysis is needed to take account of, and understand these new potentialities. Poster stresses that, while the potential encapsulated by underdetermination was always evident for print and previous mass media, it is only with the internet (and its associated technologies) that it has become actualised for the majority of users. Indeed, as Porter points out in his later discussion of the digital authorial function, the impact of technologies is never the linear result of the intention of their creators or of their internal, ‘material’, capabilities. (p. 77.)

Rather, the radical combination of actual use and emergent possibility steer technologies down new avenues of social deployment and practice. Thus, while identifying the role of technology in this social revolution, Poster also resists technological determinism by stressing the radical potentiality of the internet to disturb and upset previous social settlements, identities and structures. However, as I argue below, to establish this position, Poster has built an analytical structure on unsound foundations.

Like others (although perhaps not as severely as the worst cases), Poster seems to fail to appreciate that very few new technologies have a real and immediate revolutionary impact. At its most simple, we might divide technological advances or innovations into two groups, which Peter Golding, in a recent analysis, calls ‘Technology One’ and ‘Technology Two’:

Technology One allows existing social action and process to occur more speedily, more efficiently, or conveniently (though equally possibly, with negative consequences, such as pollution and risk). Technology Two enables wholly new forms of activity previously impracticable or even inconceivable.²

Analytical problems arise when Technology One is mistakenly identified as Technology Two, and, in the debates around information society, this is a frequent and far-reaching cause of exaggeration of its effects. If ICTs are a Technology One, then it is unsurprising that the changes they have prompted have been less than revolutionary, indeed this would be expected. But, if ICTs are (mistakenly) seen as a Technology Two, then their potential effects become exaggerated. This then requires the identification of a truly transformative information age to be constantly presented as a forthcoming development, because its ‘true’ effects have yet to be felt.

² Golding 2000, p. 171.
This problem is perhaps best summed up by Poster’s conclusion that:

these new functions can only become intelligible if a framework is adopted that does not limit the discussion from the outset to modern patterns of interpretation. (p. 172, emphasis added.)

It is our modern ontology that obscures the new age from us: we must open our eyes. This leads Poster to embraces the notion that the internet is a new social space which allows new social relations to emerge (p. 177). But, as he also recognises:

If Internet communication does not completely filter out pre-existing technologies of power as it enacts new ones, it reproduces them variably depending on the specific feature of the Internet in question. (p. 186.)

This mediated position does not stop Poster concluding, however, that:

While Marxist, and liberal critiques continue to have important but limited effectivity, a new general politics of radical democracy must await the substantial analysis of an emerging global mode of information. (pp. 146–7.)

Critical analysis must be remade to reflect the new global information society. However, this cedes the ground to techno-futurists and those who, for ideological reasons, wish to argue that yesterday’s criticisms of capitalism have been rendered obsolete by the information revolution; a position which intends to deny three hundred years of political resistance in one clean sweep.

Elsewhere, Poster concludes that cyberspace is opening new social and cultural worlds that are only beginning to be explored but that quite probably are already redefining what it means to be human. (p. 37.)

Reflecting much cyber-cultural comment, from Nicholas Negroponte’s notion of being digital to Sherry Turkle’s various writings about ‘life on the screen’, this claim places Poster firmly in the cyber-utopian camp. Certainly, when he discusses the shift in the role of the author and emergence of the ‘digital subject’ (Chapter 4), Poster’s utilisation of Walter Benjamin, Michael Foucault, Judith Butler and others leads him to conclude that ‘unlike earlier forms of mediated communication, digital authorship is about the performance of self-constitution’ (p. 75). Indeed:

So exigent is the practice of self-constitution in communications in cyberspace, so strongly is agency here mediated by information machines, and so utterly dispersed is the space of interaction that oppositional practices of earlier decades no longer seem able to take hold of the situation. To insist upon agency politics in this context is to bury one’s face in the sand of the bygone age of Man. (p. 76.)
However, when we look at the actuality of the political problem that Poster places at the centre of the new age (the disruption of IPRs’ commodity relations) then, in fact, agency politics seems alive and well. It may not be the agency that Poster favours, but, nonetheless, multinational content providers, and software giants have been instrumental in constructing the global governance of intellectual property which has reached an almost constitutional status in the Trade Related Aspects of Intellectual Property Rights (TRIPs) agreement under the auspices of the World Trade Organisation (WTO).³

Even though Poster cites the WTO and the World Intellectual Property Organisation, he supposes they ‘bypass national juridical institutions in the regulation of trade’ (p. 120). This dovetails with his portrayal of the state as being threatened by globalisation (in the specific form of the internet) and having to reconfigure its role in the global system. However, this misses two major and very important aspects of the relationship between multilateral agreements and the organisation of national capitalisms. Firstly, these organisations depend on the state to organise the legal structures through which they (re)make economic relations. This is especially the case as regards IPRs. Secondly, and even more fundamentally, this depiction of the state reifies the market. It assumes that the regulation of the market only happens once markets are already functioning. However, the market itself is dependent on the legal structures put in place by states, something that the World Bank has had to acknowledge in the shadow of the disastrous ‘short sharp shock’ liberalisation in Russia (and elsewhere) that far from engendering spontaneous markets, produced something more akin to klepto-capitalism. The notion that markets exist as natural institutions is one of the great myths of contemporary capitalism. That Poster has been captured by this myth is emblematic of his capitulation as regards recognising the continuing veracity of Marx-derived critiques of capitalism. While Poster does attempt a more nuanced account than much of the analysis of the (so-called) information age, he is not able to completely free himself from the grip of information-age hyperbole and exaggeration. Below, I outline the importance of intellectual property to the social relations of the information society’s economy, despite the much celebrated de-materialisation of markets, and I then criticise in a more general sense the periodisation which presents the onset and expansion of the internet as engendering a social revolution. This leads me to conclude, as I have elsewhere, that the presentation of the information revolution is an ideological project meant to dismiss the previous critiques of capitalism and, by doing so, invalidate the political concessions wrenched from the political structures of capital in the past.⁴

³ May 2000, Chapter Three; Sell 1998, Chapter Six; Drahos and Braithwaite 2002.
⁴ May 2002a.
Intellectual property and the ‘new economy’

Deploying the idea of a ‘linguistic turn’ in contemporary capitalism, Poster dismisses previous attempts to develop a Marxist analysis of the ‘new economy’ on the basis they fail to recognise what is new about contemporary capitalism (pp. 55–7). Like others who have stressed the revolutionary aspects of information and communication technologies (ICTs), Poster tells us that when

the material reproduction of the product becomes increasingly less significant as an aspect of production, traditional systems of economic calculation make less and less sense. (p. 54.)

