

Castoriadis, Veblen, and the 'Power Theory of Capital'

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In Raymond Carver's short story "What We Talk About When We Talk About Love," a group of adults sit around a table, drinking gin and telling stories of love. It is apparent that none of them can adequately express what love really is.¹ One woman describes the abuse she experienced at the hands of her ex-husband. She insists that his actions, although terrible, were, in their own way, a manifestation of love. Her current husband insists that this cannot be so for love would never provoke someone to violence. Ultimately they agree to disagree. Despite the importance of love in their lives and their assertions that they feel love and loved, they could not provide an exact meaning for the word; a precise understanding of what 'love' signifies – either in form or content – escapes everyone at the table.

Like the characters in Carver's story who have difficulty in knowing how to talk about love, academics experience similar difficulties when speaking of 'capital.' Economists, political scientists, even literary theorists, freely employ the concept, yet few can say what the word 'capital' truly signifies. Either unaware of or unconcerned by the serious problems with both the Marxist labor theory of value (LToV) and the neoclassical utility

1. Thanks to the participants of the 2008 *Great Lakes Political Economy Conference* who provided feedback on this paper. Special thanks to Jonathan Nitzan, Jeff Monaghan, Etienne Turpin and Shelley Boulton.

theory of value, they continue to discuss ‘capital’ as if it were conceptually unproblematic. By the end of Carver’s story, the characters have come to accept the fact that they need not agree on what they talk about when they talk about love: they know it when they feel it. Similarly, academics may have an intuitive grasp of capital that they are unable to articulate adequately: they know it when they ‘see’ it. However, while we may live perfectly well with fuzzy conceptions of our emotions and the emotions of others, theoretical concepts cannot rest upon intuition; they must be clear and distinct. Otherwise, they risk becoming a catch-all, ascribed to almost anything, explaining almost nothing. If capital is one of the most important institutions of our current political economic system, then it demands as precise a meaning as we can give it. If concepts are meant to help us understand the institutions that order our lives, then we must constantly work to make our theoretical significations resemble, as closely as possible, the real world counterparts to which they refer.

The prevailing, and largely unacknowledged, uncertainty around *capital* puts a question mark behind many proclamations regarding the ideology, theory, and praxis of the *capitalist* system. The ‘I know it when I see it’-approach results in a confusing hodgepodge of material and social entities being described as ‘capital’: money is capital, investment is capital, machinery is capital, workers are capital, political largesse is capital ... Eventually, capital is everything and everywhere, and the concept is rendered meaningless. A clearer understanding of ‘what we talk about when we talk about capital’ is a priority if we wish to distinguish useful theoretical positions from misguided pretenders. Such an understanding aims at a working definition that encapsulates the actual political-economic conditions of business and the on-going efforts of accumulation.

Currently, Jonathan Nitzan and Shimshon Bichler are among the few contemporary theorists calling attention to the hollowness of the dominant theories of capital and the only theorists offering a radically new realist perspective.² The neoclassical and Marxist theories conceive of ca-
 2. See Jonathan Nitzan and Shimshon Bichler, *Capital as Power: A Study of Order and Creorder, Ripe Series in Global Political Economy*, London, Routledge, 2009, for their most complete treatment of the topic to date. All of their previous works are

pital as a 'bottom-up' construction, in which nominal values are the mere appearance of an underlying realm of 'the real,' based on utility and labor, respectively. Nitzan and Bichler reject this interpretation that accords nominal quantities no independent ontological status. They properly regard the nominal as the real and as such, interpret capital as a 'top-down' assessment by market participants that quantifies the power of capitalists.

Although the Marxist and neoclassical theories of value are radically different, they can both be characterized as 'dual quantity' theories on the basis of their shared postulation of the existence of unobservable, *but quantifiable*, entities that they claim constitute the reality of economic production and accumulation. For neoclassicists, these are the 'utils' that constitute utility, while for Marxists these are units of 'socially necessary, abstract labor.' What both theories attempt to do is explain the ongoing, observable, but merely *nominal*, processes of capitalism in terms of these *real* counterparts. The shared use of this 'dual quantity' analysis is revealed when both Marxists and mainstream economists refer to 'asset bubbles,' a concept that describes a departure of nominal values from their underlying real counterparts. Nitzan and Bichler, on the other hand, deny the existence of this underlying realm and assert that capital represents the quantified power of capitalists, imposed on the rest of society. Developed out of empirical research on what they call "The Weapon-dollar Petrodollar Coalition,"³ their theory relies heavily on the quantitative examination of patterns of accumulation.

While the early 20th century political economist Thorstein Veblen had a formative theoretical influence on Nitzan and Bichler's work, they have employed the ideas of the contemporary Graeco-French philosopher-

available online at *The Bichler & Nitzan Archives* (<http://bnarchives.net>).

3. For more on this concept and a description of how the accumulatory needs of oil and arms companies factor into conflict in the Middle East, see Jonathan Nitzan and Shimshon Bichler, "Bringing Capital Accumulation Back In: The Weapon-dollar-Petrodollar Coalition – Military Contractors, Oil Companies and Middle East 'Energy' Conflicts," *Review of International Political Economy* 2, no. 3 (1995) and Jonathan Nitzan and Shimshon Bichler, *The Global Political Economy of Israel*, London, UK, Pluto Press, 2002, Ch. 5 (hereafter, *GPEI*).

activist Cornelius Castoriadis to develop and philosophically justify their theories. In this article I will examine the bond that can be discerned between Castoriadis and Veblen on the question of how value relates to capital, and explore the role they play in Nitzan and Bichler's conception of capital. This understanding of capital is, on the surface, the same as that used by business concerns: capitalization. However, while the concept of capital as understood by businesspeople refers to a formal instrument – a means for doing business – Nitzan and Bichler comprehend capital and capitalization in a more significant and meaningful way. In this essay, then, I intend to demonstrate that a critical examination of Castoriadis' and Veblen's views will lead us to a succinct definition of capital as *quantified, vendible ownership claims over groupings of tangible and intangible assets that are expected to generate streams of earnings*. Understood as such, Nitzan and Bichler's work then demonstrates that we must recognize capital accumulation as the process that involves an exercise of control within social institutions so as to expand ownership claims and increase the expected earnings of existing claims. Although labor and production are vital elements of this process, they are neither singular, nor even central. Rather, the complex 'magma' of social interaction gets translated through capitalization, which then informs the actions of owners as they strive to increase their control.⁴

Cornelius Castoriadis began his theoretical and political life as a young Trotskyist in Greece. He would eventually break with Trotskyism and Marxism, although he remained highly critical of the capitalist status quo. In France, he was one of the founders of the radical group, *Socialisme ou Barbarie* (*SouB*), which included among its members Claude Lefort, Jean-François Lyotard, and Guy Debord. The membership of *SouB* was never large, but its journal was influential, particularly the writings of Castoriadis, who had to publish under pseudonyms because he was not a French citizen and faced deportation with no means of judicial recourse.

4. In *Capital as Power*, Nitzan and Bichler devote three chapters (9–11) on the meaning of capitalization as both a formula of pricing and a mechanism of order. Hereafter, *CP*.

One of the visible figures of May '68, Daniel Cohn-Bendit, wrote that the ideas he and his brother Gabriel present in *Obsolete Communism: The Left-Wing Alternative* "are those of P. Chaulieu,"⁵ which was one of Castoriadis's pseudonyms. Castoriadis's major theoretical critique is against all forms of determinism. His reflections on human society and history reveal human beings with a propensity to imagine heretofore unseen notions, ideas, concepts, and things. Such creativity and the contingencies it provokes are, he claims, inseparable parts of Being, and undermine any effort to pronounce external laws of social and historical motion. In Marx, Castoriadis finds both determinism and an affirmation of humanity's responsibility for its own history. He objects, however, to Marx's economic analysis, with its 'discovery' of the laws of historical motion. Rejecting all notions of teleological progress, Castoriadis notes that our constant creation and transformation of social institutions is an on-going project thoroughly contained within the social-historical – the *nomos* – and therefore, is capable of taking on innumerable forms with contents that cannot be known in advance.

