

# MARX'S ECONOMY AND BEYOND

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# **Marx's economy and beyond**

by

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## **I**

In the present time of financial crisis and economic downturn, there has been renewed interest in Marx's thought and much discussion of its relevance to current problems. The interest centres, for obvious reasons, on his major economic treatise, *Capital*. That the three volumes of this work and the related manuscripts – the *Grundrisse* and *Theories of Surplus Value* – yield insights regarding both the periodic instability of capitalist economies and the maldistribution of the burdens of economic crisis is not to be doubted. At the same time, it is hard to think of a period since Marx's death when Marxist movements and organizations in the world's wealthiest countries were weaker than they are now. More generally, the global left is not well-stocked with practical strategies – strategies for moving towards alternative forms of economy and social organization – that look like being able to persuade Western electorates.

The need for a critical renewal of Marx's materialist theoretical legacy, and for its application to contemporary societies, is as pressing as it has ever been. Everywhere the material basis of human life is called to mind: in concerns about climate change; in problems of the availability and the cost of food; in issues of land use, the control of water, and the price of oil. The materialist conception of history, as it came to be called, may sometimes have been formulated one-sidedly by Marx, Engels and the first generations of their followers, but its focus on the material infrastructure of social and political order remains indispensable both for understanding where humankind now

stands and for any realistic projection of how to maintain the movement of historical progress in forms that can be defended as increasingly just.

One thing that is not helpful in this context, however, is a blank reassertion of the validity of Marx's most central economic categories for the analysis of global capitalism. *Capital* remains a work of fruitful – particular – explanatory hypotheses: hypotheses regarding, for example, the underlying causes of instability and crisis, the tendency towards the concentration of capital, the persistent production and reproduction of unemployment, the restlessly innovative drive transforming and retransforming technical processes of production and, more generally, social relations at large, and the globalizing dynamic as capitalist imperatives are pressed across national and regional boundaries. It contains the wherewithal for explaining why the geographical limits sometimes imagined for capitalist markets can generally be offset by the creation of fresh consumer needs through the invention of new types of product. Marx may not have anticipated the full extent of this phenomenon, but he understood its potential.

On the other hand, the value theory that is central to the architecture of *Capital* and to the whole of Marx's mature theoretical enterprise is not defensible. On his own account of things, Marx set out to 'reveal the economic law of motion of modern society'<sup>1</sup> and yet he could not show how labour-determined values, as defined and expounded in the first volume of his major work, were translated into the mechanisms of price and exchange in actual capitalist markets. This difficulty has long been known about under the name of the 'transformation problem'. We mention the latter here only in passing, since it is our contention that the weaknesses of Marxian value theory are more fundamental and incapacitating than are captured by the statement of that problem. Still, the labour-value-price nexus within Marxian theory remains the site of a key difficulty for those who continue to affirm the validity of Marx's central categories, and yet it is a difficulty all too often left unaddressed by them.

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<sup>1</sup> Karl Marx, *Capital*, Volume 1, Penguin, London 1976, p. 92.

We will cite as exemplifying this omission recent books by three veteran Marxists: Terry Eagleton, Frederic Jameson and David Harvey. These are writers of varied intellectual styles; they address their readers in different tones and idioms. We draw attention only to the common feature uniting them (apart, that is, from their being all writers of established reputation within the stream of contemporary Marxist thought). That common feature is that all three write *as if* the explanatory success of Marx's theory of value for understanding capitalism needs no defence; *as if* it can just be taken for granted.