Capitalism’s linguistic turn refocuses economic activity on the informational, away from the material, away from the centrality of material property, towards the realm of intellectual property rights (IPRs). And it is this reconfiguration of capitalist organisation around IPRs that Poster sees as opening up a challenge that reveals the ‘new age’. While IPRs have always been subject to different norms than has material property (Poster contrasts the purchase of a car with the purchase of a vinyl record, the latter containing warnings about the illegality of copying, absent from the documentation of the former), the exponential expansion of the internet has problematised the organisational ground constructed by IPRs.

Copying of digitised products is civil disobedience on a large scale. Indeed, Poster suggests that had

Henry Ford’s cars been stolen at this rate in the 1920s, we would no doubt never have seen the advent of the automobile industry. (p. 43.)

Leaving aside the claims made by the industry as to the extent of ‘piracy’, which Poster admits may be exaggerated, there can be little dispute that new ICTs have rendered the act of copying and reproducing content at home relatively easy, producing copies of a high quality. However, while Poster sees these new technologies as challenging the commodity relationships at the centre of the new economy, others have identified the provision of these new technologies as part of a different capitalist dialectic. Rather than representing the partial and possibly progressive disintegration of a set of commodity relations, Simon Avenall and Herb Thompson see the challenge of technology to content industries as the operation of a

parasitical commodity relationship [which] will often generate conflict between firms into which the state may be drawn (legislation to prohibit technologies); or the firms may achieve a truce through merger and joint production (Sony’s purchase of CBS).5

5 Avenell and Thompson 1994, p. 25.
Most importantly for the parasitical commodity (here the hardware and software that enable ‘unauthorised’ copying), its long-run profitable existence ‘just as in the case of biological parasites . . . depends on it not being too successful and eliminating the host entirely’.6 The host industry (the music industry, in Poster’s example) cannot be completely destroyed by the purveyors of copying software or the supply of ‘new’ content would dry up, unless, of course, the entire industry business model is reworked. Poster argues that this is exactly what will happen, the music industry will adopt a more minimalist cultural presence, acting as editor of new music rather than final supplier (p. 53).

Whatever our judgement regarding the future or otherwise of the music industry, the key question raised by Poster’s discussion is whether this is emblematic of the dynamic of contemporary capitalism, or whether it is a little local difficulty being experienced by one specific segment of capital. If we take Poster’s claim for a ‘linguistic turn’ in capitalism seriously, then we must look to the content industries as the site of problems that are likely to spread throughout modern capitalism in the near future. In this sense, IPRs become the proving ground for a (new) set of commodity relations. On one side, IPRs are far less robust than previously central forms of material property, and therefore they fail to support the defining characteristics of capitalism: hence we are entering a new phase of economic organisation, a new age. Conversely, this is a transitional phase when IPRs are seemingly less robust but may be strengthened to underpin the continuation of capitalism as we know it form the previous millennium.

Throughout the book, Poster flirts with an implicit ‘information fetishism’. As Doug Henwood notes:

> Information, no less than physical capital, is meaningless without humans to work it. Like the capitalist apologists who have long sought to make capital an equal factor of production with labour – and to justify, thereby, profit as a reward to production on a par with wages – cyber-apologists are now performing the same trick with information.7

By forgetting that information is not characteristically property-like, Poster lapses into the sort of commodity fetishism derided by Marx in the first volume of *Capital*. One does not need to subscribe to Foucault’s analysis of knowledge/power to understand that beneath IPRs are social relations of power. Indeed, considerable political effort is mobilised around the narratives of justification that underpin all forms of IPRs. The stories (ranging from a narrative of labour desert, to an argument about the efficient use of knowledge and information) are deployed to establish for capital generally (and various sectors specifically, ranging from the pharmaceutical industry and patents, to the clothing industry and trademarks), that information should be treated as if it

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6 Avenell and Thompson 1994, p. 32.  
was similar to formally scarce material property. The question is whether this is the last gasp of capitalism, before the dawning of a new age free from property in information, or whether technological changes have merely required the reconsolidation of the social mores of ownership.

Part of the problem with Poster’s view of the law surrounding the content industries is that he assumes the roots of copyright law can be found in the ‘question of the author’ (p. 86). However, the history of copyright starts not with the desire of authors to establish the protection of their works, but, rather, emerges from the desire of printers and ‘stationers’ to enhance the profitability of their business by establishing monopolies over their work. While it is certainly true that copyrights are nowadays justified on the basis of authorial function, reading this back into the legal origins of these rights is a mistake that leads to a misunderstanding of the role of intellectual property in the new economy. Like too many other analysts of the ‘new economy’ Poster accepts too readily the narratives that are presented in arguments around IPRs, rather than stripping away the appearance to reveal the commodity relations below. This is surely information fetishism.

Far from being the result of the recognition of creation in a liberal sense of individuality, IPRs and copyrights in particular have been used by the content industries to alienate authors from their product. What is so odd is that, in utilising Adrian Johns’ study The Nature of the Book to establish the indeterminacy of print (pp. 87–8), Poster misses this crucial issue in the guild control of printing, which Johns himself make clear. Thus, while Poster understands that the ‘author’ only really emerged once the notion of copyright had been legally settled and ordered, he mistakenly sees this as a teleological advance towards authorship, rather than the mask obscuring the continuing power and interest of the content capitalists. This misreading of the history of IPRs then leads Poster to focus on the forms of authorship and how these may be distinguished on the basis of analogue or digital technologies (Chapter Five). He therefore leaves aside the equally important economic relations of content reproduction and distribution. Although I accept the rigid demarcation of form and substance is simplistic, it is nonetheless instructive to ask, not how the forms of behaviour, how the forms of commodity relations, have changed in the ‘new economy, but rather what has happened to the underlying substance’.

