

Economics Transformed

Discovering the Brilliance of Marx

ROBERT ALBRITTON

Pluto  Press
LONDON • ANN ARBOR, MI

First published 2007 by Pluto Press
345 Archway Road, London N6 5AA
and 839 Greene Street, Ann Arbor, MI 48106

www.plutobooks.com

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British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Hardback

ISBN-13 978 0 7453 2658 0

ISBN-10 0 7453 2658 7

Paperback

ISBN-13 978 0 7453 2657 3

ISBN-10 0 7453 2657 9

Library of Congress Cataloging in Publication Data applied for

This book is printed on paper suitable for recycling and made from fully managed
and sustained forest sources. Logging, pulping and manufacturing processes are
expected to conform to the environmental regulations of the country of origin.

10 9 8 7 6 5 4 3 2 1

Designed and produced for Pluto Press by
Chase Publishing Services Ltd, Fortescue, Sidmouth, EX10 9QG, England
Typeset from disk by Stanford DTP Services, Northampton
Printed and bound in the European Union by
CPI Antony Rowe Ltd, Chippenham and Eastbourne

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Acknowledgements

This book is made possible by a 36-year career of teaching Marx's *Capital* at York University in Toronto, and by my close collaboration with Tom Sekine over most of those years. It was from him that I learned of the latent dialectical rigour resting within the commodity-economic logic of Marx's *Capital*. Sekine, in turn, was influenced by the work of Japanese political economist Kozo Uno, whose work would have been inaccessible to me but for the translation of Sekine and others. I have also been blessed by teaching at a University where many graduate students have been keen to study such a demanding work as *Capital*. Besides receiving feedback from Sekine, professors Westra and Bell have also given me feedback. Over the years my thought has been continually challenged, and, as a result, sharpened by my students. In particular I want to thank Stefanos Kourkoulakos, Michael Marder, John Simoulidis, and Nchamah Miller for their feedback on this manuscript. Finally my wife, Jennifer Welsh, has not only been patient with my authorial preoccupations, but also has read and commented upon the entire manuscript. Any remaining unclarities or errors of judgement, however, remain my own.

1

Introduction

The label of a system of ideas is distinguished from that of other articles, among other things, by the fact that it deceives not only the buyer, but often the seller as well. (Marx, Capital vol. I, 435–6)

The intimate connection between the pangs of hunger suffered by the most industrious layers of the working class, and the extravagant consumption, coarse or refined, of the rich, for which capitalist accumulation is the basis, is only uncovered when the economic laws are known. (Marx, Capital vol. II, 811)

The good Price was simply dazzled by the enormous quantities resulting from geometrical progression of numbers. Since he regards capital as a self-acting thing, without any regard to the conditions of reproduction of labour, as a mere self-increasing number, he was able to believe that he had found the laws of its growth... (Marx, Grundrisse, 842–3)

The prestige that has generally been accorded the “science” of economics is a great academic scandal, and in this book I shall argue that as a system of ideas it has generally deceived both buyer and seller. When so-called “economic science” utilizes quantitative, formal and abstract categories without clearly situating them in relation to qualitative, substantive and concrete categories, the effect is to promote in theory the reification or objectification that capitalism promotes in practice. It is to promote the rule of the commodity form (operating through capitalist markets) as though such rule were natural and beyond questioning to the benefit of all. Since the commodity form itself is never questioned, neither are the quantifications attached to it in markets. According to many a Nobel Prize winning economist, in principle, total commodification means that capital can single-mindedly maximize short-term profits and in so doing promote an equilibrium that maximally benefits all.¹ The naked truth is that such an economic orientation ignores the structuring of social demand by class such that even in a state of equilibrium in the most ideal capitalist market system, that which is optimal is so only relative to a social demand already structured by class. And when idealized

1. So-called “Pareto Optimality”.

conceptions of the market that ignore class are applied directly to policy formation in particular historical contexts, the potentials for social injustice loom large. Indeed, a great deal of capitalist history is the history of damage-control operations aimed at containing or covering up the destructive spin-offs of capital accumulation.

By universalizing abstract economic theory and by formalizing it far beyond any contact with reality, mainstream economic theorists fail both to understand the deep economic structures specific to capitalism and to develop the theoretical mediations that might successfully connect abstract theory to historical specificity.² In short, their failure is both theoretical and empirical. By assuming the commodity form to be more or less universal and natural, they fail in the all important task of problematizing it. The commodification that they correctly assume to be complete at the level of abstract theory is never complete at the level of history, being always supported politically or ideologically. In moving from the abstract to the concrete, then, it is necessary to theorize different degrees of commodification and different types of supports.³ Failure to do this will either produce a formalistic economic theory that revolves in outer space, or one that turns history into a function of the economic by failing to develop mediations that would bring in relatively autonomous practices and human agency as they interact with the economic and help shape historical outcomes.⁴

And despite the pronounced “chill” on critical thought that has developed in the United States in the early twenty-first century, there is a growing awareness, both in the US and abroad, of the severe deficiencies of orthodox economics.⁵ For example, in June 2000 a