The book by Terry Eagleton to be discussed here bears a title of rebarbatively totalizing implication: *Why Marx Was Right*. Despite the title, Eagleton does not in fact claim that Marx never went wrong. He allows in the book's preface, as well as signalling here and there throughout, areas of doubt about or disagreement with Marx's ideas. Eagleton's purpose is no more, he says, than to take ten of the most standard criticisms of Marx and to try to refute them.<sup>2</sup> Nowhere in this exercise, however, does Marxian value theory put in an appearance for analytical appraisal. Of course, Eagleton is not a political economist, and it may be thought acceptable for him to choose his themes according to what he knows most surely. Yet it is clear that he regards Marx as having provided, all in all, the best intellectual starting point for understanding modern capitalism, and it is hard to understand how this claim can be sustained without any defence of Marxian value theory. Sparing himself the effort of such a defence, Eagleton nonetheless lets slip that, as far as he is concerned, Marx's concept of value may be taken as being valid. For, as he writes in the preface already mentioned, 'Marx was the first... to show how it [capitalism] arose, *by what laws it worked*, and how it might be brought to an end'.<sup>3</sup> The verb 'to show' is factive: Eagleton's contention, therefore, is not one about what Marx merely set out, or hoped, to do; it is a claim about what he putatively achieved. But that claim cannot be rationally defended except by a defence of the central notion with which Marx undertook to explain 'by what laws' capitalism worked. So there is a hole at the very heart of Eagleton's book, purporting as it does to convince its readers why Marx was (mostly)

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<sup>2</sup> Terry Eagleton, *Why Marx Was Right*, Yale University Press, New Haven and London 2011, pp. ix-x.

<sup>3</sup> *Why Marx Was Right*, p. xi, emphasis ours.

right, but without any attempt to vindicate by argument the most pivotal concepts relied on by Marx in his presentation of capitalism.

That book does at least have the merit of being written in a language which is clear and easy to comprehend. The same cannot be said of Frederic Jameson's *Representing Capital: A Commentary on Volume One*. This is a commentary many readers will find impenetrably obscure and written as if addressed to a circle of initiates in some arcane cult. One of the few points it does register clearly, all the same, is the one we have identified in Eagleton: namely, that Marx exposed the inner laws governing the operation of capitalism. Jameson is explicit about what stands at the centre of these laws. '[T]he theory of value', he writes, '... secures the existence, behind all appearances of price and market exchange, of those deeper laws which it is the vocation of Marxian theory to bring to light'.<sup>4</sup> The *vocation* of Marxian theory – but does Marxian theory succeed in this vocation? One must make one's way through more than a hundred pages of further abstruse commentary before discovering that the author will simply dodge the question. It is not his purpose, Jameson says, 'to defend the "truth" of *Capital* from its anti-Marxist enemies'. (He betrays there, incidentally, a certain supposition about the qualifications he requires for inclusion of others within the Marxist fold.) It is not his purpose to do that, because *Capital's* critics, Jameson declares, subscribe to a reflection theory of truth, whereas the work 'stands or falls as the representation of a system'.<sup>5</sup> That is it, all of it: the author's entire attempt to deal with the issue of validating Marx's most fundamental concept, a concept that according to his belief secures the existence of capitalism's deeper laws. He brushes aside the issue with no more than a glancing reference to clashing epistemological assumptions.

Finally, David Harvey who, like Eagleton and unlike Jameson, respects some norms of clarity of exposition, is similarly evasive. In his *A Companion to Marx's Capital* he, too, is committed to the idea that, embracing science, Marx undertook 'a mode of

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<sup>4</sup> Frederic Jameson, *Representing Capital: A Commentary on Volume One*, Verso, London 2011, p. 12.

<sup>5</sup> *Representing Capital*, p. 127.

investigation and inquiry that can uncover the deep structure of capitalism'.<sup>6</sup> As Harvey also refers to this structure, it is a 'deep value structure'.<sup>7</sup> Again, however, one is entitled to ask if Marx's mode of investigation not only *can* but actually did uncover the deep structure of capitalism – a structure which might be shown to be significantly determinative of the relevant object of explanation (capitalism itself) and consequently capable of explaining it. Harvey does address this question at one point, if only indirectly and whether or not he is aware that that is what he is doing. Observing that a price can be put on things which are not the product of labour, he writes: 'if prices can be put on anything independent of their value, and if they can in any case quantitatively fluctuate all over the place independent of [labour-determined] value, then why is Marx so fixated on the labor theory of value?' The answer Harvey gives to this question refers to the material basis of life, to the real transformation that labour effects upon nature and which is crucial to human existence. As he writes: 'if everybody tried to live off the spectacle of waterfalls or through trading in conscience and honor, no one would survive'.<sup>8</sup>

