

# CAPITAL AS POWER

EASTERN ECONOMIC ASSOCIATION  
ANNUAL CONFERENCE  
PHILADELPHIA, FEBRUARY 26-28, 2010

[EEA Conference Page](#)

The seven integrated panels of this program assess and research the theory of capital as power. The panels are sponsored by the [Critical Mass Forum](#).

## *Timetable*

<b>Friday, February 26</b>	<b>Saturday, February 27</b>	<b>Sunday, February 28</b>
09:00-10:45 Session 12: Room 1 <i>I. Toward a New Cosmology of Capitalism</i>	09:00-10:45 Session 87: Room 1 <i>III. Rethinking the Duality of Production and Power</i>	10:15-12:00 Session 162: Room 1 <i>VI. The Scope and Limits of Capitalization</i>
11:00-12:45 Session 27: Room 1 <i>II. The Quantity of Power</i>	11:00-12:45 Session 102: Room 1 <i>IV. The State of Capital (Part A)</i>	
	14:00-15:45 Session 117: Room 1 <i>V. The State of Capital (Part B)</i>	13:45-15:15 Session 192: Room 1 <i>VII. Money &amp; Finance</i>

### *Related Links*

#### **Critical Mass: Forum on Political Economy and Power**

The stated purpose of the Critical Mass forum is to bring together a diverse range of radically minded people who are dissatisfied with dominant approaches to political economy, and who seek to explore the possibilities and limitations of the concept of power in relation to the foundational categories of value, capital and accumulation. Created and maintained voluntarily by graduate students of political economy at York University in Toronto, the ultimate goal of the forum is to extend beyond York in order to foster linkages among the broader community of researchers engaged with these issues.

<http://www.yorku.ca/cmass/forum/>

#### **Capital as Power. A Study of Order and Creorder**

A new book by Jonathan Nitzan and Shimshon Bichler

RIPE Series in Global Political Economy | London and New York | Routledge | 2009

<http://bnarchives.yorku.ca/259/>

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### *Capital as Power I*

#### **Toward a New Cosmology of Capitalism**

Theme of the panel:

This is the opening session for the panel series on *Capital as Power*. The purpose of the presentation, by Shimshon Bichler and Jonathan Nitzan, is fourfold: (1) to introduce and outline the theory developed in their book *Capital as Power*; (2) to contrast this theory with the liberal and Marxist paradigms of capital; (3) to discuss how this theory may alter the study of political economy; and (4) to describe the different panels of the series. The discussion by Gilbert L. Skillman examines key aspects of *Capital as Power* and their broader ramifications for political economy.

Chair:

**Joe Francis (London School of Economics and Political Science)**

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Presentation and discussion:

**1. Shimshon Bichler (Israel) and Jonathan Nitzan (York University)**

TITLE

Capital as Power: Toward a New Cosmology of Capitalism

ABSTRACT

Conventional theories of capitalism are mired in a deep crisis: after centuries of debate, they are still unable to tell us what capital is. Liberals and Marxists both think of capital as an “economic” entity that they count in universal units of “utils” or “abstract labour,” respectively. But these units are totally fictitious: they can be neither observed nor measured. They don’t exist. And since liberalism and Marxism depend on these non-existing units, their theories hang in suspension. They cannot explain the process that matters most – the accumulation of capital.

This breakdown is no accident. Every mode of power evolves together with its dominant theories and ideologies. In capitalism, these theories and ideologies originally belonged to the study of political economy – the first mechanical science of society. But the capitalist mode of power kept changing, and as the power underpinnings of capital became increasingly visible, the science of political economy disintegrated. By the late nineteenth century, with dominant capital having taken command, political economy was bifurcated into “economics” and “politics.” And in the twentieth century, when the power logic of capital had already penetrated every corner of society, the remnants of political economy were further fractured into mutually distinct “social sciences.” Nowadays capital reigns supreme – yet social scientists have been left with no coherent framework to account for it.

The theory of *Capital as Power* offers a unified alternative to this fracture. It argues that capital is not a narrow economic entity, but a symbolic quantification of power. Capital has little to do with utility or abstract labour, and it extends far beyond machines and production lines. Most broadly, it represents the organized power of dominant capital groups to reshape – or *creorder* – their society.