2. Hodgson (2001) presents a very thorough and interesting analysis of the failure to successfully address the problem of historical specificity throughout the history of economic theory. I agree with his concern for the problem of historical specificity when he writes: “I have believed for over thirty years that the problem of historical specificity was one of the key questions in the social sciences” (2001, xiii).
3. Commodification is complete when the capitalistic commodity form is regulated entirely by fully competitive markets not distorted by extra-economic force from within or without.
4. Lawson (1997) offers particularly strong arguments against neo-classical economics for failing to meaningfully address human agency.
5. On top of the chill, “American social science bears the distinctive mark of its national origin.... Its liberal values, practical bent, shallow historical vision, and technocratic confidence are recognizable features of twentieth century America.... these characteristics make American social science ahistorical and scientific...” (Ross 1991, cited in Hodgson 2001, 152).

group of France's leading students of economics posted a petition on the web protesting against the extreme mathematical formalism of academic economics that turns it into an "autistic science" out of touch with reality, and against the domination of a neo-classical orthodoxy that leaves no room for critical thought (Fullbrook 2003, 1). The *Post-autistic Economics Review* that grew out of this movement had 5,500 subscribers after only its first two years of publication (ibid., 4). This book can be considered a particularly radical contribution to this movement, for in it I shall argue that almost everyone who has been indoctrinated by academic economics has utterly failed to grasp the potentially unparalleled contributions to economic science made by Marx's economic writings, particularly *Capital*.⁶ And even the famous French Marxist philosopher, Louis Althusser (1970, 15), who in *Reading Capital*, referred to Marx's *Capital* as "the founding moment of a science", in his last work (1992, 211), does an about face and refers to "the woolly and literally untenable labour theory of value".

RECOGNIZING THE BRILLIANCE OF MARX'S ECONOMIC THOUGHT

Lest the reader conclude from this blast aimed at mainstream economics that this book will primarily be a debunking project, let me immediately state my main focus. The book is primarily an appreciation of Marx's great achievements in economic theory, achievements that have never been fully recognized even by Marxists. My aim is to bring these achievements out of the shadows of ideological squabbling into the light of day for all to see. This will include not only his explicit theory, but also lines of thought or openings for thought that Marx may only have been dimly aware of if at all. Running through the book as a kind of sub-text will be frequent considerations of why it is that mainstream academic economics has been so blind to the contributions that Marx's economic thought can make to the advancement of economic science today. But instead of presenting yet another interpretation of Marx's economic theory as a whole or responding to all the various and sundry criticisms of his theory, my aim will be to emphasize Marx's most fundamental and lasting contributions and the undeveloped possibilities of his theories. And I shall explore why it is that orthodox economists

6. Unfortunately most Marxists have also failed to fully grasp the particular strengths of Marx's *Capital* that I am drawing out and emphasizing in this book.

and even unorthodox economists (including Marxists) have failed to grasp some of Marx's most brilliant achievements. In the process of arguing for a new economics based on Marx's work, I shall at least touch on some issues of ontology and epistemology, or, in other words, on issues concerning the basic nature of economics as an object of knowledge and the sorts of knowledge appropriate to such an object.⁷

It is not the case that Marx's economic writings by themselves offer some kind of total solution to the problems of theorizing the economic, but I shall argue that they do offer a strong basis from which to seek solutions. In some areas of theorizing the economic, Marx makes significant advances, in some areas confusions and contradictions need to be sorted out, and in other areas there are simply openings that, though promising, may be only slightly developed or even just hinted at. It is my aim to draw out Marxian economics in directions that demonstrate its vast superiority over competing approaches. This will include Marx's particular way of theorizing the economic in terms of a commodity form that absorbs and hides power relations, of a theory of surplus-value that both places profit-making at the centre and understands this profit-making in class terms, of an understanding of dialectical reason that moves his theorizing in the direction of a necessary unfolding of the commodity form, of recognizing the need for mediations that enable abstract theory to have at least the potentiality to address historical specificity, of connecting class to the quantitative variables of abstract economic theory, of connecting the economic and the ethical so that economics can be a form of critical theory, and finally of recognizing its necessary multiple-disciplinarity (or perhaps more accurately transdisciplinarity) that is cognizant of the importance of the relations between the economic and other relatively autonomous social practices.⁸ And in opposition to the strongly held views of many, I shall argue that the labour theory of value, far from being an incubus on this renewal of economic theory, should be central to it.

7. My interpretation of Marx is strongly influenced by the work of Japanese Political Economists Kozo Uno (1980) and Tom Sekine (1986; 1997). It is primarily their work that has aided my thought about the unique ontology of capital, and it is the work of Bhaskar (1989) that has made it clear how important it is to consider ontological issues.

8. In my usage "relative autonomy" does not preclude interpenetration, in which, for example, the economic may become politicized.