Intended as support for a specifically *labour* theory of value, this suggestion is philosophically inept. It appeals to entities and processes which certainly do include human labour and its transformative effects, but which include, as well, material inputs to the production process that are *not* productive of value according to Marx: natural resources, raw materials, tools, machines and so forth. Harvey's answer to the question he himself poses, in other words, does not distinguish why, in Marx's theory, the expenditure of human labour-power should, but the use of, say, horse power, or of the natural force of a river, should not, yield objective economic value. And this is as much as he has to offer in support of a thesis informing his entire presentation of *Capital*, the thesis that Marx found the way to uncovering capitalism's deep structure.

There is, to be sure, nothing wrong with the idea that in the social sciences explanation may uncover laws and/or structures which are not immediately visible to the participants in the social processes under investigation but are the product of research and analysis

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<sup>6</sup> David Harvey, *A Companion to Marx's Capital*, Verso, London 2010, p. 46.

<sup>7</sup> *A Companion to Marx's Capital*, p. 33.

<sup>8</sup> *A Companion to Marx's Capital*, pp. 60-61.

and the construction of theoretical hypotheses. But the mere enunciation of some supposed law or deep structure is not sufficient unto itself. Its claims to intellectual attention, to actually *being* explanatory of what it is thought to explain, requires an effort of argument, of following through to show how the surface appearances of social life (to put this in the way Marx himself sometimes put it) can be traced back to their determinant causes; or conversely to show how – that is, by what paths and mechanisms – these causes work through to the actual consequences, events, tendencies or what have you, of the real world. For two other possibilities have always to be considered than that an effectively determining and explanatory underlying structure has been identified. First, it is possible that the structure hypothesized does not exist and so can explain nothing. Second, it is possible that even though it does exist it either does not explain anything or does not explain what those invoking it think it explains.

Both of these abstract possibilities are pertinent to the case in hand. Marxian value is defined as being determined by the labour-time on average socially necessary in given conditions to reproduce some particular commodity, and prices are held by Marx to fluctuate around this value (in his simpler model) or to be governed by it in a more indirect but not fully specified way (in the more complex model). As readers of *Capital* will know, however, one crucial commodity, at the very centre of his account of exploitation, is labour-power itself, the capacity of the labourer to work. Apart from several other difficulties with Marx's theoretical treatment of labour-power – difficulties we shall come to shortly – the value of labour-power is held by him to include a historical and moral element, since it is not a matter simply of brute natural fact what workers require in order to be in a 'normal' condition of health and capacity when presenting themselves ready for work; there is, as we might say today, a cultural component involved. But this means that identifying a value of labour-power that is, so to say, 'underneath' its varying prices is no longer a viable enterprise. There is no determinate value of labour-power definable separately from the price of labour-power and its fluctuations – in other words, separately from actual wage levels – because it will be impossible to bypass the latter in settling what is the historical and moral component in the needs of the labourer.

Even if this problem – a disabling circularity – did not exist, and value could be arrived at as Marx says it is, there is the second possibility to be faced: which is that, existent as they may be, labour-determined values do not uniquely determine price, because price is set by a number of factors, the labour-content of the commodity only one amongst them. Marx, as it happens, was perfectly well aware of this when he needed to be: he accepted that a produced object which is ‘useless’ (for which there is no demand) has no value at all, however much labour may be embodied in it.<sup>9</sup> But he thought to restrict, without more ado, the influence of social utility and demand on the determination of value to that one effect. Why usefulness and effective demand may determine whether a commodity has any value at all but not, also, contribute to determining how much value it has, is a question to which he gave no persuasive answer.