**The substance of the (so-called) new age**

Whatever judgements we might make regarding the analysis of the direction capitalist development would take, if we examine Karl Marx’s account of the capitalism of the

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8 I have discussed the early history of copyrights (and other forms of intellectual property) in May 2002b, and Sell and May 2001.
10 May 2002a.
early industrial era, we find considerable continuities with the early ‘information age’. This is to say that, while the forms of activities may be quite different, when we examine the laws of motion that Marx set out as part of the underlying character of capitalism, much remains remarkably familiar. As we would today, Marx recognised that there were differing forms of capitalism, but he was interested in exploring the elements these variants shared.\textsuperscript{11}

The key issue we need to consider is whether technological changes, however profound, actually transform the manner in which the central economic relations of society are organised. As regards advances in technology, readers of this journal will be only too aware that, in the first volume of \textit{Capital}, Marx argued that an organised industry under capitalism

\begin{quote}
never looks upon and treats the existing form of a process as final. The technical basis of that industry is therefore revolutionary, while all earlier modes of production were essentially conservative. By means of machinery, chemical processes and other methods [modern industry] is continually causing changes not only in the technical basis of production but also in the functions of the labourer and in the social combinations of the labour-process.\textsuperscript{12}
\end{quote}

For Marx, technological upheavals (however profound) in the production process did not immediately indicate a passage from capitalism, but, rather, were the way in which capitalism renewed itself. Unlike previous ‘modes of production’, capitalism includes within its normal operations the search for new processes and new technologies. That the introduction of new technologies transforms an economy’s organisation does not follow. Quite the opposite: the transformation of the technical means of production is what capitalism does continually.

Indeed, as famously argued in \textit{The Communist Manifesto}, the bourgeoisie, the agents of capitalism, retain their powerful position by constantly revolutionising the (technological) means of production:

\begin{quote}
Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions are swept away, all new ones become antiquated before they can ossify. All that is solid melts into air.\textsuperscript{13}
\end{quote}

Marx and Engels invoke the continuous changes in technology that impact on society, and note that, in the past, social relations in the economy were governed by tradition.

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{11} Hodgson 1999, p. 117ff.
\item \textsuperscript{12} Marx 1887, p. 457.
\item \textsuperscript{13} Marx and Engels 1967, p. 83.
\end{itemize}
\end{footnotesize}
and historical practice, but are now uncertain, and thrown into disarray. Again, taking this perspective, upheaval and disjunction of social relations are the everyday stuff of capitalism, not signs of its obsolescence.

In the third volume of *Capital*, Marx discusses the circulation of capital which allows the extraction of surplus-value and therefore the accumulation of more capital. The faster this circulation (the more times in any given period an amount of capital can be used to produce commodities) the higher the possible overall capital accumulation. Marx then notes that the ‘chief means of reducing the time of circulation is improved communications’. While, in this instance, he was concerned with physical communication, roads, railways and shipping, this was due to the physicality of the products capitalism focused on at that time. In an age of information products, a similar relationship between informational products/services, the speed of communication and possibilities for capital accumulation can be observed. Thus, the move to business models which have promised instantaneous ICT-mediated delivery of services or products, is intended to radically shorten the cycle Marx observed. But, even material goods’ cycles can be shortened by the deployment of powerful ICTs. Dell Computer’s customers configure their own product and directly feed their order (via the company’s web-page) into the production programme. This speeds up delivery and thus payment (with its attendant surplus), making Dell one of the most profitable makers of personal computers in the world. For Marx, therefore, technological advance is a key element in the reproduction of capital and thus in capitalism itself.

At its most basic, capitalism revolves around the relation between property holders and those who only have their labour to bring to the market. If capitalists are to make a profit and therefore accumulate more capital, as they must do if they are to reproduce their capital, they must find things to buy and sell. Most importantly, these must be combined in various ways and then sold for more than their collective cost. This requires a régime of property rights to allow for the legally sanctioned transfer of resources (including labour) from one group to another. Historically, capitalists have managed to render many things as property, and the expansion of intellectual property represents merely another phase of their need to mobilise raw materials (their inputs) as legalised property.

Class differences based on ownership of the means of production have not disappeared. In the information economy, the ownership of valuable knowledge resources remains largely with the various segments of capital, while workforces are allowed access to these resources only to work them. They may work on, and use, the knowledge and information that companies control but they are mostly unable to finally own it. Employers use both legal and organisational techniques to ensure even senior workers cannot legally retain extensive knowledge resources (or ‘knowledge

14 Marx 1974b, p. 71.
capital’) for their own use. ‘Work-for-hire’ provisions in intellectual property-rights law (patent and copyright) have for some time allowed the appropriation of the intellectual outputs of the workforce by the contracting employer.

Marx placed the ‘making’ of property, or commodification, at the centre of his analysis of capitalism: this is the appearance of relations between individuals as a relationship between things. (Of course, one might argue that the making of property from information and knowledge is more akin to primitive accumulation than to commodification, but I shall leave this aside here.) As we know, capitalism has progressively deepened its penetration into previously non-commodified social relations. Indeed, Ellen Wood regards universalisation and intensification of capitalist socio-economic relations as the central tendency within capitalism. This universalisation, ‘the increasing imposition of capitalist imperatives, a capitalist “logic of process”, on all aspects of life’, cannot be regarded as ushering in a new form of socio-economic organisation.15 Looking back at the history of modern capitalism, this ‘logic’ is always evident, but it is not an ahistorical logic, it does not exist outside (apart from) the history of capitalism itself. To clarify this specificity, it is as well to clearly distinguish markets from capitalism. Markets are a device, embedded within society, for the co-ordination of demand and supply which produces prices which enable exchange mediated by money of goods that have been socially produced. This contrasts with capitalism, which intervenes in the economy by producing goods or services specifically for profit, speculatively. The capitalist earns a socially recognised (and legitimated) return on investment (enabling capital to be reproduced and accumulated) when items are brought to market and successfully sold.16 Market economies can exist without capitalism and have done so, but capitalism cannot exist outside a market economy.

This analytical separation enables changes in the form of market relations (most specifically the sorts of commodities and services brought to market) to be distinguished from the driving organisational logic of capitalists acting in the market itself. If we accept that markets are not the same as capitalism, then while they are inter-related, changes in the market’s character do not indicate necessary changes in the ‘laws of motion’ of capitalism. The character of the economy may change due to technological or social changes, and this may expand or contract the possibilities for capitalistic intervention, but it does not change the reproductive cycles of capital itself. Whatever initial claims were made for ‘cyberspace’ as a new arena for social interaction that would not be informed and structured by market relations, Ronald Bettig notes that it is

15 Wood 1997, p. 554.
16 See Braudel 1982, p. 400ff.
now most apparent that new computer mediated communications will be integrated into the existing communications system and serve primarily for selling commodities, including cultural goods and information.\textsuperscript{17}

Thus, while this might represent something of a change in the way the market itself appears, this by no means necessitates the end or transformation of capitalism.