SOME SHORTCOMINGS OF ECONOMIC THEORY

Arguably, developing adequate connections between theory and history is *the* central problem of the social sciences, but because of the way in which economic science is constituted, far from contributing solutions, it has tended to exacerbate the problem. For example, the influential academic economist Joan Robinson, who is sympathetic to Marx, seems to think that Marx is an empiricist offering a model that should be evaluated by positivist criteria. According to Robinson (1966, xi): “The concept of *value* seems to me to be a remarkable example of how a metaphysical notion can inspire original thought, though in itself is quite devoid of operational meaning.” She is breaking with positivism here insofar as she considers that metaphysical notions may not be completely empty, yet she is still operating with the metaphysical/operational binary. If we take “operational” to mean convertible into verifiable propositions, then Marx’s theory of value may ultimately be “operational”. For example, take the proposition: “In history the capitalist state continually seeks ways to maintain the commodification of labour-power.” While this proposition cannot be derived directly from Marx’s theory of value, it can be derived from mid-range theory that is informed by Marx’s theory of value. And while it may be argued that generating verifiable propositions is of central importance in the natural sciences and strictly empirical social sciences, it is not the central concern in the theory of capital’s deep structures.⁹ For here we are first of all theorizing how the commodity form by itself can reproduce and expand the basic socio-economic relations of a society. That is, the aim is to lay out the necessary inner connections amongst all basic capitalist economic categories when they are completely subsumed to the commodity form. It is only then that we can begin to think how the theory of capital’s deep structures might be utilized as an aid to more concrete levels of analysis. Ultimately, we may want to generate testable propositions, but presumably this would occur primarily at the level of historical analysis where the central concern is with historical causality.

Generating verifiable propositions is not, however, what is most important about the theory of value, and it is certainly not the *sine qua non* that makes it meaningful. Rather it takes basic economic categories that are meaningful because they are deeply embedded in

9. I use “theory of capital’s inner logic”, “theory of capital’s deep structures”, “dialectic of capital” and “theory of a purely capitalist society” interchangeably to emphasize different aspects of the most abstract level of theory.

the everyday life and history of capitalism (for example, commodity, money, capital, wage, price, profit, rent, interest, accumulation) and theorizes how they must interrelate insofar as they are completely commodified and as a result can be thought quantitatively. In other words, economic theory essentially sharpens meanings that are already deeply embedded in history by following the self-reifying logic of capital.¹⁰ It does not proceed through the method of stipulative definitions that is common in empirical sciences where precise boundaries are required for data collecting.

The binary metaphysical/operational, which stems from positivist philosophers like A.J. Ayer (1952), often takes the position that only verifiable propositions are meaningful and that all other propositions are empty, or, what is the same thing, “metaphysical”. But this binary, so central to positivist philosophy, not only fails to capture what is going on in Marx’s theory, but is also meaningless in its own terms because it cannot be verified. Robinson avoids this by arguing for two kinds of metaphysical propositions: on the one hand those that are meaningless, and on the other, analytic propositions, that though not themselves verifiable, are the basis of an analytic framework that can generate verifiable propositions. Without pursuing this issue in the depth that it deserves, at least one can say that up to this point it is unclear just how we are to assess analytic propositions as opposed to the hot air types of metaphysical propositions.¹¹ It is also unclear how Robinson would utilize abstract economic theory to understand historical specificity without engaging in extreme forms of economic reductionism.¹²

Another example of a theoretical perspective that is inadequate when it comes to developing theoretical mediations that would connect abstract theory and history is the work of Ian Steedman (1977). For example, he is so taken in by the mathematical “correctness” of his Sraffa-based formalistic model of price determination that he totally rejects the incredibly rich potentials of Marx’s value theory as a basis for both understanding capital’s inner logic and developing the sort of theoretical mediations (levels of analysis) required for connecting abstract theory with concrete history.¹³ Instead he presents a

10. In Chapter 4 I shall make the case that capital is self-reifying and hence self-defining.

11. See Hollis and Nell (1975) for an extensive critique of the positivist assumptions of mainstream economic theory.

12. See Chapter 8 for more on Robinson.

13. See Sraffa (1960). Sekine (1997) demonstrates the incorrectness of Steedman’s theory of price determination. See Chapter 8.

formalistic theory of price determination, that in its universality is not connected to any historically specific mode of production, and then seems more or less lost when it comes to seeking paths that might connect his theory to historical specificity. Indeed, one of my most important arguments is that epistemological projects connected with economic theory that tend to make history a simple function of abstract theory or abstract theory a simple abstraction from empirical history are deeply problematic.¹⁴

The solution offered here involves the hard work of developing theoretical mediations or distinct levels of theory that can connect theory and history while avoiding all simplistic deductivism and inductivism. In the case of the theory of capitalism, I shall argue that at least three levels of analysis are necessary.¹⁵ Many theorists have advocated some sort of levels of analysis, but few have done much of the hard work required to theorize them and their interconnections.¹⁶ In part this is because modern academia is not organized to provide much support for the interdisciplinary theorizing and collective research that would be necessary. For example, how many trained economists can venture to write at the level of historical analysis where economic causality is mixed with political and ideological causality in the form of relatively autonomous and interpenetrating practices?