This view leads to a different cosmology of capitalism. It offers a new theoretical framework for capital based on the twin notions of dominant capital and differential accumulation, a new conception of the state of capital and a new history of the capitalist mode of power. It also introduces new empirical research methods – including new categories; new ways of thinking about, relating and presenting data; new estimates and measurements; and, finally, the beginning of a new, disaggregate accounting that reveals the conflictual dynamics of society.

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**2. Discussant: Gilbert L. Skillman (Wesleyan University)**

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***Capital as Power II***  
**The Quantity of Power**

Theme of the panel:

The panel explores the “quantity of power.” The first article, by Ulf Martin, examines how universal rationality and formal reasoning institute the quantification of capital as power. The paper argues that this institutionalization is inherently impossible because reality can never be fully captured by rational numbers – but that this very impossibility fuels the endless quest for further extending and intensifying the computational control regime. The second paper, by Kevin Sutton, suggests methods of juxtaposing and linking the quantities of finance on the one hand and the magnitudes of matter and energy on the other. It argues that these methods can be used to quantitatively assess the environmental limits on the accumulation of capital, and it offers an assessment of peak oil in the United States.

Chair:

**Jordan Brennan (York University)**

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Papers and discussion:

**1. Ulf Martin (Germany)**

TITLE

Rational Control and the Magma of Reality

ABSTRACT

Central to modernity is the double ‘imaginary’ (Castoriadis) of universal rationality and formal reasoning. The first institutionalization of this pair, the modern state with its bureaucratic mode of power, created a second institutionalization of these principles: ‘capital as power by quantification’ (Bichler/Nitzan) through modern money and the corporation. This monetary mode of rational power uses the modern mode of math as its main symbolic tool. Problems are conceived as formulas devoid of referential meaning that can be solved by rule-based game-like procedures (‘symbolic machines’, Krämer). Applying symbolic machinery as universal means for formal reasoning (‘calculus ratiocinator’, Leibniz) turns into the project of rational control by computational means of physical reality as well as social order (mathesis universalis: technology and finance). This control project can never succeed in principle, because the ‘magma’ of the real (Castoriadis) can never be captured by rational numbers necessary for practical computation. But just because of this impossibility there is also no limit for ever extending and intensifying the computational control regime ad infinitum et infinitesimal.

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## 2. Kevin Sutton (York University)

### TITLE

Powering Production and Accumulation: A Biophysical and Financial Analysis of the United States Energy Supply, 1950-2008

### ABSTRACT

The relationship between the 'real' and 'monetary' economies is a longstanding problem in political economy. All schools have struggled to connect the production of goods and services with the distribution of wealth. The current difficulty in identifying the impact of the credit crisis on the 'real economy' reminds us that this problem remains unresolved. Ecological thinkers have reversed the problem: how will physical limits to production affect a financial system based on credit and the realization of capital gains? Using thermodynamic principles, 'ecological economics' and 'ecological Marxism' have developed more sophisticated understandings of the production process. Yet, without resolving its relationship with financial values, they are left running in the same circles as their predecessors.

Using a financial theory of capital, Nitzan and Bichler have clarified the quantitative nature of accumulation. But this clairvoyance is found at a theoretical distance from the qualitative world of production. Using thermodynamics I demonstrate that both processes can be quantified. The institutions that mediate between the flows of matter and energy and the representation of value can be understood by way of qualitative analysis. This paper examines this relationship in the United States before and after its oil production peak in 1970.

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## 3. Discussion among participants and with audience.

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*Capital as Power III*  
**Rethinking the Duality of Production and Power**

Theme of the panel:

The theory of capital as power rejects the very duality of production (economics) and power (politics); the papers in this panel attempt to relate and link these spheres. The first article, by Luis Fernando Medina, considers the role of capital in shaping the outcome of electoral politics – specifically, the ability of owners to prevent redistribution even in the presence of full electoral competition. The second paper, by Gilbert L. Skillman, reconstructs Marx’s (undeveloped) conception of capital’s power, expressed by the degree of its control over the labor process.