There is, therefore, a clear distinction to be made between the forms of production under capitalism (the technologies or processes) and the continuing character of the relations of production. Technologies can change without any necessary corresponding shift in the way the economy is organised. Furthermore, the contemporary period is not one where alternatives to capitalism have arisen (as the information society is sometimes presented), but one where capitalism itself has finally become the defining logic of the vast majority of the global system. There may be varieties of capitalism, from information societies to mineral-exporting developing countries, but what is more important is the underlying common elements that all contemporary variants share. Capitalism is universalising these common elements across the world, but, as a system, it is also intensified as more aspects of life are subsumed within the organisational logic of private property, commodification and profit.

While the technologies and practices of capitalism in the market have changed in form, the underlying property relations – those between labour-owning and capital-owning groups – remain in substance unaltered. Although obscured through the presentation of new ‘ideas’ about economic organisation, this represents a remarkable and crucial continuity, not evidence for a revolutionary new information age, as Poster and others suggest. Indeed, it is this continuity of the capitalist logic that seems to be wilfully hidden by much of the discourse regarding the emergence of the information society, and the ‘new economy’. New technologies do not indicate a profound change in the underlying relations of production or their property-based organisation. The nascent information society has already seen the expansion of the private rights accorded to information and knowledge owners rather than their evaporation.\textsuperscript{18}

Information or knowledge may have an existence outside the privately owned realm, but this is increasingly a residual category, only recognised when all conceivable private rights have been established.

The economy of the information society is still driven by the need to earn a profit and for capital to be reproduced. To be specific, the relations between knowledge capitalists and knowledge workers remain essentially the same as their predecessors under ‘modern’ capitalism. Capitalists control and deploy the knowledge outputs in a similar way to the products of their more materially oriented workers. This led Tessa Morris-Suzuki to suggest:

\textsuperscript{17} Bettig 1997, p. 154.
\textsuperscript{18} May 2000.
Information capitalism, therefore, not only exploits the labour of those directly employed by corporations, but also depends, more than any earlier form of economy, on the indirect exploitation of the labour of everyone involved in the maintenance, transmission and expansion of social knowledge: parents, teachers, journalists – in the end, everybody . . . the economic system itself becomes a vast mechanism for converting the knowledge created by society into a source of corporate profits.19

While the methods of extraction may have changed, the logic remains unaltered. Although this may be shifting the forms of interaction, the use of non-commercial inputs (public services, parental socialisation, unpaid housework) has historically been the un-acknowledged support system capital has relied on to subsidise its labour inputs.20 In the information society, this reliance may have been expanded in to new areas, but, like Ellen Wood, I do not regard this as a major shift, for it is merely an intensification of what has gone before.

Like material property relations, intellectual property relations render output alienable and therefore exchangeable in markets. Companies wish to define the knowledge of important workers, not as the workers’ learnt competencies and abilities, but as the patents, copyrights or trade secrets of the employer. Indeed, the continuing deployment of technology has rendered intellectual activity directly productive and has allowed the demystification of many economic practices. Again, this is hardly novel. Marx pointed out last century that,

> even down into the eighteenth century the different trades were called ‘mysteries’ [but] Modern Industry rent the veil that concealed from men their own social process of production, and that turned the various spontaneously divided branches of production into so many riddles, not only to outsiders, but even to the initiated. The principle which [modern industry] pursued, of resolving each process into its constituent movements, without any regard to their possible execution by the hand of man, created the new modern science of technology.21

Therefore, the move to reconstruct work into tasks deliverable (at least partly) by machines is not part of the novelty of the information age, rather the rendering of ‘skilled practices’ as techniques is part of the characteristic logic of capitalism. The logic of capitalism has prompted the development of expert systems and software to carry out many information-related jobs, and has reduced the advantages of those with previously highly-valued skills in many sectors of the economy.

21 Marx 1887, pp. 456–7 (footnote deleted).
Furthermore, the continuing and widening commodification of information and knowledge has allowed the detachment (through the fragmentation of the technical division of labour) of knowledge-based tasks from their immediate delivery by changing the class location of effective ‘ownership’. Where knowledge or informational tasks have been automated and formalised as part of the information economy’s shifting division of labour, the question of geographical location has been reduced to an issue of cost and efficiency. In the manufacturing sector, the fragmentation of the division of labour has allowed the movement of certain types of tasks to lower-wage sites, and this is now also happening in the information economy.22

Conclusion

Overall, Poster’s view of ‘virtual reality’ takes the by now quite standard line (echoing, sometimes explicitly in Poster’s case) Marshall McLuhan’s notion that technologies extend the communicative experiences of man. Citing Jean Baudrillard and Jacques Derrida, Poster discusses the simulation of new realities that the technological revolution has enabled. However, for Poster, virtual reality goes further because not only does it allow the simulation of worlds already extant, it also allows new situations, relations and experiences to be summoned into (virtual) existence (p. 138). Indeed, Poster spends a whole chapter exploring the way that the new virtual world may allow new communities to rise, leaving behind the shackles of previously racist and ethnically repressive modes of communication (Chapter 8). Poster also discusses Derrida’s suggestive notion of archiving as a way to understand the central power of new ICTs (p. 142). However, rather than using this think about the very real problems of surveillance, data-mining and privacy, we are treated to a discussion of Derrida’s overall ‘hauntology’, perhaps most obviously laid out in Specters of Marx.

Finally, these ruminations lead Poster to conclude:

The question of politics in the age of virtual reality must depart from a new materialism, a new theory of the imbrication of technology and culture, one that comes to terms with the transformation of mechanical machines into smart machines, into ‘artificial intelligence’, self-regulating systems and digitizers of images, sounds and text; it must commence from an appreciation of the dissemination of these software-hardware systems throughout social space and the installation of interfaces that unite humans and machines in new configurations of agency. (pp. 146–7.)