There is a tendency for economics to be a hermetically sealed academic discipline, and this coupled with the worship of mathematics means that prices tend not to be seen in their connection with power relations whether economic, political or ideological.¹⁷ In other words, there tends to be little consideration of how, through reification and commodification, power relations have been “disappeared” into quantitative market signals that we submit ourselves to. At the level

14. Althusser (1970) would argue against such “reflection” theories, which he would classify generally as empiricist. See also Hollis and Nell (1975).
15. Both Uno and Sekine argue for three levels of analysis. For my particular version of mid-range theory see Albritton (1991).
16. See Mandel (1975), Aglietta (1979), Althusser (1970), Hodgson (2001), Sayer (1995), Postone (1996), Saad-Filho (2002), Jameson (1990), Bhaskar (1989) and many more.
17. “The disciplinary demarcation criteria, and the narrowing view of the scope of economics, had major and global consequences for the erection of virtually impenetrable disciplinary boundaries after the Second World War” (Hodgson 2001, 121). “We are also wary of the electrified wire dividing some academic disciplines” (Hollis and Nell 1975, 1).

of abstract economic theory where commodification is assumed to be complete, power relations disappear into seemingly impersonal and neutral numbers that are seen to epitomize economic reason, which, in turn, is thought to epitomize human reason.¹⁸ But in sharp contrast, at more concrete levels of analysis where power relations are not fully commodified, numbers only tell a part of the story. Marx makes it clear that even in pure capitalism where capitalistic rationality is totally in charge, the inequities associated with class exploitation are systematically reproduced.¹⁹

It is my contention that the quantification of social relations into mathematical equations only makes sense to the degree that we assume that the commodity form by itself rules economic life, or in other words, that all inputs and outputs of capitalistic production are fully and securely commodified.²⁰ For otherwise power relations that may have qualitative dimensions or may be structural enter the picture and disrupt any quantitative conclusions. But the commodity form is simply the form that private property takes in capitalism, and private property is fundamentally a power relation of exclusion. As Marx (C I, Chs. 6 and 7) has so powerfully demonstrated, pure capitalism rests first of all upon the full commodification of the means of production, which, as a result becomes exclusively owned by the capitalist class, and secondly upon labour power's full commodification that requires that each worker be excluded from ownership of any means of production. When commodification is complete the class relation becomes a relation of structural power (i.e. class struggle is absorbed into this structural relation) that makes it subsumable to mathematical formulations. But at more concrete levels of analysis, where commodification is incomplete, power relations including class struggle will always play a role in determining quantitative outcomes. In other words, at these more concrete levels of analysis, mathematical equations cannot stand on their own as explanations. And in turn, since it is unlikely that in most cases the power relations can be adequately understood in purely quantitative terms, qualitative analysis will need to play a role.

18. This formalist revolution eventually converted "the whole of economics into a branch of applied mathematics" (Blaug 1999, 276; cited in Hodgson 2001, 232).
19. See the reproduction schema at the end of *Capital* Volume Two for a schematic account of how the class relations can be reproduced entirely through the commodity form.
20. Criticizing "the marvelous inventions of Dr Price" Marx (G, 842–3) writes: "...he regards capital ... as a mere self-increasing number".

It is only in the context of a theory of a purely capitalist society where power relations get fully absorbed into socio-economic structures subsumed completely to the commodity form, that mathematical formulae can be employed. Clarity on this point is essential to the effective use of mathematics in economic theory.

In the case of capital, commodification represents a self-objectification of social relations, such that socio-economic life is directed by price signals emerging from the interrelations of commodities, money and capital in markets. Self-objectification per se is not necessarily a bad thing. Take, for example, the self-objectification represented by the deep structures of our grammar that permit communication to take place. Capital, however, is not so benign, as its deep structures are tied to power relations that are exploitative and often oppressive. It is therefore important for economics to always be aware of the power relations behind the numbers, so that these relations can emerge as it moves from abstract to more concrete levels of analysis. And for social science in general to orient towards degrees and types of self-objectification strikes me as an extremely positive research programme, because the very concept “self-objectification” invites consideration of whether or not the flourishing of the “self”, considered as a set of social relations, is advanced or retarded by particular objectifications or degrees of objectification.²¹

A theory of the commodity form is a particularly important theory of social self-objectification, because it is so central to understanding the basic characteristics of the modern world. Marx clearly understood the radical difference between all pre-capitalist societies where the commodity form was peripheral and undeveloped, and capitalist societies where it becomes central and developed. And since all mainstream economic theory fails to recognize the central importance of this distinction, it may ideologically reflect aspects of capitalism, but it can never understand its specific historical uniqueness. It may be no exaggeration to claim that the most radical change in all of history was the subsumption of production to the commodity form, for it is this change that ultimately placed the earth and its people at the service of short-term profits no matter what the long-term consequences.²²

21. See Albritton (forthcoming [a]) for a fuller discussion of this.

22. While economists generally remain oblivious to this, I am aware of two important anthropologists who have understood the centrality of the commodity form and profit-oriented production for understanding the modern world (Sahlins 1972; Polanyi 1944).

WHAT IS THE ECONOMIC?