An iconoclastic thinker who never held a full professorship, Thorstein Veblen was nonetheless able to find an outlet for his work, because he earned the praise and approval of F. W. Taussig, editor of the prestigious *Quarterly Journal of Economics*. He shares his understanding of social and institutional change with Castoriadis's open-ended conception of history. Decidedly more of a functionalist than Castoriadis, Veblen believes that institutions are transformed in response to the constantly changing needs of a society's population, but the institutional changes can never quite keep up with the social changes and therefore 'what is, is wrong.' This means that there is no *telos*, no endpoint, no goal toward which a society is moving; there is no clear progressive track along which history moves, although there is progress. Castoriadis and Veblen also share the belief that it is the heteronomous force of powerful elites who dominate society by working to maintain the status quo and their vested interests, and

5. Gabriel Cohn-Bendit and Daniel Cohn-Bendit, *Obsolete Communism: The Left-Wing Alternative*, trans. Arnold Pomerans, London, Penguin, 1968, 133.

who push for any change as is necessary to achieve these desired ends.⁶ Despite the fact that Veblen and Castoriadis were non-Marxist critics of capitalism, both writing at times when such ideas were marginalized, Nitzan and Bichler's theory of capital appears to be the only work that bridges the thought of these two radicals. They make particular use of Castoriadis' essay "Value, Equality, Justice, Politics,"⁷ which carefully analyzes and critiques the LToV. Castoriadis suggests that value, rather than being a trans-historical essence, as theorized by Marx, is better understood by Aristotle as immanent to the particular society in which valuation occurs, but he does not explain how this theory of value might translate into a theory of capital.⁸ Nitzan and Bichler's theory, however, specifically addresses this problem and demonstrates that Veblen's work provides the necessary account of how such a theory of value might be transformed into a theory of capital.⁹ They go on to highlight how this

6. A central concept for Castoriadis, 'heteronomy' means that the laws of society are perceived to come from a source external to the populace, whether God, ancestors, nature or Founding Fathers. Castoriadis contrasts heteronomy with autonomy, whereby members of a community acknowledge that they are ultimately the source of the laws of society and therefore take control of creating and sanctioning those laws.

7. Cornelius Castoriadis, "Value, Equality, Justice, Politics: From Marx to Aristotle and from Aristotle to Ourselves," id. *Crossroads in the Labyrinth*, translated by Kate Soper and Martin H. Ryle, Brighton, UK, The Harvester Press, 1984. Hereafter, *VEJP*.

8. Many contemporary Marxists insist that this understanding of Marx's theory of value is incorrect and that Marx understood value as thoroughly social. There are a number of problems with this assertion, not the least of which are the essentialist descriptions of labor-value that Marx uses and which will be described below. However, even if Castoriadis is wrong, and Marx's value theory has no trans-historical interpretation, this does not invalidate Nitzan and Bichler's theory of capital or the empirical results it uniquely makes possible.

9. Thorstein Veblen, "On the Nature of Capital," *The Quarterly Journal of Economics* 22, no. 4 (1908), 104–36; Thorstein Veblen, "On the Nature of Capital: Investment, Intangible Assets and the Pecuniary Magnate," *The Quarterly Journal of Economics* 23, no. 1 (1908), 517–32. In the present text, reference to "On the Nature of Capital" is mainly to the first of these articles, which was mistakenly published without its intended subtitle, "The Productivity of Capital Goods." Hereafter, *ONC1* and *ONC2*.

theory of capital transforms our understanding of accumulation and capitalism.

Marx and Value Theory

Since a theory of capital begins with a theory of value, we must understand the source of value and the processes of valuation before we can separate out capital as a particular valued 'thing,' let alone develop a theory of capitalism. The meaning of capital can then be articulated in terms of its relationship to valuation. This is precisely the approach of both neoclassical and Marxist theories of capital.¹⁰ These theories postulate that value begins with *utility* or *labor*, respectively, and *capital* is that portion of valuation embodied in productive machinery. The question is: where does this portion (i.e., capital) of valuation come from? Neoclassicists are differentiated from Marxists by the way in which they answer this question. For neoclassicists, profits, i.e., the returns to capital, are returns to the productivity of the capital that owners make available for production. For Marxists, profits are the appropriation of the value created by labor above and beyond what is required for the subsistence of the workers. This appropriation is made possible as a consequence of the capitalists' ownership of the means of production. Both the neoclassicists and the Marxists agree that capital accumulation occurs through the return of profits to the system of production in the form of more productive machinery. Hence, capital has two sides: productive and financial.

Both the Marxist and the neoclassical conceptions of value begin with the postulation of transcendent and unobservable entities that nonetheless are conceived of as 'real': utility and abstract labor. This 'reality' is then privileged over the observable, nominal realm, which is conceived as a distorted reflection. This shared conceptualization provides the foundations for both theories of capital. Rarely acknowledged among adherents of these theoretical systems, the Marxist and neoclassical theories of value and capital permeate their understanding of the field of political economy and their discussions of the actual, unfolding,

10. Due to considerations of the intellectual backgrounds of Castoriadis and Veblen, I will focus on critique of the Marxist theory of value.

observable political economy. Consider discussions of market ‘bubbles,’ in which the underlying claim is that *nominal prices* deviated from *real values*. What would the neoclassicist’s concept of ‘productivity’ mean without the notion of utility informing the prices of goods and inputs, including capital goods and labor? How could we understand Marx’s concept of ‘exploitation’ without the notion of abstract labor informing surplus value? The fact that the prices of goods and inputs, including capital goods and labor relies on utility, or the fact that surplus value relies on abstract labor means that the philosophical objections to the concepts of utility and abstract labor must be taken seriously. If these objections are valid, then they threaten the entire theoretical structures on which these schools of thought are based.

In the LToV, which constitutes a theory of exchange and distribution, Marx distinguishes between the use-value and the exchange-value of a good. He wants to know what makes two goods ‘equal’ in exchange. How do humans determine that one table exchanges for two chairs? Marx’s answer: the labor involved in the production of each item. Although he recognizes that translating labor value into the price of an item is a messy, social process, he nonetheless believes that these objective labor values ground the process of exchange and inform the distribution of the social product. Since the worker must sell herself in the capitalist economic system – or more specifically, she must sell her labor-power – to the capitalist, the output of her labor, i.e., labor value, is owned by and hence controlled by the one who has purchased her labor-power, namely, the owner of production, the capitalist. In a working day, a worker can produce enough value to sustain herself, but she also produces a surplus. Under capitalism, according to Marx, the capitalist captures the surplus that the worker has produced, while it compensates the worker with a mere subsistence wage. The captured surplus is then transformed into more productive machinery – becomes capital – that contributes to the further usurpation of surplus labor value. Marx did not believe that machines themselves created any value; machines are ‘dead labor.’ Since only workers create value, the capitalists’ expropriation

of value is an unjust and unnecessary social process.¹¹ Ultimately and fortunately, “capitalist production begets, with the inexorability of a law of Nature, its own negation.”¹² Following its own logic of accumulation, constantly transforming expropriated surplus value into machinery and driving a process of proletarianization, capitalism sows the seeds of its own destruction. Since profit rates are understood by capitalists as the ratio of expropriated surplus to the value of ‘constant capital’ – machinery – under their control, their continual reinvestment of the surplus into more constant capital drives down the rate of profit. To countermand this tendency, capitalists turn on each other and capital becomes more and more centralized: “One capitalist always kills many.”¹³ This, combined with more and more individuals being drawn into the productive process, would mean an eventual clash:

The monopoly of capital becomes a fetter upon the mode of production... Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. Thus integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.¹⁴

11. This would prove to be one of the most dangerous outcomes of Marx’s theory and one directly challenged by early American neoclassicist J. B. Clark, who declares that if the claims of ‘exploitation’ are correct, meaning that workers are not remunerated their full contribution to value, then “every right-minded man should become a socialist.” Of course, Clark would go on to ‘prove’ that every component in production – land, labor and capital – is remunerated according to its marginal contribution to the value of the output, or would be if free markets were allowed to function (J. B. Clark, *The Distribution of Wealth: A Theory of Wages, Interest and Profit*, Library of Economics and Liberty, 1908, <http://www.econlib.org/library/Clark/clkDW.html>, Ch.1).

12. Karl Marx, *Capital: A Critical Analysis of Capitalist Production*, edited by Friedrich Engels, translated by Samuel Moore and Edward Aveling, 3 vols, vol. 1, New York, International Publishers, 1967, 715.