Chair:

**Sean Starrs (York University)**

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Papers and discussion:

**1. Luis Fernando Medina (University of Virginia)**

TITLE

Capital and the Limits to Electoral Redistribution

ABSTRACT

The paper argues that the standard view of capital as mere ownership over some production factors ignores the fact that capital also implies power relations in the sphere of production and that this power has broader implications for the democratic governance of a polity. To that end, the paper develops a model of a politico-economic environment that takes into account explicitly the processes of collective action that shape the labor markets and follows downstream the implications of this for democratic political competition. It shows the way in which the outcomes of the struggle over the commodification of labor shape the political alliances across classes, thus making explicit the conditions for the emergence of the modern welfare state in some societies (and not in others). Although the paper uses tools from neoclassical economic modeling, it calls into question the underlying assumption of this tradition that sees capital accumulation as a process separate from that of political power writ large

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## 2. Gilbert L. Skillman (Wesleyan University)

### TITLE

Revisiting Marx's Structural Analysis of the Circuit of Capital: Commodification of Labor Power and Subsumption of Labor under Capital

### ABSTRACT

In Marx's analysis of the capitalist mode of production, a key expression of capital's power is its degree of control over the labor process, which Marx termed the *subsumption of labor under capital* (SLC). SLC is in turn premised on the *commodification of labor power* (CLP). Marx identified two degrees of SLC under capitalism, formal and real, which he associated respectively with the realization of absolute and relative surplus value. However, as reflected in his decision not to include the chapter entitled "Results of the Immediate Process of Production" in the published version of *Capital* Volume I, Marx did not fully work out his theory concerning the role of CLP and SLC in the capitalist exploitation of labor. The purpose of this paper is to reconstruct Marx's theory of SLC, exploring the economic logic of CLP and SLC in Marx's historical account of the circuit of capital and the coherence of his asserted correspondence between forms of SLC and forms of surplus value. The paper also investigates the connection between CLP and SLC, as well as Marx's repeated assertion that historically capitalists were able to realize surplus value via circuits that involved neither CLP nor SLC.

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## 3. Discussion among participants and with audience.

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*Capital as Power IV*  
**The State of Capital (Part A)**

Theme of the panel:

Conventional approaches, both liberal and Marxist, treat capital and state as related yet distinct entities. The theory of capital as power offers an alternative view. It argues that corporations and governments – the dominant organizational entities of modern capitalism – are part of a singular mode of power: the *state of capital*. The papers in this panel examine these opposing interpretations. The first article, by Gibin Hong, develops the notion of a Capital Control Complex – a capitalist power architecture that fuses the ruling bloc of a given society, its particular structure of corporate ownership and control, and the concrete institution of its financial system. The second paper, by Sean Starrs, considers the dichotomy of state and capital. It argues that this dichotomy, although perhaps invalid in theory, remains real and essential for resisting the power of capital.

Chair:

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Papers and discussion:

**1. Gibin Hong (Financial Economy Institute, Seoul)**

TITLE

The Capital Control Complex: Twentieth-Century Capitalism

ABSTRACT

The concept of capitalism becomes a-historical when it is indifferent to its historically-specific institutional settings. This paper argues that the historical form of twentieth-century capitalism should be understood as a ‘Capital Control Complex’ (CCC): a tripod comprising society’s ruling bloc, the structure of corporate ownership/governance, and the financial system. The conventional dualism that separates the political from the economic regards each of the three elements of this tripod as having a distinct origin and a unique *raison d’être*. By contrast, seen from the power perspective of capitalism suggested by Bichler and Nitzan, the three institutions are conceived as integral parts of the single process: the accumulation of power over society.

Until the nineteenth century, each of the three elements had preserved its own sphere and *modus operandi*. But in the twentieth century, major changes in the nature of global capitalism – particularly the ‘second industrial revolution’ and the transformation of the inter-states system – have had the effect of internally integrating the three elements and synchronizing their operation. Therefore, the financial system and the structure of corporate ownership/governance that are specific to a given national capitalism should be understood in conjunction with the particular ruling/historical bloc of that country. Constructed in this way, the resulting CCC occupies the commanding position over the ‘pecuniary sector’ in a Veblenian sense, and it plays a key role in the mega-machine with which Bichler and Nitzan characterize the global capitalism of our time.