In any case, the books by Eagleton, Jameson and Harvey which we have referred to are as if innocent of the existence of such questions, while putting forth knowledge claims on behalf of Marx’s *Capital* that depend on the questions having been addressed and satisfactorily answered. From reading those three books one might think it were enough simply to *assert* that labour is the unique source of economic value, without having to go to the trouble of showing how prices in the real world are governed by labour-determined values. Yet unless this can be shown, Marx cannot have revealed ‘the economic law of motion of modern society’.

(We will digress here briefly in order to anticipate and respond to the suggestion that, contrary to the stubborn orthodoxy just illustrated by the work of the three writers we have discussed, Marx’s political economy can be upheld *without* reference to his value theory; that it constitutes a superior explanatory framework independently of that theory. Note that we ourselves earlier referred to some fruitful, if particular, aspects of Marx’s economic thought, and the above suggestion might be seen as an alternative version of that acknowledgement. Yet it is a much more modest claim on Marx’s behalf than the

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<sup>9</sup> ‘Finally, nothing can be a value without being an object of utility. If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value.’ *Capital* 1, p. 131.

one we have been taking issue with up to now. That Marx was a percipient analyst of the political affairs and economic trends of his day has been widely remarked upon. Already in the *Communist Manifesto*, published nearly two decades before his mature theory of value was outlined in the first volume of *Capital*, he and Engels had written of capitalism in terms which now read in places as remarkably prescient about the processes of global capitalism.<sup>10</sup> But whatever may be shown by excerpts from the *Manifesto* either about the advantages of Marx's class analysis or about his grasp of some of the tendencies of capitalist development, this is something different from the claim we have been concerned with hitherto, according to which in his theory of labour-determined value Marx was in possession of some sort of conceptual key to understanding capitalism, enabling him to lay bare the workings of that socio-economic formation. This longstanding thesis about the theoretical superiority of Marx's conceptual schema is lost if the suggestion is now to be entertained that the labour theory of value is dispensable to his explanatory enterprise. That theory of value was not just a casual add-on to his account of class relations under capitalism that one might take or leave. It was intended by him to disclose the secret and central dynamic of the whole capital-labour relationship.

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<sup>10</sup> 'The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society... The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere. The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country... it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature. The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.' Karl Marx and Frederick Engels, *Manifesto of the Communist Party*, *Collected Works*, Volume 6, Lawrence and Wishart, London 1976, pp. 487-8. And cf. *Capital* I, p. 617, where Marx refers to beginning of this passage.

If it does not do that, then Marx's theoretical enterprise fails in a fundamental way. And so it does fail, as we go on to argue in detail below. Referring to what Marx grasped, to his remarkable insights about capitalism, has also to be complemented by a recognition of what his account left out or understated or misdescribed. Marx may have understood about the drive towards commodification but he did not dwell on its limits, and this affects his central argument, as we in due course explain. It is a failure, furthermore, tied up with his whole treatment of the capitalist economy as a closed system obeying its own internal logic – a weakness of his theory to be highlighted in section II below.)

We return to the main thread of our analysis. It is not difficult to understand why *Capital* and the account of value it contains acquired such a hold on communists, socialists and other activists of the left, and has retained a more general appeal to this day despite all its theoretical deficiencies. In his most simple portrayal, the concept of value is deployed by Marx to present in vivid terms a picture of capitalist exploitation. Labour-power is for him the sole source of value, and the capitalist purchases it for what it is worth, which is to say for the value of the commodities that go into keeping the worker alive and in a state fit to work, and then puts the purchased labour-power into operation. But in operation labour-power can produce more value than it has, and the capitalist sees to it that it does. This is the source of surplus-value – which is, for Marx, the inner essence of profit. In the difference between the value *of* labour-power and the value which labour-power in operation *creates* we have a direct and simple image of class exploitation in capitalist society. It is an image that has been useful for, loosely-speaking, didactic and political purposes. What is more, the first volume of *Capital* presents this image as though the exploitation of the working class by the capitalist class was a purely objective phenomenon, inscribed in the very nature of things. It lies within the structure of social and economic reality itself, without, apparently, being dependent on any normative judgement. The assumption that one's own moral standpoint is an integral part of the universe is always a tempting one; it may be seen, for example, in religions for which the most important ethical injunctions and prohibitions are traceable to the will of God. If value is what Marx says it is, and exploitation is there willy-nilly in the very foundations of the capitalist social world, it is as though reality itself stands on the side of those