13. *Capital* vol. 1, 714.

14. *Capital* vol. 1, 715.

The entire process is necessitated by the idea that every product is understood in terms of its labor value, i.e., the units of labor required to produce it.

In August and November of 1908, *The Quarterly Journal of Economics* published two articles by Veblen, both of which bear the title “On the nature of capital”; the second of which was subtitled “Investment, Intangible Assets, and the Pecuniary Magnate.” Although Veblen mentions neither Marx nor the thinkers of the neoclassical school, his articles are a rejection of these, then and still, dominant concepts of value and capital. It has been said that during his time Veblen had most likely read more of the works of Marx and his followers than anyone else in the United States.¹⁵ He had also been a student of J. B. Clark, one of the leaders of the emergent neoclassical school. Veblen’s alternative conception of capital must, therefore, be considered a deeply informed and critical position. Further, given the institutional milieu in which he was writing, compared to Marx, it was also a very current position. While Marx’s theory emerged in the context of the competitive capitalism of ‘Little Britain,’ Veblen’s ideas developed among the increasingly monopolistic capitalism of ‘Big America.’ Additionally, Veblen was actively engaged with the foundational thinkers of the neoclassical justification for capitalism, and these thinkers were motivated, at least in part, by a need to rescue *laissez-faire* markets from Marx’s inversion of the labor value-based, classical justification provided by Adam Smith and David Ricardo, among others. While Marx’s classical predecessors subscribed to a labor theory of value, they were also advocates of markets as a mechanism that allowed the laws of supply and demand to generate a free and fair outcome. Marx took their idea, reinterpreted the labor theory of value to consider the role of the ownership class, and demonstrated the exploitation inherent in capitalism. The neoclassicists responded with an entirely new hedonic theory of value based on utility. Therefore, while the neoclassicists were

15. Douglas Fitzgerald Dowd, “Thorstein Veblen: The Evolution of Capitalism from Economic and Political to Social Dominance; Economics as Its Faithful Servant,” in *Understanding Capitalism: Critical Analysis from Karl Marx to Amartya Sen*, edited by Douglas Fitzgerald Dowd, Sterling, VA, Pluto Press, 2002, 39.

not on the radar of Marx's critical analysis of political economists, they certainly were one of the subjects of Veblen's critique;¹⁶ indeed, if any thinker could be considered the early 20th century intellectual heir to Marx's prescient critique of mainstream political economy, it would be Veblen. His response to the neoclassicists is both aligned with Marx and an important update of Marx's ideas. Yet, despite his engagement with a capitalism that resembles more closely the functioning of contemporary capitalism, including those aspects of the capitalist system supported merely for ideological reasons, Veblen's unique take on capital has rarely been considered in its own right.

Although to my knowledge Veblen never dealt explicitly with the LToV, he must have been aware of the various criticisms to which the theory had been subjected by both those opposed to Marx and avowed Marxists. The first criticisms pertained to the 'transformation problem' and emerged shortly after the first volume of *Capital* was published. Reams of paper have been produced on the transformation problem. The basic issue is that it is unclear how labor-value translates into observed prices or how one would identify labor-values based on prices. Friedrich Engels promised that this difficulty would be resolved in the third volume of *Capital*; indeed, he even proposed a contest to see if anyone could anticipate Marx's solution to the problem.¹⁷ The contemporary transformation problem based criticisms of the LToV argue that the theory is inconsistent, redundant and/or impossible.¹⁸ Even among Marxists,

16. The only mention of neoclassical thinkers or concepts in Marx's work is in a preface to the third volume of *Capital*, penned by Engels. This is not an indictment of Marx. The founding works of neoclassicism, although written during the later years of Marx's life, were marginal compared to the towering classical thinkers like Smith and Ricardo. However, this lack of engagement does create problems for those trying to use Marx's criticism of political economists as a relevant critique of current mainstream economic thought. See *Capital: The Process of Capitalist Production as a Whole*, edited by Frederick Engels, translated by Ernest Untermann, 3 vols., vol. 3, New York, International Publishers, 1967, 10.

17. Michael C. Howard and John Edward King, *A History of Marxian Economics, 1883-1929*, 2 vols., vol. 1, Princeton, NJ, Princeton University Press, 1989 (*HME*).

18. Concerning *inconsistency*, see Ladislav von Bortkiewicz, "Value and Price in

the proposed solutions, as well as the one offered by Marx, are less than decisive.¹⁹ Both criticisms and defenses of the LToV, with claims to have solved the transformation problem, continue to this day.²⁰

One response to the problems with the LToV is simply to ignore both the theory and its problems. Most of these attempts can be considered descendants of Paul Sweezy, who understood the problems with the LToV as well as anyone.²¹ However, he thought that it would be possible to drop the quantitative aspects of the theory, while retaining its qualitative insights, namely that labor is the source of all value and therefore, capitalism is exploitative on the basis of its appropriation of value. He remained acutely aware throughout his intellectual life of the difficulties this posed for attempts to understand accumulation, namely that it left discussions of the nominal values of capitalism without clear meaning. He assessed any failures with his work as stemming from the fact that “its conceptualization of the capital accumulation process is one-sided and incomplete.”²² Contrary to Sweezy, most contemporary presentations of Marx’s labor theory, minus the quantitative claims, make little effort to grapple with the long and extensive debate on the matter.

The best known contemporary example of an attempt to retain Marx’s qualitative discussions of labor value, while excising the quantitative ele-

the Marxian System,” translated by J. Kahane, *International Economic Papers* 2 (1952 [1907]), <http://classiques.uqac.ca/classiques>. On *redundancy*, see Paul Samuelson, “Wages and Interest: A Modern Dissection of Marxian Economic Models,” *American Economic Review* 47 (1957), 884–912. *Impossibility* is dealt with in Ian Steedman, “Positive Profits With Negative Surplus Value,” *Economic Journal* 85 (1975), 114–23. Nitzan and Bichler (*CP*, 99–102) synthesize these criticisms, as well as others.

19. Nitzan and Bichler, *CP*, E. K. Hunt and Mark Glick, “Transformation Problem” in *Marxian Economics*, edited by John Eatwell, Martin Milgate, and Peter Newman, New York, W. W. Norton & Company, 1990.

20. See Andrew Kliman, *Reclaiming Marx’s ‘Capital’: Refuting the Myth of Inconsistency*, Lanham, MD, Lexington Books, 2006.

21. Paul M. Sweezy, *The Theory of Capitalist Development*, New York, Modern Reader, 1942.

22. Paul M. Sweezy, “Monopoly Capital After Twenty-Five Years,” *Monthly Review* 43, No. 7. (1991), 52–57.

ments is in the works of Michael Hardt and Antonio Negri. Hardt and Negri maintain that the theory, although valid during Marx's time, ceased being applicable with the move of capitalism out of 'large-scale industry'; thus, the quantitative features of the LToV are invalid not because of inherent flaws in the theory itself, but because of a historical change that makes measurability itself an impossibility.²³ Such a contention of the historical invalidation of the LToV echoes an earlier argument that attempted to save the theory from the 'transformation problem.' Writing to Werner Sombart in 1895 about his concerns regarding the theory, Engels states, "When commodity exchange began ... [products] were exchanged approximately *according* to their value ... Thus value had a *direct and real existence* at the time. We know that this direct realization of value in exchange ceased and that it now no longer happens."²⁴ Like Engels, Hardt and Negri seek to retain Marx, while avoiding the difficult work of addressing the problems with the LToV and the consequences of those problems for Marx's conception of capital. They want to eliminate the LToV but at the same time they also want to continue to use Marx's concepts, maintaining that, despite the inapplicability of the LToV, labor remains the source of value. "It is not possible to imagine (let alone describe) production, wealth, and civilization," Negri writes, "if they cannot be traced back to an accumulation of labor."²⁵ In this assertion, however, he confuses necessity with sufficiency. While I doubt anyone would deny the necessity of labor for production, wealth, and civilization, labor is not, on its own, sufficient for understanding all the complexities of Western civilization or any other civilization for that matter. If Negri wishes to encapsulate all of the necessary and sufficient ingredients for production, wealth, and civilization within the concept of 'labor,' then he is stretching the concept to the point of uselessness.