In light of the above discussion, it will be of no surprise that I fundamentally disagree. It seems to me that there is nothing in the ‘new age’ that requires such a wholesale

22 For an extensive discussion of this issue see May 2002c.
revision of social criticism, such a denial of the overarching structures of capital that
while not finally determining our lives, do much more than Poster seems willing to
accept to, constrain and limit the possibilities for agency.

Certainly, the forms of our lives have changed, inasmuch as new technologies enable
new forms of interaction and behaviour to develop. However, we should not suppose
that this is the whole story; rather, the claim that this requires a new vision is directly
intended to obscure previous trenchant critiques that capitalists have had significant
difficulty countering. It should be no surprise that, despite these new technologies
and the wonderful world of virtual reality, the inequalities of our nascent global society
grow rather than shrink. Furthermore, while we may all value the shift to less physical
work, and few claim that information-related work is as dangerous as working in
mining, this should not lead us to presume that the underlying social relations have
also ‘improved’. Rather, the hyperbole about a new age, and the promise of ICTs is
meant to blind us to the continuities in social relations that still cause not only
exploitation but also the extremes of economic inequality in our own and other societies.

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Geopolitics

The term 'geopolitics' was formalised by the Swedish constitutional lawyer Rudolf Kjellén (1864–1922) and systematically developed and raised to a doctrine of international relations by Karl Haushofer (1869–1946) during the period of Europe’s intensifying interstate rivalries after the turn of the century. It had the objective of emphasising the primary determination of the political by space. Since the 1970s, it is supposed to capture in its formally neutralised version ‘power struggles over territories for the purpose of political control over space’ (Lacoste 1993).

Cross-nationally, the concept entails three core elements: a bio-organic notion of the state, a social-Darwinist view of inter-state relations defined as a struggle for Lebensraum (living space), and the deduction of the political from spatio-natural determinants.

1. As set out in the Zeitschrift für Geopolitik [Journal for Geopolitics]. Haushofer’s specifically German theory of international politics combined (i) a backward-looking critique of the liberal, ‘mechanistic’ conceptions of the state and society, counterposed to the völkisch ‘ideas of 1914’ and an organismic conception of the state; (ii) an instinctive rejection of technology and industry; (iii) a corresponding revaluation of pre-industrial agriculture, mystified as ‘chthonic’ and ‘organic’; (iv) a Malthusian emphasis on population growth; (v) a dualistic view of power determined by geographical position with a preference for land power over sea power, informing the programmatic policy prescriptions for the establishment of a Eurasian power bloc under German leadership; (vi) the rejection of international law, as institutionalised in the League of Nations, in favour of a new Großraumordnung [Grand Spatial Order]; (vii) the combination and political radicalisation of these elements in Anglophobia and anti-Semitism. In the context of the capitalist interwar crisis, German geopolitics can best be understood as the ideology of a ‘continental German imperialism’ (Diner 1984, 2) and a theoretical riposte to Marxist theories of imperialism.

Between 1916 and 1944, the concept of geopolitics reaches its phase of greatest public influence; first during the revisionist intellectual struggles against the Versailles Treaties and, thereafter, as a key legitimation for national-socialist Großraumpolitik. The disastrous consequences of WWII led to the term’s widespread discrediting in the Federal Republic, even though the concept was not altogether taboo (Grabowsky 1960). Elements of the term were revived during the 1980s by conservative historians in the ‘Historians’ Controversy [Historikerstreit] in what Hans-Ulrich Wehler described as ‘middle position palaver [Mittdägen Palaver]’ (Wehler 1988, 224), seconded by Jürgen Habermas who referred to the term’s public rehabilitation as a form of ‘geopolitical ballyhoo [Tantam]’ (Habermas 1987, 75). German unity, finally, led to a general discursive renaissance of the idiomatic vocabulary of geopolitics, even though the concept’s historical genealogy has been largely sanitised or suppressed (Diekmann et al. 2000).

Outside Germany and from the beginning of the Cold War onwards, German-Jewish émigrés exported geopolitical categories and ways of reasoning that crystallised in the American discourse of power-political ‘realism’. Through this transposition, geopolitical ideas with only minor conceptual re-adjustments merged in the US with an indigenous Anglo-American geopolitical tradition, most powerfully represented at the time by Isaiah Bowman, a key adviser to Wilson at the Versailles Peace Conference (Bowman 1922; Strauss-Hupé 1942). Wilson’s moralistic liberal internationalism was strongly informed by Bowman’s new geopolitical strategy of US non-territorial

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economic expansionism – a drive for ‘American global dominance’ (Gowan 2004, 161). With the post-WW-II resurgence of classical realism (Morgenthau 1948) and its Cold-War-driven transformation into neo-realism (Waltz 1979) – which insists on a systemic logic of an international state of nature in which Realpolitik, security dilemma and balance of power theory prevail – the realist tradition asserts itself as a hegemonic discourse of international politics to this very day (Gray 1988; Kissinger 1994; Mearsheimer 2001). In Latin countries, the nouvelle géopolitique (Lacoste 1993) is propagated with reference to the géohistoire of the Annales School (Braudel 1994). It attributes primacy to the pre-social conditions of political life, especially to its natural-infrastructural (geographical, geological and topological) premises as manifestations of la longue durée. It led to the foundation of geopolitical journals in France (Hérodote) and Italy (libres – Rivista Italiana di Geopolitica). Since the 1980s, critical geopolitics (Ashley 1987; Walker 1993; George 1994; Agnew/Corbridge 1995; Ó Tuathail 1996; Agnew 1998), especially in its poststructuralist form, attempts to understand geopolitics as a discursive inside/outside phenomenon by exploring the social constructedness of spatial political orders on the basis of historicised readings of territorial transformations. Even though the intellectual links between some of these contemporary strands of geopolitical thought and the original German tradition are tenuous, invocations of the term geopolitics have become once again central to the wider discourse in academia and beyond.