In order to work our way out of the ideological constraints of economic orthodoxy, it is useful to start by considering what sorts of economic questions or problems that we, as humans living in the early twenty-first century, might most want to pose. To begin with, it is important to distinguish between the economic from the point of view of capital and the economic from the point of view of humans as historical beings who may want to alter capitalism. In the context of a purely capitalist society, capital defines itself as self-expanding value, and while such a definition of the economic is a necessary starting point, from our point of view as historical beings, we need a broader definition. I believe that it is consistent with Marx's theory of capital's deep structures to state that most fundamentally economics is about *how we spend our time and energy providing for ourselves and how the organizational forms and power relations resulting from this provisioning advance or retard human flourishing considered as deeply embedded in the natural environment*. I will argue that *capitalist* economics consists most fundamentally in provisioning activities organized by the private ownership of the means of production, which in turn is organized to compete through the commodity form in order to maximize profits. In other words, with capitalism, our life energy – insofar as it is devoted to economic activity – seems at first to be organized by capitalists who control the means of production. But it is important to realize that in the theory of capital's deep structures, ultimately capitalists are, in Marx's words, "the personifications of economic categories", such that their behaviour is determined by price signals generated by the commodity form.²³ In other words, the seeming agency of capitalists is subsumed to the self-expanding value of capital itself. And while societies can be more capitalist or less capitalist, they are the most capitalist when all inputs (including labour-power) and outputs of the production process are completely commodified.

I am suggesting, then, that instead of defining the economic in terms of the usual supply, demand and scarcity (an extremely one-sided and limited definition even at the level of pure capitalism), we consider focusing on how our life energies are channelled into provisioning activities, and how the results of these activities are

23. Marx frequently uses the metaphor "personification" to express the reifying force of capital (S I, 282; S III 476, 514–15; C I, 179, 254; C III, 953, 958, 963, 968–9).

distributed. Further, I shall argue later on that in the theory of capital's deep structures, it is the capitalist commodity form that subsumes and coordinates the substance of economic life, and Marx's theory of value lays the groundwork for theorizing the consequences to economic life of a commodity-economic logic organized around maximizing profit.

OUTLINE OF ARGUMENT

My argument will be presented in eight chapters. Chapter 2 will focus on Marx's theory of the commodity form, which, I shall argue, is his single greatest contribution to economic theory. Lukács and the Frankfurt School developed an overly totalized cultural theory based on Marx's theory of the commodity form, but few have explored in depth its importance for economic theory.²⁴ It is my contention that a general economic theory can only utilize mathematics when commodification of economic variables is complete, because otherwise relatively autonomous and qualitatively distinct economic and non-economic structures will alter quantitative outcomes such that there can be no purely mathematical precision in them.²⁵ And since at the level of history commodification is never complete, the study of economics at this level must always be multidisciplinary and include

24. See Albritton (2003a), "Superseding Lukács: A Contribution to the Theory of Subjectivity".
25. It may still be useful to study quantitative outcomes in connection with various types of power that determine them, but they would rarely if ever be outcomes resulting from fully commodified economic variables alone. My caution about the use of mathematics is aimed specifically at the use of equations in general theories that are presumed to be directly applicable to real historical economies. Employing statistics may always be useful when used with proper caution. See Marilyn Waring (1999) for an analysis of some of the distortions characteristic of National Accounts. Mathematical simulations are also problematic because their outcomes depend so much on the precise boundaries drawn between variables, boundaries that clearly do not exist in empirical reality. For example, Ross McKittrick "ran two simulations of the Canadian economy's response to a tax rise. The two projections shared the same Walrasian philosophy, used identical data and examined the same 10% tax on the purchase of services; they differed only in the way they clipped and pruned households and companies, giving different mathematical expression to the laws of demand and supply. But these subtleties of expression had profound effects. In the first of his simulations, the tax rise allowed government spending to increase by more than 60%; in the second, spending could rise by just 14%" (*Economist*, July 15, 2006, p. 69).

the study of different types of structures of power that are implicated in “economic” outcomes. Or, in other words, quantitative economic outcomes in history are always likely to have non-quantifiable structural determinants.

Marx recognized, correctly I shall argue, that the commodity form (the “cell-form” of capital’s inner dynamic) is central to theorizing capital’s inner logic.²⁶ Realizing the full import of this and all its theoretical ramifications is *key* to understanding Marx’s theory and its particular strengths in theorizing capitalism. Nearly all mainstream economic theory simply takes complete commodification as a given, and hence ignores the problematics of absorbing social power relations into the commodity form.²⁷ Were the conception of commodification taken seriously by economists, there could be far less reliance on mathematics since all actually existing capitalisms are only partially commodified and this partial commodification is only sustained by economic, political and ideological supports (structures, practices or institutions) that usually need to be conceptualized structurally. Mainstream economists fail to understand how the commodity form reifies economic relations (they simply assume market-governed economies), producing a dynamic that prevails over the wills of individuals, and they also fail to understand how the commodity form hides the structural property relations that lie behind it. For example, because of the peculiar connection of the commodity form to the private ownership of the means of production, the commodity form tends to hide the power relations (class) that stand behind *quid pro quo* exchanges.