23. Michael Hardt and Antonio Negri, *Empire*, Cambridge, MA, Harvard University Press, 2000, 354–56.

24. Cited by Howard and King, *HME*, 48; emphasis in original.

25. Antonio Negri, "Twenty Theses on Marx" in *Marxism Beyond Marxism*, edited by Saree Makdisi, Cesare Casarino and Rebecca E. Karl, New York, Routledge, 1996, 152.

Furthermore, as we shall see, value, whether understood as labor or in some other form, does not objectively determine ‘production, wealth, and civilization’; rather, these factors, as part of the social-historical reality, determine value. The problems of the LToV represent not a historical shift toward immeasurability, as Engels, Hardt or Negri would have it, but an epistemological flaw in Marx’s paradoxical claims regarding labor and value.

Castoriadis on Value

Unlike Hardt and Negri, Cornelius Castoriadis recognizes the metaphysical contradictions inherent in the LToV. These contradictions undermine not only the theory, but also the claim that labor remains the source of value. Furthermore, the metaphysical critique of the LToV renders moot both the ‘transformation problem’ and attempts to resolve the problem. Whether Marx’s transformation of values into prices is mathematically impossible or not does not matter if the units involved are metaphysically impossible. Castoriadis suggests that a return to Aristotle opens a different perspective on value. He begins his discussion in “Value, Equality, Justice, Politics” with a lengthy quote from Marx’s criticism of Aristotle’s conception of value. Marx first commends Aristotle for his observation that the ability to exchange diverse goods requires that they are equal – “5 beds = 1 house” – and that they are commensurable: “on what basis can a bed be compared to a house?”²⁶ However, he then chastises the ancient Greek thinker for his conclusion that this equality is foreign to the “real nature” of the goods in exchange and is merely, in Aristotle’s words, “a makeshift for practical purposes.”²⁷ Marx explains that there is indeed something inherent in Aristotle’s example of the beds and the house that makes them equal and commensurable, namely, human labor. According to Marx, despite the qualitative diversity of labor’s use-value “[t]he labor ... that forms the substance of value, is homogeneous human labor, expenditure of one uniform labor-power.”²⁸ However, as

26. *Capital*, vol 1, 55–59.

27. *Capital*, vol 1, 59, where Marx cites Aristotle.

28. *Capital*, vol 1, 39.

Castoriadis argues, Marx never clearly explains whether:

- capitalism actually *transforms* diverse individuals into something homogeneous and commensurable;
- capitalism simply *makes visible* an eternal and underlying homogeneity;
- or
- the sameness of 'abstract labor' is only an *appearance* of commensurability resulting from capitalism's commodification of labor.

In other words, Marx "is unable to decide whether Labor Value is a trans-historic Substance/Essence, a particular phenomenalization of that Substance/Essence brought about by capitalism, or an Appearance which capitalism has created."²⁹ Castoriadis blames these contradictions on an inexact, incomplete, or confused conception of the relationship between the *nomos* – social norms and principles – and the *physis* – natural norms and principles: "Is the 'equality' of men, and the commensurability of men's labor, a matter of man's *physis* ... or [is it] of the *nomos* ... ; or is there a *physis* of history, by which this particular *nomos* must come to be posited and imposed at a particular moment?"³⁰ This confusion is related to what Castoriadis calls "the antinomies of Marx's thought."³¹ According to Castoriadis, Marx prominently advances two incompatible elements throughout his works: The first is the idea that people acting within society are the force of history. The second is his effort to discover the laws of society and history, of social formation, of 'capitalist economy.'³² These opposing conceptions cannot be resolved; either laws govern the motions of society and history or these motions are the product of indeterminate human creation. Marx's labor theory is a fundamental

29. *VEJP*, 327.

30. *VEJP*, 284–85.

31. *VEJP*, 266; Cornelius Castoriadis, "Marx Today: An Interview," *Thesis Eleven* 8, no. 1 (1984), 124–32.

32. "Marx Today", 124; Cornelius Castoriadis, *The Imaginary Institution of Society*, translated by Kathleen Blamey, Cambridge, UK, Polity Press, 1987, 56–70 (hereafter, *IIS*).

component of his ‘laws of society and history.’ Therefore, an agreement with Marx’s assertion that humanity is responsible for its own history requires rejection of Marx’s LToV leaving us uncertain ‘what we talk about when we talk about capital.’

Castoriadis is not unaware of contradictions in Aristotle, and carefully explains that like Marx, Aristotle confuses the question of society as being of the *nomos* or of the *physis*. In fact, Castoriadis writes that contradictions and aporias are the hallmark of great thinkers because such thinkers are always trying to break out of the inherited thought within which they find themselves. Although they attempt to think beyond this tradition, they cannot escape it completely. Like adventuresome explorers, these thinkers, charting new intellectual territory, are wont to make wrong turns; they go astray. This is equally true, he says, of both Marx and Aristotle.³³ Castoriadis never provides an explicit name for his theory of value based on Aristotle. However, its basic premise is that, far from being determined by an impossible trans-historical substance – i.e., abstract labor, value is determined socially and historically, as part of the *nomos*, in accordance with whatever values the society elevates as primary. This also means that value is not determined materially, but at the juncture of the material elements that allow a society to function and the immaterial significations that give the society its unique characteristics.

Valuation, Castoriadis notes, is a matter of distribution, and distribution is a matter of justice: who gets what? In the distribution of the social product, or of products that become social in the act of exchange/distribution, a relation is established between the individuals involved.³⁴ This relation involves a proportionality. If we denote the objects exchanged as a and b and the individuals involved in the exchange as A and B , then the act of exchange implies that $A/B = a/b$. Rearranging, this becomes $A/a = B/b$. According to Aristotle, “this conjunction of A with a and of B with

33. *VEJP*, 328.

34. *VEJP*, 294. Although Castoriadis is explicitly criticizing Marx’s LToV, the influence of Marx on his thought is still very evident, just as the influence of Aristotle on Marx is evident.

b is what is just in distribution.”³⁵ When we confront this relationship, the question arises concerning the commensurability not only of objects *a* and *b*, but also of individuals *A* and *B*. To what common units can *a* and *b*, and, *A* and *B* be reduced? According to Marx, the answer is ‘abstract, socially necessary labor.’ Aristotle, however, claims that the proportionality among men occurs because “all men agree that what is just in distribution must be (established) according to worth [*axia*] in some sense, though they do not all specify the same sort of worth.”³⁶

Castoriadis states that this *axia*, or proto-value, serves as the attribute that determines the ‘weight’ of each individual in the distribution of the social product:

each party declares justice in distribution to be relative to what the individual already is/has with respect to a ‘value’ which, for its part, is not ‘relative’ to anything, not defined ‘with respect to’ anything – a value that is posited absolutely, which is the origin of justice, which is the basis of reference whose only possible reference is to itself.³⁷

The criterion of valuation is the proto-value that forms the basis of justice: “[D]emocrats identify it with freedom, supporters of oligarchy with wealth, or with noble birth, and supporters of aristocracy with virtue.”³⁸ Castoriadis asserts what Aristotle never could; namely, the proto-value, and the commensurability it establishes, is entirely a product of the *nomos*, existing only as a convention with no necessary counterpart in *physis*. The proto-value (*axia*), of the community, as the basis for valuation, orders the distribution of the social product. Those deemed worthy according to the society’s criteria – whether virtue, wisdom or God’s grace – get access to more of the social product. We should not regard this product as solely material since the esteem of community members and the knowledge produced within the community is also

35. *VEJP*, 293, where Castoriadis cites Aristotle.

36. *VEJP*, 296, where Castoriadis cites Aristotle.

37. *VEJP*, 297.

38. *VEJP*, 296, where Castoriadis cites Aristotle.

distributed in favor of the worthy.