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**2. Sean Starrs (York University)**

TITLE

State and Capital: False Dichotomy but Still Dialectical

ABSTRACT

Nitzan and Bichler's latest book, *Capital as Power*, marks a major advancement in the study of political economy. Their power theory of value, differential accumulation, and conceptualization of capitalism as a mode of power are all fundamental contributions. Where I think their theoretical framework goes astray, however, is in their conceptualization of 'the state of capital'. While I accept their assertion that economics cannot be separated from politics, in this paper I argue that this should not imply that politics cannot be separated from the logic of capital. That is, while capital (and capitalism) cannot exist without the state, the state *can* certainly exist without capital. Thus, I suggest that one can still conceptualize a 'state mode of power', and that this conceptualization does not necessarily have to reproduce the false dichotomy between state and capital. Also, I believe that one should conceptualize the state as representing the balance of social forces within a particular social formation. Today, this balance is certainly in favor of capital, but that does not preclude the existence of other logics, some of which are non- or even anti-capitalist, and the relationship between capital and these other logics is open, dialectical, and dependent on struggle.

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**3. Discussant: Jonathan Nitzan (York University)**

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*Capital as Power V*  
**The State of Capital (Part B)**

Theme of the panel:

The panel explores domestic and global aspects of the “state of capital.” The first paper, by Joe Francis, examines the connection between state terrorism and profitability crises, questioning the traditional distinction between the passion to dominate (state) and the urge to accumulate (capital). The second article, by Sean Starrs, uses an analysis of cross-border mergers and acquisitions to examine the apparent contradiction between the growing transnationalization of capital on the one hand, and the continued centrality of the American nation state on the other.

Chair:

**Sandy Brian Hager (York University)**

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Papers and discussion:

**1. Joe Francis (London School of Economics and Political Science)**

TITLE

On Capitalism and the Passions: The Case of State Terrorism in Argentina

ABSTRACT

In the second half of the 1970s around 30,000 people were killed by ‘state terrorism’ in Argentina. This paper considers what this means for our understanding of the capitalist state. It begins with an interpretation of why state terrorism occurred. It argues in short that it was the local response to a global crisis of U.S. hegemony, the most important aspect of which was a crisis of profitability. State terrorism was used to restore profitability and initiate a new hegemonic project, which came to be known as ‘globalisation’. This raises important issues for our understanding of capitalism. Firstly, it casts doubt on the Enlightenment argument that the pursuit of material ‘interests’ would help tame the ‘passions’ that had previously inspired men to kill and seek domination over each other – to make war and to make states, in other words. Rather, it seems that the same ‘passions’ underpin the capitalist order, which becomes evident when that order is threatened. Would it therefore be more accurate to see capital as a particular form of state rather than something functionally distinct? By looking at the evolution of the Argentine state in a longer historical perspective, the paper concludes with some preliminary hypotheses for answering this question.

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## 2. Sean Starrs (York University)

### TITLE

Transnational Capital and American Power

### ABSTRACT

With the post-World War II revival of Western Europe and Japan, and more recently with the rise of ‘emerging markets’ – especially China – the dominance of American capital seems to be eroding more and more. In fact, capital itself is becoming increasingly transnational, especially since the early 1990s with the explosion of cross-border mergers and acquisitions (M&As), and so designating corporations a nationality is becoming increasingly misleading, or even meaningless. Thus, this paper seeks to address two inter-related questions: 1) Is American capital in decline? 2) Can we even any longer refer to ‘American (German, Japanese, etc)’ capital? This paper shall draw upon Jonathan Nitzan and Shimshon Bichler regarding the framework of M&As being one mode of differential accumulation (and thus of expanding power), and present data on M&As and geographic ownership. I shall attempt to demonstrate that as American firms have acquired by far the most, and as they own much more of foreign firms than foreigners own of American firms, we have seen not so much the *transnationalization* of ownership as the *Americanization* of ownership. Hence, I shall argue that not only is American capital indeed still ‘American’, but that it remains globally dominant.

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## 3. Discussion among participants and with audience.