But complete commodification implies that the commodity form rules such that agency by capitalists only serves to reinforce a commodity-economic logic upon society as a whole. When commodification is complete, economic variables can vary internally and necessarily in relation to each other, but, at the same time, the resulting quantitative automaticity hides power relations that can only be effectively studied at more concrete levels of theory.²⁸

26. “Two characteristic traits mark the capitalist mode of production right from the start. *Firstly*. It produces its products as commodities. ... The *second* thing that particularly marks the capitalist mode of production is the production of surplus-value...” (C III, 1019–20).
27. As Sekine has pointed out to me, mainstream economists assume that economic form and substance are always fused together, whereas such fusion only occurs under the historically specific conditions of capitalism.
28. At the levels of mid-range theory or historical analysis.

It is as if power relations are absorbed into the commodity form and thereby disappear from view. But arguably it is economic power that should be one of the central concerns of economic theory. By problematizing the commodity, Marx makes it possible to unpack the power relations that have been “disappeared” into numbers by generating more concrete levels of analysis, thus avoiding the extreme reductionism that would result from applying mathematical economic models to history.

Nearly all general economic theory produced historically has simply assumed the commodity form; whereas Marx both theorizes its fully developed capitalist forms and problematizes it. This is an absolutely fundamental and crucial difference distinguishing Marx from nearly all other economists. Because of the depth of his theory of the commodity form, Marx is able to demonstrate both the contradictory character of the commodity form at the level of abstract theory and its incompleteness in all actual capitalist societies. Its contradictory character underlies the periodic crises of capital in the theory of pure capitalism, and its incompleteness severely limits quantitative analysis and necessitates that economic theory become multidisciplinary as it approaches more and more closely to the analysis of history. And to the extent that the commodity form is not complete, it necessarily requires the support of economic, political and ideological power relations.

In Chapter 3 I argue that a second lasting contribution that places Marx head and shoulders above other economic theorists is his theory of surplus-value. While his theory of the commodity form is typically ignored or little understood, his theory of surplus-value tends to be dismissed by mainstream economists as either incoherent or “metaphysical” in the bad positivist sense of the word. In sharp opposition to nearly all economic theorists, it is my claim that a theory of price determination is not the highest achievement of an economic theory aiming to understand the deep structures of capital. This is because prices exist wherever there is money and are therefore not specific to capitalism, whereas a particular profit-making dynamic is central to capitalism. It follows that for a theory of capital’s deep structures, a theory of profit and not price determination *is* the crowning achievement. And Marx roots such a theory in the private ownership of the means of production such that “surplus-value” synthesizes the structural relation of class with the quantitative economic variable “profit”. Or, in other words, “surplus-value”

connects the capitalistic organization of our labouring life energy with capitalistic profit.

The labour theory of value and surplus-value constitute the structural matrix out of which quantitatively determinate profits and prices arise. The theory of surplus-value roots all forms of profit-making (industrial profit, commercial profit, interest, rent) in total capitalistically organized labour considered as a homogeneous whole (simple, average, abstract labour), where the value produced by such labour in excess of the value of labour-power goes to the capitalist class considered as a homogeneous whole prior to any consideration of differences between types of capital or types of profit. The basic accomplishment of the theory of surplus-value is to present the fundamental capitalist class relation in its most clear and stark form, while at the same time connecting this relation to the internal relation of quantitative economic variables required to have a complete picture of the deep structures of capitalist profit-making. Indeed, the commonality (abstract labour) that makes for systematic variation amongst internally related economic variables is precisely what makes a *theory of value* possible.²⁹

If what the theory of capital's deep structures ultimately needs to know is how the system of labour time relates to the system of profits, we need to develop a labour theory of value.³⁰ If successful, such a theory will explain how in a commodity regulated economy there is a system-dependent linking between labour time and the profits that stem from capitalistically produced commodities.³¹ In capitalism (assuming a purely capitalist society)³² this comes down to how we divide up our total life energy to produce the commodities that we consume, what gets produced and how it is produced, how it gets distributed, and who profits and how. And while a theory of price determination that is consistent with the theory of surplus-value is a necessary step in the theory of capital's inner logic, it is "surplus-value" that is the central concept.³³ The empiricism and formalism

29. Abstract labour is basically labour that can capitalistically produce any use-value. In this sense it is indifferent to use-value.

30. See Sekine (1997) for a powerful rendering of the labour theory of value including its relation to prices of production.

31. See Wiese (2003) for a representational theory of measurement.

32. A purely capitalist society is one in which commodification is complete such that socio-economic reproduction can be actualized through a commodity-economic logic alone.

33. For a clear theory of the relation between value and price see Sekine (1997, Vol. II).

of mainstream economics creates a point of view from which it is almost impossible to understand the centrality of “surplus-value” to grasping capital’s deep structures.³⁴

Yet another lasting contribution made by Marx is at least a partial realization of the importance of dialectical reasoning in theorizing capital’s deep structures. I say “partial” because his theory of capital does not carry out the possibilities of dialectical reasoning systematically and in detail. It is in Chapter 4 that I address the issues posed by dialectical reasoning.