What, then, is the convention (*nomos*) of capitalism? What serves as the proto-value that determines valuation in capitalist societies? As will be explained below, Veblen offers a partial answer to these questions in both articles of “On the Nature of Capital”: control. However, in these works, Veblen argues that the convention has a long history and is not unique to capitalism.³⁹ In fact, where Aristotle sees a value determining *axia* based on virtue, I would argue that he is actually seeing an *a posteriori* justification for distribution based on control, which we can understand as the right to exclude others from access. Control is the true proto-value, made acceptable with claims of virtue, divinity, or wisdom. Any non-egalitarian *axia* – justifying an unequal distribution of the social product – ultimately rests on the plausible threat of violence. What is unique about capitalism as a social-historical system is not the *axia* that forms the basis of its valuation but that it has turned valuation back on the proto-value itself, quantifying control in the form of ownership and making it vendible. This takes us to the heart of Nitzan and Bichler’s theory – capital as the valuation of power. First, we will turn to the partial answer provided by Veblen, concerning the role that ownership and control have played in human societies. He also takes the first step toward an understanding that capital represents the quantification of ownership. The completion of that step, including locating the quantitative possibilities in this definition, will require the work of Nitzan and Bichler, who invigorate Veblen’s thought and clearly articulate the relationship among ownership, control, capital and accumulation that defines capitalism.

Veblen on Value

While Marx’s theory of capital begins with production, Veblen’s theory begins with assets. A community’s assets, Veblen claims, even those produced and employed by an individual, depend upon the entire social order within which that individual lives and acts. The community’s assets must be understood in this context; they have meaning and contribute to

39. *ONC1*, 535.

the social product only as part of the particular circumstances in which the community finds itself. Veblen criticizes the then, and still, “current theories of production” – meaning both the Marxist and neoclassical theories – for being “drawn in individualistic terms.”⁴⁰ Man, he writes,

... has never lived an isolated, self-sufficient life as an individual, either actually or potentially ... The life-history of the race has been a life history of human communities ... with more or less of group solidarity, and with more or less of cultural continuity over successive generations.⁴¹

In direct challenge to Marx's emphasis on the material, he continues, the “continuity, congruity, or coherence of the group is of an immaterial character. It is a matter of knowledge, usage, habits of life and habits of thought, not a matter of mechanical continuity.” He calls this collective body of knowledge the community's “intangible assets.” This knowledge, however, should not be thought of in entirely functional terms; rather, it constitutes what Castoriadis would call the ‘social imaginary signification’ – the means by which the community makes sense of its world, including its mythology and religious practices, its familial organization and sexual rules, its understanding of leadership and processes of decision-making, etc. Although not every part of the community's social imaginary signification will be strictly functional in a utilitarian sense, it must, as Castoriadis emphasizes, function. If it did not, then the community would cease to exist.⁴² Intangible assets accumulated and developed during the

40. *ONC1*, 517.

41. *ONC1*, 517–18. This assertion suggests an affinity between Veblen and the anarchist biologist Peter Kropotkin, who demonstrated the dependence of human communities upon sociability and cooperation in *Mutual Aid: A Factor in Evolution* (available through *Project Gutenberg*: <http://www.gutenberg.org/etext/4341>). For more on the similarities between the two, see William M. Dugger, “Veblen and Kropotkin on Human Evolution,” *Journal of Economic Issues* 18 (1984).

42. Cornelius Castoriadis, “Done and to Be Done,” id., *The Castoriadis Reader*, edited and translated by David Ames Curtis, Oxford, UK, Blackwell, 1989, 363–65; see also id., *IIS*, 42–45; and id., *Philosophy, Politics, Autonomy: Essays in Political Philosophy*, translated by David Ames Curtis, New York, Oxford University Press, 1991, 40–42.

community's prior life-history, make possible the individual's contribution to the social product and infuse that contribution with meaning.⁴³ Therefore, while the labor of the individual is necessary, it is not useful or valuable in isolation. Although value and capital were understood by Marx to be social institutions, within the LToV the creators of labor-value must be capable of analytical isolation. This was part of Marx's effort to mimic the powerful natural sciences of his era. Contrary to the transcendent and commensurable labor that grounds Marx's value theory, Veblen recognizes that labor's use and value is dependent upon the circumstances of the particular material and immaterial assets of the community, including the other qualitatively different labors. While knowledge of aerodynamics, for example, translates into valuable skills within the aerospace industry, it has little if any use or value among the sheep herders of New Zealand. The community's interdependence and reliance on circumstance-dependent assets means that the reduction of all products to their labor value presupposed by and necessary for the practical application of the LToV is not only an epistemological impossibility, as demonstrated by the 'transformation problem,' but an ontological absurdity.⁴⁴

Early societies, according to Veblen, were relatively egalitarian because

43. Veblen's emphasis on the importance of the immaterial for even the earliest human communities challenges the supposedly new and important concept of 'immaterial labor.' Although entirely unacknowledged, Veblen anticipates the attention given to 'immaterial labor' by the Autonomist Marxists. Maurizio Lazzarato, for example, writes that "immaterial labor constitutes itself in forms that are immediately collective." Veblen's early 20th century explication of the concept of 'intangible assets' undermines the idea that an immaterial component of labor represents a unique development of capitalism (Maurizio Lazzarato, "Immaterial Labor," *Generation Online* (n.d.) <http://www.generation-online.org/c/fcimmateriallabour3.htm>).

44. Marx states that "[t]he total labor-power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labor-power, composed though it be of *innumerable individual units*" (*Capital*, vol. 1, 39). In order to maintain his reductionism Marx asserts that "Skilled labor counts only as simple labor intensified, or rather, as multiplied simple labor" (*Capital*, vol. 1, 44).

of the community's interdependence that made material and immaterial assets productive. As long as everyone had relatively free access to the assets of the community, it was difficult, if not impossible, for domination to become entrenched. Efforts at domination through proprietary claims to one's particular assets and attempts to exercise hegemonic control of the community's assets would result in ostracism and isolation. Inequality and domination emerges,

... so soon, or in so far, as the technological development falls into shape as to require a relatively large unit of material equipment for the effective pursuit of industry ... so as seriously to handicap the individuals who are without these material means, and to place the current possessors of such equipment at a marked advantage, then the strong arm intervenes, property rights apparently begin to fall into definite shape, the principles of ownership gather force and consistency, and men begin to accumulate [productive] goods and take measures to make them secure.⁴⁵

An ownership class emerges that proclaims rights over the community's material assets. Their reward, although made possible by the existence of a surplus, *is not* equal to that surplus. Rather, the owners are able to demand a subjectively determined tribute in exchange for allowing access to the assets. The tribute demanded is a function of the relative bargaining power of the asset-controlling 'owners' and the asset-using community. The power gained will depend on such factors as the means of control, the importance of the asset and the ease of substitution: no tribute will be paid for control of a forest if other forests are accessible, while control of a quarry may generate a massive reward if it is the only available source of stone required for the community's practices. Over time, each member of society will be reduced to making claims on the social product based on what small portion of the community's assets fall under their control. For most, that will be little more than his or her own body's capacity for labor-power. Thus, control becomes the proto-value of the society and

45. Veblen, *ONCI*, 524.

distribution of the social product is based on that control. In contemporary communities this is expressed as profit and wages. Ownership bestows control over the community's assets and allows owners to exclude the rest of the community. In order to access these assets, a portion of the social product is distributed to the owners. The profits of Exxon-Mobil, as one example, are achieved for the provision of access to the oil extraction and distribution assets under their control. The wages of a doctor are earned for giving the community access to the medical skills and knowledge she controls. The earnings, either profits or wages, depend upon the extent of control and the desirability of the asset, both of which are contingent and inter-related among the entire social-historical reality in which they unfold.

Domination is not limited to control of the material assets. Some community knowledge can only be exercised in association with its material assets, and domination can extend to choosing who gets to utilize what knowledge: knowledge of flint shaping is useless without access to flint, just as access to flint is worthless without knowledge of flint shaping. Moreover, in order to augment and entrench their control, 'the strong arm' exerts influence over the further development of the immaterial assets; *de facto* domination generates *de jure* justification through the manipulation of myth; hence, the emergence of virtue and other *axia* that determined distribution. Changes in the control of the community's material assets, and the forms and content of its immaterial assets, influence the ways communal productivity will be employed. Completely distinguishing between the control exerted through material ownership and immaterial influence becomes impossible.⁴⁶ It is here in the history of assets, ownership, and control that we find Veblen's conception of capital.

46. Egyptian kings were powerful in part because of their deification, but also through the command of hundreds of thousands of workers whose collective power was mobilized to produce massive edifices, justified by the God-status of the king. See Lewis Mumford, *Myth of the Machine: Technics and Human Development*, New York, Harcourt, Brace & World, 1934, Ch. 9§1.