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*Capital as Power VI*  
**The Scope and Limits of Capitalization**

Theme of the panel:

The process of capitalization encompasses and subsumes every social activity that bears systematically on earning expectations and risk perceptions. The purpose of this panel is to explore the scope and limits of this process. The first paper, by D.T. Cochrane, focuses on the De Beers diamond cartel. It argues that De Beers' differential capitalization was anchored not in productive efficiency or autonomous utility, but in the cartel's ability to shape and impose on the social psyche a new association between love and diamonds. The second article, by Jordan Brennan, researches the distributional genesis and ramifications of the 1989 Canada-US Free Trade Agreement and the 1994 North America Free Trade Agreement. It argues that, together, these agreements represented a political-economic transformation written *by* dominant capital, *for* dominant capital. The final paper, by Kevin Sutton, focuses on the ecological limits of capitalization. It contrasts two possible trajectories – an authoritarian capitalist path that seeks to find synthetic substitutes for fossil fuel and a democratic anti-capitalist path that looks for alternatives to such fuels – and it assesses how the conflict between these two trajectories may shape the future of humanity.

Chair:

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Papers and discussion:

**1. D.T. Cochrane (York University)**

TITLE

The Power of Love: A Power Theory Analysis of the De Beers Cartel

ABSTRACT

Diamonds have long been a fascinating conundrum to political economists. What could be the source of such a high price for such a functionless object? For Marx that expense is because the “discovery costs” of diamonds require “a great deal of labour time.” Or, perhaps the price of diamonds is a ‘fiction’ – not dependent upon the objective, material world of labour-power and labour-value. Neoclassicists, on the other hand, took a diamond's cost as evidence that value represents the “intensity of desire or esteem for a thing” (Jevons), in other words, utility. Value, whether labour or utility, is considered by both neoclassicists and Marxists, to be the determinant source of capital and accumulation. However, empirical analysis of De Beers will show that neither neoclassical nor Marxist theories can explain the cartel's pattern of accumulation or its efforts toward accumulation. Additionally, an assertion that the diamond's price is a fiction leaves one unable to say anything about the particular history of the industry or its impact on communities and the environment. While the standard theories fail us, Nitzan and Bichler's power theory of capital and value can make sense of both the value of diamonds and the accumulation of De Beers.

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## 2. Jordan Brennan (York University)

TITLE  
Trade and Investment Liberalization in Canada after 20 Years: A Capital as Power Approach

### ABSTRACT

In 1984 the Mulroney Progressive Conservatives came to power in Canada with an explicitly neoliberal agenda of deregulation, privatization and trade liberalization. The Canada-US Free Trade Agreement (CUFTA, 1989) and North America Free Trade Agreement (NAFTA, 1994) may be understood as an outcome, then, of the neoliberal political program. 20 years after Canada's entry into a trade and investment liberalization regime it is time to assess whether this political program has lived up to its public promises. By looking at wage incomes (returns to labour) and business performance (returns to capital) this paper undertakes a quantitative assessment to see who the main beneficiaries of the free trade era have been. Employing a capital as power approach (see Nitzan and Bichler, 2009), two pictures are painted: the first picture examines broad changes in the distribution of income in Canada over the last generation and the second picture examines differential business performance. The emphasis in both cases is on the pre- and post-free trade periods. The evidence from this inquiry suggests that although the official purpose of free trade was to boost the incomes of all Canadians, this trade deal actually represented – both in its intentions and consequences – a political-economic transformation written *by* dominant capital, *for* dominant capital.

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## 3. Kevin Sutton (York University)

TITLE  
The Scramble for Substitutes and the Struggle for Alternatives: Authoritarian and Democratic Responses to Peak Oil

### ABSTRACT

Oil shocks regularly threaten the stability of industrial capitalism. We are approaching the largest of such shocks: the peak in world oil production. Responses to this challenge reflect a combination of two broad strategies. The 'scramble for substitutes', appropriates alternative energy sources to maintain the fossil-energy grid. The 'struggle for alternatives', utilizes remaining fossil-energy sources to develop alternative energy infrastructure.

The first strategy involves the creation of synthetic crude substitutes from non-conventional sources, benefiting those with propertied interests in crude while intensifying the social and environmental costs associated with conventional oil production. Because there is a highly skewed distribution of social costs and private benefits, this strategy depends upon the expansion of authoritarian social structures. Whereas the first strategy utilizes alternative energy sources to maintain the fossil-energy grid, the second strategy utilizes remaining fossil-energy sources to develop alternative energy infrastructure. This is a direct challenge to the vested oil interests and corresponds with a project to democratize the global system.