opposing economic injustice. Reality – just like that, unadorned – is always a useful ally to have in political contestation. Marx's *Capital* may be read, accordingly, as having provided a convenient and powerful myth, its theoretical failures notwithstanding.

It is false, however, that what Marx offers is a purely objective definition of exploitation. His concept of exploitation depends on assumptions about who is entitled to what, who merits what rewards or benefits. That the worker is not the recipient of all the value he or she creates does not constitute a wrong unless one thinks that the worker *ought to* be able to appropriate all of it. We do not argue the point again here, but it can be shown textually – and it has been, without having generated any persuasive riposte<sup>11</sup> – that in his mature writings, including *Capital*, Marx did rely on precisely this supposition, even though there is also material in the same writings appearing to contradict it.

The concept of labour-determined value is not only insufficient to establishing the existence of capitalist exploitation, it is also unnecessary to doing so. It is insufficient to that end because of its internal theoretical deficiencies and of the requirement, just mentioned, of supplementary normative assumptions. It is in addition unnecessary, because the performance of surplus-labour (in Marx's terms) needs no translation into embodied values in order for one to be able to recognize that if some people in a society do not work, then others who do work must work beyond the point of providing what they need themselves; they must work, in addition, in order to cover what is appropriated by, or yielded up to, non-working others. Marx was himself perfectly well aware of this, since he held that all class societies are based on exploitation, while the existence of labour-determined values as embodied in commodities was a reality specific to capitalism. As he writes in volume one of *Capital*:

Wherever a part of society possesses the monopoly of the means of production, the worker, free or unfree, must add to the labour-time necessary for his own

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<sup>11</sup> See Norman Geras, 'The Controversy about Marx and Justice', *New Left Review* 150, March-April 1985, pp. 47-85; and Norman Geras, 'Bringing Marx to Justice', *New Left Review* 195, September-October 1992, pp. 37-69.

maintenance an extra quantity of labour-time in order to produce the means of subsistence for the owner of the means of production...<sup>12</sup>

So the idea of surplus-labour, and of surplus-product, can be articulated without any reference to the thesis that the *value* of commodities is determined by the labour socially necessary on average to reproduce them; even though it should be noted that, here as before, the bare existence of surplus labour does not suffice to establish that there is exploitation in a pejorative moral sense. For this, further argument is needed, argument about what justly belongs to whom, about what is the proper relationship between effort and reward, about equality, inequality and so on.

Not only is Marx's account of exploitation deficient in explanatory-theoretical terms; it is open to criticism, as well, on account of the normative assumptions it secretes. His condemnation of capitalist exploitation as unjust relies on the implicit premise that the rightful owners of produced values are the people who produced them. Yet Marx himself had indicated the shortcomings in this moral premise when he commended as a better principle, if only for a more remote communist future, the slogan 'from each according to his ability, to each according to his needs'.<sup>13</sup> The principle embodied in this latter slogan can only be seen as morally persuasive if individuals are *not* entitled to the entire fruits of their labour. A society, for example, that sets aside some portion of the product of the labour of the healthy and able-bodied so as to provide for the ill and infirm, would count as unjustly exploitative if those capable of working were thought to have a rightful title to all of what they produced. Most people on the left, however, accepting, like Marx himself, that the claim of need here has some moral force, would not see such provision as exploitative or unjust. Noting this does not mean, of course, that a proportion of goods deducted from what is produced by those who work may legitimately be claimed by absolutely anybody. One may support provision for the sick without underwriting the principle that pure ownership of resources, in and of itself, should generate some title to a reward out of the overall labour product. In any event, in this regard also, Marx's central vision in his major work is incomplete. It lacks the detailed argument necessary to

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<sup>12</sup> *Capital* 1, p. 344.