Going back to his heady left-Hegelian days in Berlin, Marx was exposed to Hegel’s dialectical modes of reasoning, and contra Althusser (1969), I believe that if there is a break in the corpus of Marx’s writings, it is from the simplistic dialectics of Feuerbachian humanism in his early works to a sort of dialectical reasoning closer to Hegel’s *Logic* in *Capital*.³⁵ It is this that helps us to understand the sense in which *Capital* contains a theory of capital’s *inner* logic, a logic that is a necessary unfolding of the commodity form as “cell-form”, such that all fundamental capitalist economic categories are simply different forms of the commodity. In contrast, according to Feuerbach private property, religion and the state are all alienated expressions of the human essence that need only to be reabsorbed into that essence in order for humans to be happy and at home on earth. Such simplistic essentialism as a mode of thought produces romantic and quasi-religious theory that is likely to feed destructive millenarian modes of political practice.³⁶

While Marx does not present his theory of capital as a rigorous dialectic, it can be so presented, and furthermore Marx’s own presentation contains elements of such a presentation.³⁷ To understand this it is necessary to explore concepts such as: “sequence of categories”, “contradiction”, “necessary inner connection”, “levels of abstraction within a theory”, and “levels of abstraction between theories”. Once a degree of understanding of dialectical reasoning

34. For example, Joan Robinson would consider “surplus-value” to be a metaphysical concept in the bad sense. She writes: “None of the important ideas which he expresses in terms of the concept of value cannot better be expressed without it” (1966, 20).

35. For the most complete theory of the relation between Marx’s theory of capital’s inner logic and Hegel’s *Logic* see Sekine (1986). See also John Bell (1995, 2003); Stefanos Kourkoulakos (2003); and Albritton (1999).

36. However, the inversion of subject and object that was so central to Feuerbach does remain central to Marx’s notion of capitalist reification.

37. The strongest such presentation is that of Sekine (1997).

is established, it becomes clear why a theory of price determination cannot be separated out from Marx's theory of surplus-value as the matrix out of which prices of production arise, and why at the same time a theory of price determination is not the central focus within the theory of capital's deep structural dynamics.

Chapter 5 will deal with the use of distinct levels of analysis to make connections between abstract theory and history. While Marx never explicitly theorized levels of analysis as levels of distinct degrees of abstraction between theories, such theorization is at least implicit in his writings. It is my contention that much of the confusion surrounding his theory might have been avoided, and his theory could have been enormously strengthened, had he consciously and systematically thought through the need for levels of analysis to mediate between abstract theory and historical analysis.

In *Capital* Marx explores the relations between capitalist economic categories when the commodity form and a commodity-economic logic are firmly in control. This inner logic of capital displays certain quantitative relations and certain abstract historical directionalities.³⁸ At this highly abstract level of theory, Marx suggests that periodic crises result primarily from the need to commodity-economically manage labour-power and fixed capital, and that such crises, by temporarily resolving contradictions, permit a continuation of capitalism.³⁹ All of this is to help us understand the deep structural dynamics or the core dynamics of capital in the abstract and in general. There is strong evidence that Marx would not consider that concepts like "rising organic composition of capital", "underconsumption", "profit-squeeze", or any other quantitative economic category derived from the theory of pure capitalism, could adequately explain by itself any actual capitalist crisis.⁴⁰ For example, when he discusses the causes of the economic crisis of 1847 in *Capital* volume III, it is quite clear that his explanation includes a variety

38. For example, periodic crises, increased productivity, concentration of capital and ongoing class struggle.

39. "Crises are never more than momentary, violent solutions for the existing contradictions, violent eruptions that re-establish the disturbed balance for the time being" (C III, 357).

40. This is not to say that in a very general sense some crises may not be predominantly underconsumptionist or profit-squeeze crises. While this may be, a full explanation would require an account of the major economic, political and ideological forces operating at an historical level.

of historically specific economic, political and ideological causes. Nor would he consider a concept like “equilibrium”, a concept that he utilizes to clarify capital’s deep structures, as a concept directly applicable to any actual historical capitalism.⁴¹ Indeed, once we introduce the notion of levels of analysis, we can resolve many of the debates that continually revolve around Marxian crisis theory or around Marx’s implicit and explicit use of “equilibrium”.

While Marx goes in somewhat contradictory directions with regard to levels of analysis, it is easy to extract at least two distinct levels – abstract theory and historical analysis – in *Capital*. Given the distance between the theory of capital’s deep structures and historical analysis, however, it is essential to have at least three levels of analysis that would include a mediating mid-range or mid-level theory. Indeed, elsewhere I (1991) have argued at length that we can utilize such a level to theorize the modes of capital accumulation distinct to different phases of capitalist development.

The conceptualization of levels of analysis utilized in this book is one of the areas in Marx’s writings where there are confusions, contradictions and silences. And yet, I would argue that Marx’s economic thinking is not only open to the theoretical possibility of distinct levels, but also invites some such resolution to the difficulties that he has connecting the theoretical with the historical. Furthermore, it is this resolution that may constitute the most important theoretical breakthrough in terms of enhancing the potentials that to some extent are lying dormant in Marx’s *Capital*.