Marx's notion of capital has two sides: 1) a financial side: the realized profits from the surplus of previous production, and; 2) a material side: the reinvested profits realized as means of production.⁴⁷ The productive assets of the capitalists are the agglomerated 'dead labor' of invested surplus value. Veblen uses the term 'capital goods,' not to denote that the assets themselves are capital, but rather, that the assets are *capitalized*: "Capital goods ... are capital in the measure, not of their technological serviceability [read: productivity], but in the measure of the income which they may yield to their owner."⁴⁸ Veblen's notion of capital is, therefore, solely a financial entity.⁴⁹ Notice that deals among capitalists rarely involve the actual mobilization of the means of production; rather, it is control over these assets that is bought and sold through these financial transactions.

Marx holds that the return of profits to circulation as constant capital is the means by which accumulation is achieved.⁵⁰ Temporally, accumulation occurs after production. The relationship between production and profits has been stylized as M-C-P-C'-M' where money (M) is transformed into commodities (C) that, through the process of production (P) become more commodities (C') – properly, more valuable commodities – that can then be turned into more money (M'); and the cycle begins anew. For Marx, capital could take two forms, first, as money and, second, as inputs to production. However, "it functions just once and produces profits just once."⁵¹ Veblen, on the other hand, recognized that

47. "The same capital appears in two roles — as loanable capital in the lender's hands and as industrial, or commercial, capital in the hands of the functioning capitalist" (Karl Marx, *Capital*, vol. 3, 364).

48. *ONC2*, 111.

49. An important element of their theory of capital, Nitzan and Bichler repeatedly stress, is that "capital is finance and *only* finance" (Jonathan Nitzan and Shimshon Bichler, "Capital Accumulation: Breaking the Dualism of 'Economics' and 'Politics'" in *Global Political Economy: Contemporary Theories*, edited by Ronen Palan, New York, Routledge, 2000, 78, and Nitzan and Bichler, *GEPI*, 36).

50. "The never-ending augmentation of exchange-value, which the miser strives after, by seeking to save his money from circulation, is attained by the more acute capitalist, by constantly throwing it afresh into circulation" (Karl Marx, *Capital*, vol. 3, 153).

51. Karl Marx, *Capital*, vol. 3, 364.

accumulation is not achieved by way of production itself, but as a result of changed *expectation* of future earning streams. Such a change can be achieved not only by increasing the stock of productive machinery or the actual quantity of output, but also through a reorganization of existing systems of production that is viewed favorably by market participants. Therefore, accumulation does not occur after production but prior to it; it is expectations that matter. This fits with Castoriadis's emphasis on valuation as a process of the *nomos*. It is individuals taking stock of every feature of society, or at least every feature they deem relevant, with a view toward the future unfolding of society. The prior round of production has meaning only with regard to capital and accumulation in as much as it influences the expectations for the next round. As one example, consider the rise and fall of the now maligned Pets.com. Based on the growing hype over internet based companies, the growing pet market in the U.S., and the company's own rapid sales growth in the previous year, Pets.com achieved a market capitalization as high as \$324 million (US) at its initial price offering. At the time, it had total sales of just over \$5 million with operating losses of more than \$61 million. Of course, the company failed to live up to these expectations, was reassessed and dropped in value to about \$6.5 million before its eventual liquidation. However, the eventual failure of Pets.com does not mean that eventually the market 'got it right' and its earlier hype driven valuation was, somehow, not real. Its accumulation and eventual liquidation were redistributionary, with both a material and immaterial impact.

For Veblen it is not solely the material industrial assets of the community that generate income for their controlling owners. Intangible assets are also capitalized in as much as they are judged to contribute to their owners' earnings streams. Intangible assets, Veblen notes, consist of both 1) those that come from the community, including superstitions, customs and norms, government regulations, and contractual concessions, and; 2) those generated by capitalist enterprises themselves, primarily 'goodwill.'⁵² Any intangible entity that can be both turned to accumulatory advantage

52. Veblen, *ONC2*, 113–14.

and can be transferred among owners, becomes an asset under capitalist control, and thereby contributes to capital.

Veblen provides a social-historical understanding of the relationship between control and assets, as well as an opening to the relationship between control and capital. Combined with the argument by Castoriadis for an immanent conception of value based upon a shared *axia*, we can return to the claim made in the introduction that 'what we talk about when we talk about capital' is *quantified, vendible ownership claims over groupings of tangible and intangible assets that are expected to generate streams of earnings*. This is simply putting into words the formula for capitalization, used by business to estimate the present value of an asset. It is in the theoretical developments of Nitzan and Bichler that capitalization can be understood as much more than a simple pricing operation. As noted above, what particularizes capitalism is not that control is the basis of valuation. Rather, it is that the translation of control into earnings is then quantified in the form of capitalization, which makes ownership itself vendible.

Nitzan and Bichler draw out the importance of capitalization as "the central institution and key logic of the capitalist *nomos*."⁵³ Critical consideration of how the members of business view their own functioning, and how this view translates into engagement with the world, is true to the spirit of Veblen who writes, "A theory of the modern economic situation must be primarily a theory of business traffic, with its motives, aims, methods, and effects."⁵⁴ The groupings of assets within contemporary capitalism take the form of the capitalist enterprise – primarily the corporation. These groupings cannot be understood in terms of productivity as they are frequently unrelated, with no clear industrial intersection. For example, what 'efficiency' gains are there for General Electric to own both NBC Universal and GE Aviation? Further, groupings are constantly changing as capitalists seek an accumulatory advantage. Consider the sale by Canadian firm SNC-Lavalin, primarily an engineering company, of its Quebec-based weapons-production unit

53. *CP*, 153.

54. Thorstein Veblen, *The Theory of Business Enterprise*, New York, Mentor Books, 1904, 8.

SNC-Tec to the US arms giant General Dynamics in 2007. Both firms hoped that the move would be viewed favorably by market participants. The value of the ownership claims are based on the subjective and contingent judgments made by participants in the debt and equity markets. Nitzan and Bichler note that these judgments are based upon *everything* that is *expected* to contribute to future income streams for the two enterprises including, but not limited to, labor. Therefore, labor's relationship to capital is not as *the* bottom-up, determining totality theorized by Marx, whereby the expenditure of labor-power generates commensurable units of socially-necessary, abstract labor value and serves as the source of all value. Instead, labor is *part of* a top-down, contextualized assessment by market participants, who continually price and re-price ownership claims on the basis of the expected future earnings of assets controlled by virtue of that ownership. The part labor plays may be extremely important, but it is not the only determining institution that must be considered.

Capital and Accumulation

Nitzan and Bichler note that "any power arrangement, institution, and process that systematically affect the flow and temporal pattern of earnings is a potential facet of capital."⁵⁵ It is impossible to distinguish contributions to accumulation as clearly 'economic.' Instead, social institutions that cut across the distinctions of 'economy,' 'politics,' 'culture,' 'family,' etc. are factored into assessments of earning potential; a government may employ nationalistic rhetoric to justify land concessions favorable to transportation companies; manufacturers may exploit racist and sexist social norms to pay minorities and women lower wages; makers of consumer goods may foster anomie to entice individuals to spend.⁵⁶ Positive assessment by market participants of these institutionalized activities will result in an increased valuation of the enterprises expected to benefit in the form of increased earnings. Capitalists exert control within relevant communities in order maintain the status quo and protect

55. Jonathan Nitzan and Shimshon Bichler, "New Imperialism or New Capitalism?" *Review* 29, no. 1 (2006), 57.

56. Nitzan and Bichler, *Capital Accumulation*.

the value of the assets they own, or they seek to provoke changes in order to generate and divert earnings.

As Veblen notes, and Nitzan and Bichler emphasize, accumulatory outcomes are not absolute – there is no absolute register against which accumulation may be judged as successful or unsuccessful – but are rather a matter of *differential comparison*. Success can only be determined against market benchmarks that measure accumulatory efforts in aggregate. For example, a corporation whose capitalized value grows 10% will judge its efforts a failure if the market as a whole grew by 15% over the same period of time. On the other hand, a decline of 5% is a differential success if the market shrank by 10%. In other words, capitalists seek to ‘beat the average.’ The most cursory of glances at the business press will reveal the prevalence of this differential appraisal.