2. Elements of the geopolitical tradition of thought can be traced back to the political philosophies of the physiocrats and bourgeois materialists. Political naturalism, which originates from there, can be divided into a biological-racial doctrine of human nature and a geographical-determinist doctrine (climate, soil, location, topography) in relation to non-human nature. Both are crucial for determining the regionally specific form of political socialisation. Against the background of the foundation of the German Empire (1871) after the Wars of Unification and the subsequent period of inter-imperialist rivalries, Friedrich Ratzel (1846–1911) first developed the critique of the universalistic notion of the state associated with the Enlightenment and liberalism (Faber 1982). Ratzel, a co-founder of the Alldeutscher Verband (Pan-German League), fused the organic-state conception with the social Darwinism of Ernst Haeckel (1843–1909) into ‘the law of spatial expansion’ (Ratzel 1882, 116 et sqq.). The struggle for survival, operative in fauna and flora, transforms into a collective struggle for space and resources amongst Völker [racially/culturally defined peoples]. This struggle for space revolves around expansion and selection, rather than specialisation. The notion of a mismatch between soil fertility and population growth (Ratzel 1897, 74 et sqq.), grounded in a precapitalist agrarian worldview, justifies expansionist policies. Großraum turns into Lebensraum (Ratzel 1901) and, therefore, into the ‘natural’ objective of any state activity. War is regarded as the natural and decisive mode of geopolitical regulation between organic collectives. States are born, grow and die in the struggle for space. Categories that mediate between the notions of soil, society and state – such as labour, classes and social interests – are largely sidelined. Consequently, differences arise in the prewar era between ethnocentric (Oscar Peschel, Robert Sieger) and geopolitical views of the goals and limits of foreign policy. While the former conception relies on political romanticism and Herder’s notion of nations as cultural-linguistic units [Volksnation], leading to a self-limiting territorial correspondence between a nation’s area of settlement and the scale of state territory, the latter conception [Staatsnation] prioritises infinite territorial aggrandisement over ethnic-racial homogeneity (Ratzel, Alfred Kirchhoff), although it may also involve an active policy of ethnic settlement (Germanisation). Volksnation and Staatsnation are, thus, not synonymous and constitute rival points of reference (cf. Faber 1982, 394 et sqq.). This tension between ‘race’ and ‘space’ re-emerges later in discrepancies between the original programme of German geopolitics and Adolf Hitler’s Rassenideologie [racial ideology] (cf. Bassin 1987).

Contemporaneously and in partial competition with these developments in prewar Germany, Alfred T. Mahan’s (1840–1914)
anti-isolationist navalism and Halford Mackinder’s (1861–1947) heartland-theory form the core of a recognisable geopolitical tradition in the US and Britain. Admiral Mahan’s ‘aquatological’ theory (1890; 1897) identifies the decisive factor in power politics in the fleet-based domination of the sea, whereas Mackinder – at the time Director of the London School of Economics – insists on the superiority of territorial power in what he describes as the ‘post-Columbian’, i.e. post-naval, age (Mackinder 1904). Both conceptions express the factual transition from the cosmopolitan imperialism of free trade to the era of protectionist neo-mercantilism (Semmel 1960, 171 et sqq.). According to Mackinder’s ‘trizonal’ world-view, a geostategically immune inner-Eurasian heartland – the pivot of history – is enclosed by an inner crescent that stretches from the margins of Europe over the Near and Middle East on to India and China. This is, in turn, surrounded by an outer crescent that stretches from the margins of Europe over the New World to Australia, Oceania and Japan. Whilst control of the world’s oceans had been the decisive factor in the power constellations of the ‘Columbian’ age (ca. 1500–1900), the contemporary global balance of power is decisively altered by the technological penetration of the pivot area (Central Asia, Russia) by a transcontinental network of railways. The future belonged to an alliance between Germany and Russia, which remained in its territorial heartland immune against the sea powers. Only a grand coalition of sea powers against the territorial powers could prevent the otherwise certain Eurasian world domination (1904, 436). ‘Who rules East Europe commands the Heartland: Who rules the Heartland commands the World-island: Who commands the World-Island commands the World’ (1919, 150). The horizon of this vision is ‘world domination’.

It is doubtful, however, whether Mackinder and Mahan form part of an ‘Anglo-Saxon democratic’ tradition of geopolitics (Sprengel 1996, 25). Both emphasise the ‘struggle for existence’, both subscribe to the organiser view of the state. Mackinder pleads for a social-imperialist policy of race and education and demands the subordination of the demands of the people under the imperatives of what he describes as militarised imperialist trading states (1919; cf. Semmel 1960, 174 et sqq.). His dichotomous categories – land/sea, tellurian/aquatological, Leviathan/Behemoth – are later adopted by Carl Schmitt (1950).

3. As a practice-oriented theory of space, geopolitics matures from 1933 onwards into the official German science of the state [Staatswissenschaft]. Next to Ratzel’s political geography, the German geopolitical tradition was most directly influenced by Kjellén’s anti-legalistic writings on constitutional and international law. In Der Staat als Lebensform [The State as an Organism, 1917], Kjellén contrasts the norm-oriented legal positivism, most notably represented in Weimar Germany by the Austrian-Jewish constitutional jurist Hans Kelsen (1934) and the German jurist Georg Jellinek (1922), with what he calls an ‘empirical viewpoint’ of the state. Here, geopolitics is defined as ‘a view of the state as geographic organism or as a “phenomenon in space”’ [Erscheinung im Raume; Kjellén, 45]. In this conception, geopolitics constitutes one, though central, component of politics in general. Driven by this vitalistic view of the state defined primarily as a power-political actor and its concomitant elevation of foreign policy to an existential condition, geopolitics turns into an auxiliary science of politics in the international struggle for survival. Laws of nature provide its basis of legitimacy. ‘Energetic states, whose space is limited, are compelled by the same categorical-political imperative to expand their space through colonisation, merger or conquest of various kinds’ (75). During the period of transition from the nineteenth-century ‘Concert of Europe’, the pentarchy, to the new constellation of ‘world politics’ in the ‘planetary age’ (Kjellén 1918a), flanked by the US and the USSR as the new superpowers, Kjellén’s thoughts on geopolitics received a wide reception in interwar Germany. The rise of the geopolitical discourse in the 1920s and early 1930s was marked by the foundation of the Geopolitische Seminar at the Deutsche Hochschule für Politik (1924) in Berlin, the launch of the high-circulation Zeitschrift für Geopolitik (1924), published by the NSDAP member Kurt Vowinckel and edited by Haushofer, Erich Obst, Hermann Lautensch and Fritz Termer (from 1925.
Otto Maull), and the creation of the Arbeitsgemeinschaft für Geopolitik [Working Group on Geopolitics] (1932) (Sprengel 1996, 33). Haushofer, appointed professor for geography at the University of Munich (1921–39), president of the Deutsche Akademie (1934–7) and a close confidant of Rudolf Hess, defines geopolitics as ‘the science of political forms of life within living space, conceived in its deep relation to soil and conditioned by history’ (1928c, 54). Geopolitics was destined to become the ‘geographical conscience of the state’ (1928a, 27). ‘Suggestive cartography’ was hailed as a means of mass education for the collective preparation of the nation in its ‘struggle for survival on earth’ (1929d, 346). In intellectual affinity with Ratzel, Haushofer mobilises the argument of the ‘increasing discrepancy between food supplies and population density’ to justify demands for a ‘redistribution of the living and breathing space on earth according to the working capacity and cultural performance of different peoples’ (1928b, 41). Any legal recognition of consolidated borders is rejected (1934). A reasonable, law-based and negotiated resolution of conflicting international interests is declared illusory.