<sup>13</sup> Karl Marx, 'Critique of the Gotha Programme', in David McLellan (ed.), *Karl Marx: Selected Writings*, Oxford University Press, Oxford 1977, p. 569.

sustaining a well-founded theory of exploitation and of its opposite – just distribution. We return to this point in section III.

There is something of an irony in the contention (whether implicit or explicit) of contemporary Marxist writers that Marx's analysis of capitalism was simply right, or at any rate right enough to be an unproblematic starting point for us today. For it is an attitude quite foreign to Marx's own intellectual habits. He for his part attempted not only to master the political economy of his day but also to be abreast of the most contemporary developments in the societies whose dynamics he was seeking to understand. Frederic Jameson is so wedded to the notion that volume one of *Capital* is *fons et origo* that he writes as if, instead of Marxian theory having to adapt in the light of subsequent developments, these latter are already in some sort contained in what Marx wrote – which, if it were true, would make a certain sense of the almost biblical gaze which he (Jameson) practises towards that work. 'It should not be surprising', he declares in the opening words of his commentary, 'that Marx remains as inexhaustible as capital itself, and that with every adaptation or mutation of the latter his texts and his thought resonate in new ways and with fresh accents – *inédits* as the French say – rich with new meanings'.<sup>14</sup>

Against such frozen attitudes, there is a need, instead, to reconfigure the materialist approach to understanding history, contemporary capitalism included, in light both of the politico-economic realities of the century and a half that have elapsed since Marx wrote and of the weaknesses in the original framework of ideas that he elaborated. In what follows, we hope to indicate the necessary direction this reconfiguration should take. Building on the work of Karl Polanyi, we argue that an 'instituted economic process' approach exposes the shortcomings of any attempt, such as is to be found in Marx's work, to conceptualize the economy as a closed system, one that can be theorized separately from the political, legal and other co-realities by which it is instituted.

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<sup>14</sup> *Representing Capital*, p. 1.

This is more than just a matter of the economy not being separately identifiable in abstraction from the politico-legal norms and structures that have a part in constituting it. As we go on to argue, the very determination of value itself, so crucial to Marx's explanatory enterprise, depends upon political, legal and moral facts in the full variety of their specific historical shapes, so that the exchange of labour-power is never reducible to a single model of the kind sketched by Marx in *Capital*. Labour-power, cornerstone of his theory of value and exploitation, is not amenable to being described or theorized by reference to some standard, universalizable labouring-situation, which might then be captured in a mathematically expressible schema. For there is no transcendent situation of *the labourer* in capitalist economies, and one of the reasons there is not is that the circumstances of those who work and the pressure upon them to exchange their labour-power are never purely economic facts, as they might be within a closed economic system. The worker's position within capitalist formations is subject to moral, legal and cultural constraints, which themselves contribute to defining the price for which the commodity labour-power is sold and the conditions under which and manner in which it may be used by its purchasers.

Moreover, the production of labour-power cannot be treated as comparable to the production of other commodities. This is because part of the process of its production belongs outside the exchange economy, be it in the family where a gendered division of labour supplies 'inputs' not subject to determination by the market, or in educational institutions of one kind and another where the commodity labour-power takes on particular shapes that are not always readily substitutable for one another. The lack of uniformity in the specific substance of labour-power which is due to the imparting of education and differential knowledge and skills also means that the Marxian conception of labour-power's being 'used up' by its purchaser (the employer) within the time period for which it is sold by the worker does not straightforwardly apply in real labour processes. Knowledge and skills are not fully spent, so to speak, in or by the process of labour; indeed they are often enhanced. They also constitute a resource for their owners, the sellers of labour-power, entailing, at least sometimes, a counter-balancing factor in the contract of exchange between capitalist and worker; and they are the site of resource

differentials among workers themselves (if we refer thus to all those who sell their labour-power for regular remuneration); owning nothing but one's labour-power is not the same thing for those with expensive saleable skills as compared to those with none. The Marxian model of the 'free' labourer, too, understates the extent to which real capitalist societies, historically and to this day, have accommodated forms of more or less coerced labour, from plantation slavery to the trafficking of women and children for sexual and other types of exploitation.