Nitzan and Bichler’s call for evaluation of accumulatory efforts in terms of a differential process directs attention towards the intra-capitalist struggle that marks day-to-day political-economic interactions. The redistribution of current capitalized assets through trades, takeovers, and mergers, together with the pursuit and capture of assets not already capitalized is possibly *the* defining feature of capitalism. None of the particulars that constitute these practices can be reduced either to productive efficiency, or to the exploitation of labor. Instead, the redistribution and capture of assets involves complex efforts at multiple scales – the individual, the city, the market segment, the government agency, etc. – that feed upon human creativity in nearly every aspect of life. Evaluation occurs within markets as participants buy and sell on the expected ability of the vested interests to turn their social control into earnings. Markets therefore constitute empirical representations of control. 20th century capitalism has driven this process of capture and redistribution of assets to an unprecedented scale and pace. These activities are aimed at achieving an advantage over fellow combatants rather than over the general population. As long as the capitalist system itself is not threatened, capitalists fear each other.

The differential assessment of value as a quantification of ownership

and control provides us with an important picture of the distribution of power among what Nitzan and Bichler have termed ‘dominant capital’ – “the largest power coalitions at the centre of the political economy.”⁵⁷ It is these groupings within dominant capital whose actions have the greatest influence on political economic developments. Their struggles for differential accumulation are massive exercises of power that continually order and reorder society. As capital is a quantification of the relative control exercised by capitalists, measure continues to be both possible and extremely relevant. This quantitative picture provides a topology of changing capitalist power as diverse social events, even those that have no clear ‘economic’ meaning, affect accumulatory efforts. More importantly, from the perspective of human life, it highlights patterns of accumulatory struggle as it begets diverse social events.

Let us consider a cursory empirical application of Nitzan and Bichler’s theory. Recent political economic events have drawn much attention to the *financial intermediaries* (FIRE).⁵⁸ The lower line (Fig. 1) shows FIRE’s share of corporate earnings from January, 1973 to July, 2009 while the top line is the Bank of America Corporation’s (BAC) share of FIRE’s earnings over the same period.⁵⁹ FIRE’s share of corporate earnings increased from 6% in 1973 to more than 35% in 2004. Since then, its share has dropped to just over 10%. From the perspective of ‘capital as power,’ this represents a rebalancing of power in favor of FIRE, while the recent decline demonstrates a loss of social control. At the same time, power within FIRE was shifting in favor of BAC. Interestingly,

57. Shimshon Bichler and Jonathan Nitzan, “Dominant Capital and the New Wars,” *Journal of World-Systems Research* 10, no. 2 (2004), 256. This analysis also reveals how power is distributed between ‘dominant’ and ‘peripheral’ capital.

58. FIRE actually includes finance, insurance and real estate firms. However, it will serve as an acceptable proxy for the financial intermediaries.

59. Both FIRE and the corporate aggregate are restricted to publicly traded firms. Both series represent the ratio of monthly earnings for the named entities, Bank of America (BAC), finance, insurance and real estate (FIRE), and all publicly traded corporations. We owe the bottom series to Jonathan Nitzan and Shimshon Bichler, see “Imperialism and Financialism: A Story of a Nexus,” <http://bnarchives.yorku.ca/267>

BAC appears to have outperformed FIRE when the latter was underperforming the market. Furthermore, while the seizure of credit markets in the wake of the subprime mortgage meltdown shifted power away from FIRE relative to other corporations, it strengthened BAC relative to FIRE.

Figure 1: Setting FIRE to the Market Profit, Power and Redistribution, 1973–2009

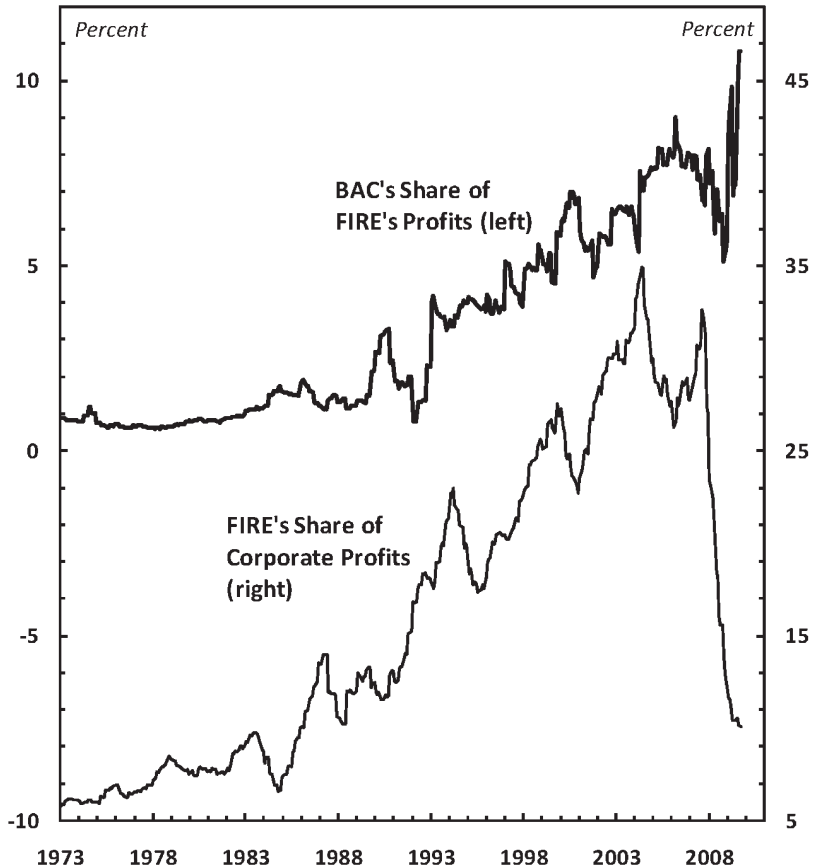


Figure 1: DATA: Datastream

This raises questions about how FIRE and BAC managed to make their relative gains. Although I am unable to explore the gains of BAC in this brief example, I can give a partial answer in the case of FIRE generally. Figure 2 shows the month-over-month percentage point change in FIRE's share of corporate earnings against the inverse change in the Fed Fund rate – the key lending rate of the U. S. Federal Reserve.⁶⁰ Gains in FIRE's share of corporate earnings correspond to cuts in the Fed Fund rate while losses correspond to increases in the rate. This means that the U. S. Federal Reserve has some capacity to redistribute earnings within capital. We cannot definitively claim that changes in the Fed Fund rate are motivated by a desire to redistribute profits toward FIRE. However, the relationship is striking and demands further analysis. Once we reject the standard theories of value, only deeper empirical research can illuminate such redistributions and the processes to which they are conjoined, as we no longer have recourse to either 'productivity' or 'exploitation' as ready-made explanations.

60. Both series calculated as the month-over-month change in percentage points. Series are smoothed as 24-month moving averages. The Fed Fund series is inverted (note right hand axis) to show more clearly the relationship between the two series.

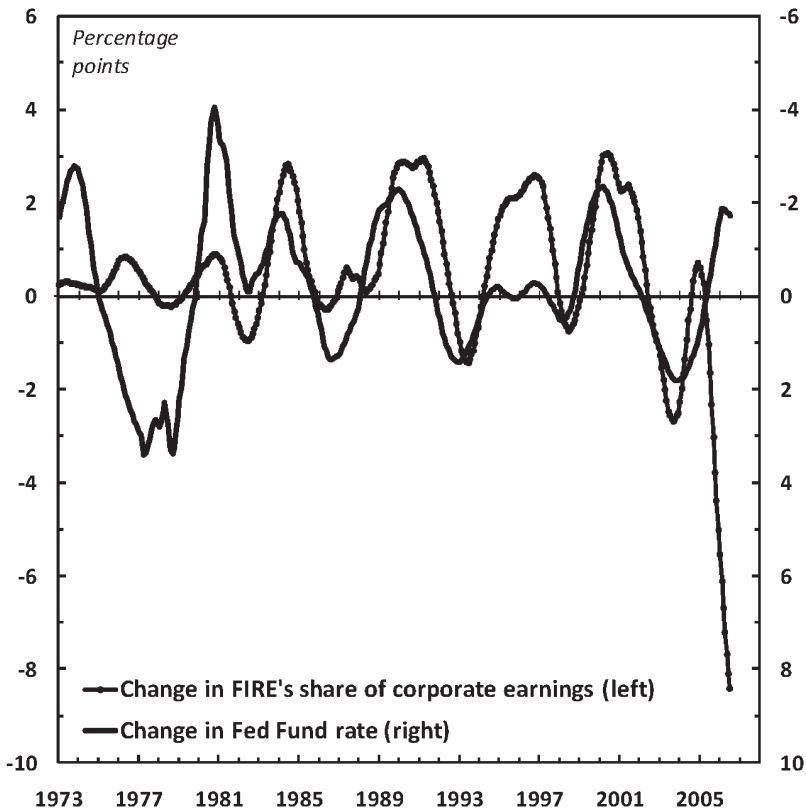
Figure 2: Coordination and Redistribution: FIRE and the Fed, 1973–2009