In attacking the ‘liberal’ system of European mini-states and the tendency to juridicise international politics and buoyed by the first foreign-policy ‘successes’ of the Nazi régime, the geopoliticians increasingly invoke during the 1930s the ‘law of growing spaces’, i.e. the idea of the permanent enlargement of territory as part of the historical movement itself. But this new spatial order is no longer based on nineteenth-century nation-states as the constitutive units of the states system, but on Groβraum or even ‘Empire’ (Maull 1934; Obst 1941). In place of one universally applicable international law, Carl Schmitt (1939) advocates the pluralisation and regionalisation of diverse, co-existing and mutually exclusive legal spheres: Lebensraum, Groβraum and Empire are the ordering terms that underpin his idea of a supranational hegemonic order in Central and Eastern Europe under German leadership, located between the Soviet bloc and the Western powers’ spheres of interest. In this, Schmitt repeatedly refers to the Monroe Doctrine as one example of his new planetary vision and one of the most glaring manifestations of US double standards in international law and politics between Versailles and Geneva.

Schmitt’s demand for a geopolitical revision of international law can be regarded as a ‘legal claim for ground-rent in the international context’ (Diner 1984, 23 et sqq.). Haushofer pleads with reference to Mackinder’s heartland theory for the construction of a continental bloc, comprising Germany, the USSR and Japan (1940). This conception was instrumental for legitimising both the German-Japanese Anticomintern Pact (1936) and the German-Soviet non-aggression pact (1939). The contradiction between Haushofer’s anti-Bolshevism and his demands for a Eurasian bloc remains, of course, irresolvable. During the late 1930s, the term geopolitics becomes increasingly re-charged with völkisch terms (Sandner 1994, 10) and is finally subordinated to racial policies (cf. Bassin 1987).

4. The epistemological premises of historical materialism, as articulated by Marx and Engels, stand in many ways opposed to the causal factors that the geopolitical tradition prioritises for a comprehensive understanding of the political and geopolitical as dimensions of total social reproduction. Deeply influenced by the early nineteenth-century genre of philosophies of history, space is largely eclipsed by time in their respective œuvres. The guiding notion of historical progress, assumed to drive every single society in its internal-domestic development, is often unproblematically extrapolated to hold for world society as a whole. However, by laying the foundations for historicising and contextualising the socio-political construction of space, foreign policy and international relations, Marx and Engels stress that nature, territory and geography cannot remain pre-social constants. They are subject to transformation in their interaction with labour (Schmidt 1962). Still, the founders of historical materialism do not systematically incorporate the objective problems and phenomena highlighted by the geopolitical tradition in their wider reflections. This relative absence of
the geopolitical has left a problematic legacy within Marxism (Teschke 2005).

The young Marx and Engels are still strongly influenced by the universalism of liberal theories of history and the free-trade cosmopolitanism of classical political economy, even though they reject the idea of the pacifying effect of world trade. Marx writes to Annenkow on 28 December 1846: ‘What is the whole internal organisation of nations, what are their international relations, if not the expression of a given division of labour. And must they not change as the division of labour changes?’ (MECW 34, 98).

Rejecting the limits of traditional historiography ‘which neglects the real relations and confines itself to spectacular historical events’ (MECW 5, 50), the determination of international relations remains ambivalent. ‘Bourgeois society comprises [. . .] the total commercial and industrial life of a particular stage and transcends in this respect each state and each nation, although it is required to represent itself externally as a nation and internally as a state’ (ibid). Worldwide free trade, in turn, is thought to be a precondition for the proletarian revolution on a world scale: ‘Empirically, communism is only possible as the act of the dominant peoples “all at once” and simultaneously, which presupposes the universal development of productive forces and the world intercourse bound up with them’ (MECW 5, 49; modified in Engels in MECW 6, 312 et sqq., different in Marx and Engels in the Manifesto, MECW, 6, 495 passim). The problem of how states factor into and are circumscribed by their trade policies is mentioned (MECW 6, 75 passim), but not integrated into this concept of history. Similarly, Engels records the non-simultaneity of the nationally differentiated economic, social and political paths of development (MECW 6, 15 passim) and hopes for a shift in the European balance of power towards the progressive Western powers as a result of the bourgeois revolution in Germany. Both historical observations remain equally inconsequential for theory (MECW 6, 64). Classically, the Manifesto reads: ‘The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. [. . .] In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. [. . .] 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’ (MECW 6, 487 et sqq.). The non-simultaneity and relative political resistance of regionally differentiated and institutionalised class interests within the wider frame of a territorially constituted states-system remain outside the Manifesto’s theoretical perspective. Here, the notion of a ‘simultaneous development on the world scale’ prevails (Soell 1972, 112).

Beginning with the preparatory work for Das Kapital and influenced by the failed 1848 revolution, this initial position is problematised and finally revised, demonstrated by the planning sketches for Das Kapital. However, the problem as to why political power constitutes itself territorially in the shape of a world system of politically sovereign states, whilst the world market as the sphere of private exchange assumes a universal form, is not even formulated as a research desideratum (see working plan for the 1857 Introduction). Equally, inter-state relations fail to appear in the projects that would eventually remain unfinished: ‘(3) Concentration of bourgeois society in the form of the state. Viewed in relation to itself. The “unproductive” classes. Taxes. State debt. Public credit. The population. The colonies. Emigration. (4) The international division of labour. International exchange. Export and import. Rate of exchange. (5) The world market and crises’ (MECW 28, 45 et sqq.). However, the recognition of the problems inherent in the mediation between international relations and universal history start to change in the mid 1850s. First, Marx’s emphasis of the diachronic and regionally specific national developments, including his greater historical sensitivity to regionally differentiated forms of class struggle, crisis and revolution, raises questions about the impact of the post-revolutionary state on the inter-state system. Second, Marx starts to inquire into the impact of conventional inter-state wars on social structure and political
order. Third, he develops a greater appreciation of the role that multilateral diplomacy plays in stabilising the international order.