Chapter 6 deals with the conceptualization of class in Marxian political economy. This chapter utilizes levels of analysis to sort out some of the important debates that have swirled around “class” in Marxian political economy. Indeed, levels of analysis are particularly useful in theorizing the relation between phase-specific modes of accumulation and concepts like class, gender and race. Because the concept of class is so central to theorizing capital’s deep structures, and because, in my view, there has been so much confusion around Marx’s theorization of class, I devote a chapter to it. My discussion serves the double purpose of illustrating the use of levels of analysis

41. There are always equilibrating forces at work in historical capitalism; however, at the level of history these are always interfered with by extra-economic force and furthermore there is no evidence that historical capitalism has ever approached a state of equilibrium. Indeed, given the global uneven development of capitalism historically, equilibrium at this level would seem to be as rare as hen’s teeth.

and of developing a theorization of class consistent with Marx's project of political economy as a whole. The aim is to achieve a clear and precise grounding for theorizing "class", while avoiding class reductionism at more concrete levels of analysis where economic power may articulate class, race and gender in complex ways.

Central to the position that I develop is the view that "class" as a structural relation of power is included in Marx's theory of capital's inner logic, while "class struggle" is not. This follows from the fact that Marx assumes total commodification in which human agency simply gives motion to the commodity form, whose motion channels that agency. And yet because the structural relation is antagonistic in the sense that all profits come from the exploitation of labour, where commodification is less than complete, one would always expect some degree of class struggle.

Chapter 7 deals with economic theory and ethics. Positivist philosophy with its fundamental distinction between empirical discourse that is cognitive and normative discourse that is emotive has generally promoted a conception of science that excludes ethics.⁴² For at least some positivists, a cognitive ethics is impossible because all ethical discourse is seen to be emotive, and the aim of science is to be wholly cognitive, leaving the emotive realm to ethics.⁴³ To the extent that this way of thinking dominates social science, we tend not to develop traditions of discourse that can rationally and cognitively discuss ethical questions in connection with knowledge generated by the social sciences. And where effective rational debate is undermined, ethics do indeed become emotional, with the resulting hatreds fuelling a politics of violence. For example, capital values profits, but humans value many other things, and need to develop rational ways of deciding about many competing values or else a great deal of social life will be decided by the criteria of short-term profit-maximization that will not always advance human flourishing.

Since there are no strong mainstream traditions in economics that attempt to connect scientific and ethical discourse in economic theory,⁴⁴ our starting point must necessarily be somewhat primitive.⁴⁵

42. See A.J. Ayer (1952) for the classic statement of logical positivism.

43. For a good account of the emotivist character of much modern ethical thought see MacIntyre (1984).

44. For example, "welfare economics" tends to be a peripheralized sub-discipline in most departments of economics.

45. Here I agree with MacIntyre (1984) on the lack of a developed tradition of moral discourse. I consider the work of Sen, Nussbaum, Roemer and others as lacking sufficient purchase on the severe injustices that we face.

I include a chapter that indicates some possible directions for economic ethics, realizing how difficult this will be until we have more theoretical and conceptual tools to carry out such a project. I call the approach that I advocate “negative ethics” for it would focus first on alleviating in practical ways injustices without being too concerned with what justice may be in the abstract and in general.

While not every economic theory need take on ethical issues, there needs to be a general recognition that all general economic theory has ethical implications and that in order to be scientific, economists need not avoid addressing ethical issues. We need to get clear what is the case before we can have productive debates on possible alterations that would advance social justice; hence, I am not suggesting that we collapse all distinctions between scientific and ethical discourse. If our interest in economics first and foremost concerns how the total labour of society is divided up to produce useful or wanted effects and how these effects are distributed, it would seem natural to want to discuss the fairness of the distribution of labour and of wanted effects. In other words, an economic theory that analyzes economic power invites discussion of distributive justice and the discussion of distributive justice raises most other ethico-political issues such as democracy, freedom, equality and rights. For example, outcomes that are not democratically arrived at could be considered lacking in at least one of the dimensions of justice.

To say that ethical considerations should be welcomed into academic economics is to propose radical change, for as presently constituted, academic economics generally ignores questions of economic power, offers little systematic attention to cognitive ethical issues as they relate to economics, and generally ignores the labour process. A labour theory of value not only can serve as a basis for discussing distributive justice, but also as a basis for discussing ecological issues, where environmental degradation may involve saving labour now only to make much more labour necessary for future generations (as in building huge dykes to prevent low-lying areas from being flooded by rising oceans). It follows that the “science” of economics should strive to be explanatory, and, at the same time, should not shy away from utilizing its explanations to clarify and contribute to ethical debate in the sense that issues of fairness of distribution can always be posed of any system of distribution (whether of work or of product) as can issues of long-term human flourishing.⁴⁶

46. I do not mean to imply that every work of theory must combine both explanation and ethics. We must still work hard to determine as well as