Figure 2: DATA: FIRE and corporate earnings: Datastream; Fed Fund rate: Global Insight

Closing remarks

For critics of capitalism, it would be easy to dismiss theorizing about the concept of capital as overly rooted in capitalism itself. What does it matter what 'capital' means if our hope is to supersede capitalism, destroying capital in the process? However, once we do away with Marx's teleology it is important to understand, as precisely as possible, just how business operates day-to-day; why it does what it does and how. Although Marx is considered a theorist of resistance, one side of his antinomy – the seeking

of historical laws of motion – undermines the purpose and possibilities of resistance; if the materialist engine of history makes socialism inevitable, what contribution could resistance possibly make? To be sure, struggle could hasten the arrival of liberation, but ultimately it could not change the course of history. Of course, the other side of his antinomy – we make our own history – means that struggle is vital if we seek liberation. In the LToV we find Marx’s determinism, which then infuses his categories and the forms of struggle they inform, even if most Marxists have long abandoned the particular program he and his followers laid out. Both Veblen and Castoriadis explicitly reject any conception of deterministic social-historical ‘progress.’ Instead, they place responsibility for our institutions, including those of value, squarely on us. At the same time, both share with Marx the recognition that vested interests enforce a punitive and damaging power structure. They also emphasize a need to understand the institutions of value and capital if we are to understand this structure. The relationship between the existing power structure and struggle is revealed anew in Nitzan and Bichler’s theory of capital as power.

Castoriadis wants to return to an immanent conception of value as a “make-shift for practical purposes” that was found in Aristotle, and criticized by Marx. He resolves confusion found in both Marx and Aristotle due to their attempts to locate value as simultaneously a product of the *nomos* and the *physis*. His solution is to place it entirely within the sphere of the *nomos*. Valuation, he argues, emerges from a proto-value, or *axia*, that determines the distribution of the social product. However, he refrains from developing what this ‘make-shift’ valuation looks like within capitalism and how it might differ from earlier forms. Veblen develops a political-economic history based on the control of assets, from which I argue that control actually constitutes the *axia* of every non-egalitarian society, with other values serving as an *a posteriori* justification for a distribution that favors the powerful. Veblen, further developed by Nitzan and Bichler, argues for an understanding of capital and capitalization as the valuation of control itself. This, I claim, is what

makes capitalism unique. While the *axia* of control, justified as virtue, or wisdom or divinity, was the determinant of distribution in earlier social orders, capitalism has turned valuation back on the *axia* itself. Never before could the vested interests assign a value to control, allowing them to then buy and sell power itself. As Nitzan and Bichler argue, capitalization, as the mechanism that allows for this valuation, becomes not only an instrument by which assets are continually priced and repriced, but the central, organizing logic of the social order.

As accumulation depends on the ongoing interactions of social assemblages at every scale, resistance can and must confront capitalists within multiple and diverse social arenas. This contrasts with the forms of resistance that were informed by the LToV, which included clichéd practices of consciousness-raising among the workers and efforts by an intellectualist vanguard – those privy to the laws of historical motion – to lead the proletariat in its workplace struggles against the bourgeoisie. In an example of theory catching up to practice, even Marxists largely abandoned such efforts as limited, at best. Nitzan and Bichler's conception of capital gives theoretical coherence to the diverse examples of resistance to capitalism around the world.

The concept of differential accumulation highlights the lacunary reality of capital. The formation and reformation of capitalist entities and coalitions through innovation, reorganization, and capture creates points of tension and division, i.e., interstices in the structure of capitalist ownership. These are available for exploit by dissidents. Since each capitalist entity judges its own success in terms of its assessment of expected future income flows, each entity is vulnerable to any real or perceived threat to these flows, even if such threats never materialize. As is evident from recent history, even the perception of uncertainty can reduce the capitalized value of a corporation. Although an increased awareness that a threat will not come to fruition may or may not return the value to its previous heights, volatility is undesirable and itself creates uncertainty among market participants. Moreover, given the differential nature of success, capitalist enterprises are more than willing to undermine other

players in the capitalist system if it appears to favor their own interests. This can be seen in the contrariwise lobbying efforts of various capitalist coalitions.⁶¹ Without having to resort to the reformist notion of ‘good’ and ‘bad’ corporations – appealing to the former to waylay the latter – it should be possible to turn the accumulatory self-interest of one enterprise against another. Consider the anti-vivisection campaign ‘Stop Huntingdon Animal Cruelty’ (SHAC). Participants in the campaign have specifically targeted capitalist entities with ties to Huntingdon’s Life Sciences (HLS), including investors and financiers; even Staples has been targeted for providing office supplies to HLS. The campaign has managed to get every market-maker to stop handling trades of Huntingdon’s shares and all but two institutional investors to divest. The isolation of HLS has had the effect of reducing their capital through a reduction in the assessment of expected future profits. The company was forced to plead with financiers to take on their shares or extend it loans. Since a move to the USA and the neutralization of the SHAC campaign through indictments and convictions, the valuation of HLS – now called Life Sciences Research – has dramatically increased.⁶² We can acknowledge that none of these efforts inherently constitute a challenge to capitalism. On this point, dissidents informed by a theory of capital as power converge with the Marxists in the recognition that resistance to capitalism requires the overthrow of the institution of private property, which makes capitalization possible. However, we are likely further away from such a challenge than ever before. In the meantime, we must be able to insert ourselves in the processes of accumulation if we hope to prevent

61. For example, Wal-Mart is increasingly lobbying in Washington in the hopes of being approved for a license to provide financial services, something they already offer in Mexico. However, existing banking enterprises perceive this as a threat and have, so far, successfully lobbied against granting Wal-Mart a banking concession.

62. For more on how Nitzan and Bichler’s theory of capital can inform resistance efforts, see D. T. Cochrane and Jeff Monaghan, “Fight to Win!: Tools for Confronting Capital,” in *An Economy of Sustainability: Anarchist Economics*, edited by Deric Shannon, Anthony J. Nocella II, and John Asimakopoulos (Oakland, CA, AK Press, forthcoming).

certain outcomes of capitalist reordering that make people's lives worse and encourage others that make them better. Such outcomes will always be re-distributionary, favoring some capitalists over others. Recognition of this as a necessary outcome of the accumulatory process means we can stop lamenting efforts as 'unrevolutionary.'

Resistance to capitalism and the hope of creating alternative political economies to replace it demands a clear understanding of capitalist institutions. Although most radical and dissident thinkers do not subscribe to Marx's *telos*, they either fail to acknowledge the LToV as a fundamental component of that *telos*, or they simply excise the theory from Marx. The latter approach is theoretically shortsighted as many of Marx's concepts – including capital – lose their validity in the absence of a value theory. This solution also strips quantitative analysis of all meaning,⁶³ thus, sacrificing an important tool for empirical research.

The lingering influence of the LToV has blinkered political economists and other theorists to the importance of business in all its complexity. If we believe that human activities are responsible for our society and history, then, in the words of Castoriadis, "the task of theory will not be directed to discovering 'laws', but to the elucidation of the conditions within which human activity unfolds."⁶⁴ One of the primary tasks of such an elucidation must be articulating 'what we talk about when we talk about capital.'

63. Labor value was Marx's way of explaining how market prices were determined. If the LToV is excised from Marx, then there is no longer any explanation of prices, which is the foundation of important capitalist quantities, such as wages, profits, etc.

64. "Marx Today", 125.