These questions cannot, however, be answered in the dialectical and historically abstract format of Capital I. They refer to a theoretically-informed re-reading of the historical material. Marx and Engels did not, in any case, despite their growing awareness of international relations, develop an integrated theory that incorporates the historical efficacy of international relations into their conception of the overall course of world history. Their interest in geopolitics remains primarily tied to the tactical consequences of alterations in world politics for communist strategy and, hence, limited to very perceptive but primarily *ad hoc* interventions of a journalistic or party-political character.

During the 1848 revolutions, Marx and Engels assumed the outbreak of revolutionary wars between a democratic and united Germany and late-absolutist states (Denmark, Russia, Austria). This would divide Europe into a revolutionary and a counter-revolutionary camp (*MECW* 7, 115, 212, 352, 421). The anticipated internationalisation of the revolution is thought to be carried out by a ‘world war’ (*MECW* 7, 505; *MECW* 8, 215; *MECW* 9 148 et sqq., 197 et sqq., *MECW* 6, 463) between the ideals of freedom and despotism. This raises the problem of the role that England – according to Marx the ‘rock against which the revolutionary waves break’ – is supposed to play. He confidently expects a defeat of England by 1849. This produces a ‘speculative separation’ of the ‘separate field of foreign policy [. . .] from domestic politics’. This may mean that what appears to be ‘subjectively reactionary’ can function as ‘objectively revolutionary in foreign policy’ (letter to Marx, 31 May 1860, *MECW* 41, 142).

Despite the fact that the European wars between 1853 and 1870 (with the exception of the Paris Commune) did not generate the expected outcomes, theoretically much more fundamental questions arise regarding the explanation of the origins of war, how to conceive of war, and how to integrate the consequences of war as critical junctures in the wider course of history. Even though Marx is clearly aware of the broader problématique of international relations, the logic of international and national class struggles is not persuasively mediated with the logic of inter-state competition in the context of the inter-state system. In the *Critique of the Gotha Programme* he writes: ‘It is altogether self-evident that, to be able to fight at all, the working class must organise itself at home as a class and that its own country is the immediate arena of its struggle – insofar as its class struggle is national, not in substance, but, as the *Communist Manifesto* says, “in form”. But the “framework of the present-day national state”, for instance, the German Empire, is itself, in its turn, economically “within the framework” of the world market, politically “within the framework” of the system of states. Every businessman knows that German trade is at the same time foreign trade, and the greatness of Herr Bismarck consists, to be sure, precisely in his pursuing a kind of international policy’ (*MECW* 6, 487 et sqq.). Engels was certainly willing to grant foreign policy transitory primacy in the context of
inter-state relations. From a military-political point of view he argues: ‘The military strength required by a Great Power is not to be measured with a view to the greater or smaller likelihood of a coup d’état but according to the size of the army of other great powers’ (MECW 20, 61).

5. As a ‘national Staatswissenschaft [science of the state]’ geopolitics distinguishes itself from Marxism as well as from liberal notions of the state (Denkschrift 1933). Conversely, the classical geopolitical tradition is criticised by Marxism. Karl August Wittfogel’s critique of the Kautsky disciple Georg Engelbert Graf, who charged Marx with having ‘neglected the primary, natural facts’ (1919, 29, cf. 1924), forms the climax of this controversy. Wittfogel primarily explores the epistemological difference between geopolitics and Marxism: ‘Geographical factors do not directly impact on politics […]; it is only within the process of production that these “primary, intrinsically natural elements” (Graf) assert themselves, either as the underlying fundamental, natural conditions or as productive forces. Yet, even then, their impact is not a direct one. It is only through the specific social order as it is derived from the production process that the natural conditions influence the development of political life’ (1929, 22). Heinrich Cunow (1921, 167) criticises Ratzel’s concept in a similar fashion. According to Karl Korsch, German Geopolitik represents ‘the expression as well as the weapon of a decisive attempt to solve the revolutionary problems of our times […] through the cataclysm of a world-wide counter-revolution’ (1943, 14). For Günter Heyden, it is ‘a pseudo-scientific product of the imperialist stage of capitalist development’ (1958, 483).

Observing the one-sided and non-dialectical emphasis that geopolitical doctrine imparts to soil, space and power cannot obscure the neglect with which the official Marxisms of the Second and Third International treated the implications of the territorial distribution of state power. They gave preference to the category of time, which was perceived to be historically universal, over the category of space, which was socio-politically differentiated and simultaneously geographically co-determined. Here, the development of humanity was conceptualised in terms of one universal and unilinear society, abstracted from all geographical and international contexts. The intellectual tracks for this ‘history without geopolitics’ were already laid by the founders of historical materialism themselves.


Luttwak sees the old geopolitics replaced by the dominance of ‘geoeconomics’ in the context of globalisation – intensified global competition would lead in the long run to a ‘world economic war’ (1994, 46). Triadisation, the formation of regional bloc, is one answer by states to economic globalisation (Link 1998, 79). However, the dynamic of continental bloc formation does not prevail over the increased integration amongst Triad centres, which renders the intensification of inter-imperialist tensions unlikely (Alnasser et al. 2001, 38). Altvater and Mahnkopf suggest that this ‘militaristic peace […] can surely only hold as long as shared interests prevail’ (1996, 37). In this new constellation of globalisation the state becomes ‘predominantly a geo-economic player and only in the second place a player within the system of international politics’ (66).


Benno Teschke
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certainty, colonialism, composition plans, dependency theory, earth, empire, Eurocentrism, formation theory, globalisation, international, international relations, Kautskyanism, Malthusianism, Marxism, materialism (geographical), Monroe doctrine, neo-colonialism, Occidentalism, Paris Commune, periphery/centre, population theory, politics, relations of intercourse, secret diplomacy, space, theory of social development, time, trade, universal history, war and peace, world war, world system
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