These strategies reflect a deep tension in the rise and fall of complex social structures. From a global perspective, I articulate this tension as it relates to energy flows and explain the role of oil production in the rise of industrial capitalism. Then, I review the development of fossil fuels and alternative energies in the US. Throughout the paper, I pay particular attention to two forces. On the one hand, I address the manner in which the accumulation

of capital shapes the trajectory of authoritarian institutions in the interests of social power. On the other hand, I highlight the manner in which anti-authoritarian practice challenges the institution of capitalized power. I conclude with the prospects for reigning in authoritarian trends and fostering democratic alternatives.

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#### **4. Discussion among participants and with audience.**

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*Capital as Power VII*  
**Money & Finance**

Theme of the panel:

Conventional theories of money and finance, including those that deal with historical origins, remain fractured. First, they tend to consider money and finance as “economic” categories, related to but distinct from “political” ones. Second, they see money and finance as “nominal” entities, linked to yet separate from “real” ones. The presentations in this panel try to transcend these dualities. The first paper, by Sandy Brian Hager, uses the notion of “capital as power” to assess the ascendancy of leading U.S.-based investment banks. Based on a historical analysis of differential capitalization, the paper questions the traditional bifurcation between accumulation and profit to offer a different political economy of American investment banking. The second article, by Jongchul Kim, studies the seventeenth-century origins of goldsmith banking. It examines how goldsmith banking instituted “trust” as a new mode of capitalist power; and it suggests that both “banking as trust” and “capital as power” represent the *organized* power of property owners to leverage and control the wealth-creating activities of others.

Chair:

**D.T. Cochrane (York University)**

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Papers and discussion:

**1. Sandy Brian Hager (York University)**

TITLE

The Political Economy of American Investment Banking: *From ‘Golden Age’ to Crisis?*

ABSTRACT

This paper analyzes the political economy of American investment banking. In particular it assesses claims about the resurgence of large American investment banks since the early 1980s. It is argued that the prevailing assessments, both critical and mainstream, face insurmountable difficulties in analyzing investment bank power because they rely on a backward-looking bifurcation between profit *and* power. Based on an alternative theory of capital *as* power, this paper instead analyzes the ways investment banks actively restructure society through the forward-looking lens of differential capitalization. Utilizing analytically precise empirical tools for measuring the power of the so-called ‘big five’ American investment banks (Merrill Lynch, Morgan Stanley, Goldman Sachs, Lehman Brothers and Bear Stearns), the research indicates a dramatic rise in their rate of differential accumulation from the early 1980s. And even with the onset of the current crisis and the collapse of three of the ‘big five’ (Merrill Lynch, Bear Stearns, Lehman Brothers), it also indicates that this rate of differential accumulation has decreased only modestly for surviving firms. From this crucial starting point, the paper goes on to examine three questions. First, what were the accumulation strategies of the ‘big five’ that allowed them to boost their differential capitalization up until the crisis? Second, in what ways do these accumulation strategies help us to explain the why certain investment banks were allowed to fail and not others? And third, what explains the relative successes of the surviving investment banks, especially Goldman Sachs, through the crisis?

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**2. Jongchul Kim (York University)**

TITLE

Goldsmith-Banking as an Institutionalization of Trust

ABSTRACT

The London goldsmith-bankers' paper credit money in the late seventeenth century ushered in the era of modern banking. The essay argues that this innovation by goldsmith-bankers was a result of institutionalizing the double ownership scheme, trust. This argument of "goldsmith-banking (or modern banking in general) as trust" has important affinities with the notion of "capital as power." Both "banking as trust" and "capital as power" represent the *organized* power of property owners to control *the third parties'* wealth-creating activities. And both forms of organized power are based on similar double, or hybrid, ownership schemes and possess a similar impersonal characteristic. In spite of these commonalities, I still retain the term "trust". I do so because the notion of trust conveys the ontological, cultural, and political specificities of English society from whose ground goldsmith-banking and, later, joint-stock banking, have grown.

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**3. Discussion among participants and with audience.**

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