For all of these reasons, to be enlarged upon in the section that follows, there is no single and universal measure, and no basis stretching across all forms of the capitalist economy, for the value of labour-power. That quantity is in truth – in real terms – the price for which the human capacity is sold, not something 'behind' or 'beneath' it.

## II

'Bourgeois society is the most developed and the most complex historic organization of production... Human anatomy contains a key to the anatomy of the ape.'<sup>15</sup>

Marx's view that historical change provides an epistemological standpoint enabling advances in understanding of both the present and the past rests in part on the persuasive idea that, in the absence of experimental manipulation of variables available to the natural sciences and for small-scale human interactions, history itself provides adventitious variations of perspective from behind our backs. One might expect, therefore, that a century and a half of significant historical variation would have led to a new anatomical understanding of the political economies of the capitalist epoch and their development. Yet, perversely, there has been a persistent adherence to the core theoretical analysis contained in *Capital*; and one even finds, to turn the whole epistemology upside down, assertions that *Capital* has become more true of reality today than it was in its own time. We have already referred, in the previous section, to Frederic Jameson's affirmation of this view, and it is indeed common to the three books discussed there. (See, for example,

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<sup>15</sup> Karl Marx, *Grundrisse*, Penguin/New Left Review, London 1973, p. 105.

Jameson's 'ever more true', Eagleton's 'truer as time passes' and Harvey's 'the [contemporary] neoliberal counter-revolution... brilliantly deconstructed in the 1850s and 1860s'.<sup>16</sup> The past, it seems, has become a better vantage point for understanding the present than the present itself.

Yet a telling clue for this analytical stasis may lie in Marx's choice of the metaphor of 'anatomy', a relatively fixed skeletal structure. Moreover, Korsch<sup>17</sup> and Harvey<sup>18</sup> have observed that, in contrast to Marx's political writings, the political economy of *Capital* is a system with a logic which, once historically in place as a new mode of production, follows its own unalterable laws, including crises of self-destruction.<sup>19</sup> In Jameson's frequently repeated language, the economy of *Capital* is machine-like, a system whose course has been set by its defining preconditions.<sup>20</sup> The radical novelty of Marx's analysis was to propose that economic laws were *not* universal to all historical social formations: the laws of capitalism emerged after a historical transition and did not operate in previous modes of production. Economic laws thus proceeded in leaps, historical transitions, followed by the working through, over time, of the established laws of that mode of production. It is this enduring vision of a partially historical but then mechanical political economy that we subject to criticism in what follows. The historical political economy proposed here further develops the insight of an already part-historical explanatory framework by emphasizing a yet more radically historical and comparative understanding of political economy than is to be found in the classics (including Marx). Even evolutionary economics does not question whether or how processes of variation

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<sup>16</sup> Respectively: Jameson, *Representing Capital*, p. 9; Eagleton, *Why Marx Was Right*, p. 115; and Harvey, *A Companion to Marx's Capital*, p. 14.

<sup>17</sup> Karl Korsch, *Karl Marx*, Chapman and Hall, London 1938.

<sup>18</sup> Harvey, *A Companion to Marx's Capital*.

<sup>19</sup> Thus, despite the historical character of capitalism itself, Marx sometimes even talks of its laws as akin to ahistorical laws of nature: 'the labour-time socially necessary to produce them [commodities] asserts itself as a regulative law of nature. In the same way, the law of gravity asserts itself when a person's house collapses on top of him.' (*Capital* 1, p. 168). Or again, of the law of increasing surplus immiseration: 'The relative mass of the industrial reserve army thus increases with the potential energy of wealth... The more extensive, finally, the pauperized sections of the working class and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.*' (*Capital* 1, p. 798)

<sup>20</sup> 'Of *Capital* itself, we must say that it consists in the representation of a peculiar machine whose evolution is (dialectically) at one with its breakdown... its growth with its collapse... this demonstration is framed in terms of a system rather than of human agency...' *Representing Capital*, p. 142.

and selection may themselves radically change from historical epoch to epoch, as against the comparatively stable natural selection environments of biological organisms.

Economic processes and their organization are thoroughly historical, including their dynamics and *modus operandi*, and political economy as a discipline needs to be accordingly historical. Developing the Polanyian conception of the ‘instituting’ of economic processes<sup>21</sup> shows how economic causalities are emergent, immanent in their organization, their geographic scale and their temporal scope. So, as against a vision of economy where the inner workings of its laws become ever more manifest and hence correspond to abstraction in the theory, conceiving of economy as historically and geographically instituted processes assumes radical variation and multiple historical pathways. To suggest that causalities are immanent and emergent in economic organization, however, is not to promote pure contingency or chaos, a jumble of disordered histories. The connotation of ‘instituting’ and ‘de-instituting’ rather suggests that causalities evolve a varying geographical scale and temporal extension. In that sense, our conception of political economy and causality is a deepening, rather than rejection, of Marx’s conception of historical causality.

Jameson, by contrast, proposes a more ‘dialectical’, even Hegelian, interpretation of Marx, suggesting a historical process whereby the abstract in thought (a political economic theory of capital) is in an interactive, dialectical relation with a historical process of reality itself becoming more abstract over time. Capitalism gradually becomes more homogenous and ‘pure’ over time, as in the polarization of classes or global fluxes of finance capital. So buttressing Jameson’s defence of the increasingly manifest truth of Marx, the historical process would then be one where abstraction in reality converges with the abstract in thought, as already represented in *Capital*. A less dialectical view of the abstractness of Marx’s model is one that contrasts the richness and variety of surface phenomena of capitalisms across the world, with some underlying shared generative mechanism underpinning all historical capitalisms and their development. Within this

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<sup>21</sup> Karl Polanyi, ‘The Economy as Instituted Process’, in K. Polanyi, C. Arensberg and H. Pearson (eds.), *Trade and Market in Early Empires*, Free Press, Glencoe, IL, 1957, pp. 243-69.

kind of interpretation, without dialectical overtones, capitalism can be seen to gradually universalize, until all economies of the world are absorbed into the same generative processes – capitalism as a globalizing economy, everything commodified, including the air we breathe, the water we drink and so on; Harvey’s super-commodification, achieved through ‘accumulation by dispossession’.<sup>22</sup>

The radically historical political economy advocated here, however, treats scale, both temporal and spatial, as immanent in historically instituted organizations – configurations – of economic processes. So certain organizations of economic process develop more or less extensively over space and time, without there being a single generative motor with universalizing tendencies – a Model-T Capitalism, or an abstract model with undefined spatial and temporal scales, in relation to which all observed variations are surface phenomena. Moreover, the development and scale of economic organization can be seen to be an outcome of complex interactions between economic and political processes, with states being politically implicated to varying degrees in instituting economic organization. Political processes, especially through legal and fiscal interventions, are involved in the very constitution of economic organization, so requiring an integrated approach rather than a separation of spheres or disciplines, let alone a reversion to a base-superstructure dichotomy. Nowhere is this more clear than in the economic organization of labour, and it is to this that we now turn, in order to address the core concepts of Marx’s labour theory of value, the generation of inequalities, surplus value, and the accumulation of capital.

### **A neo-Polanyian renewal of Marx’s analysis of labour-power in capitalist political economy**

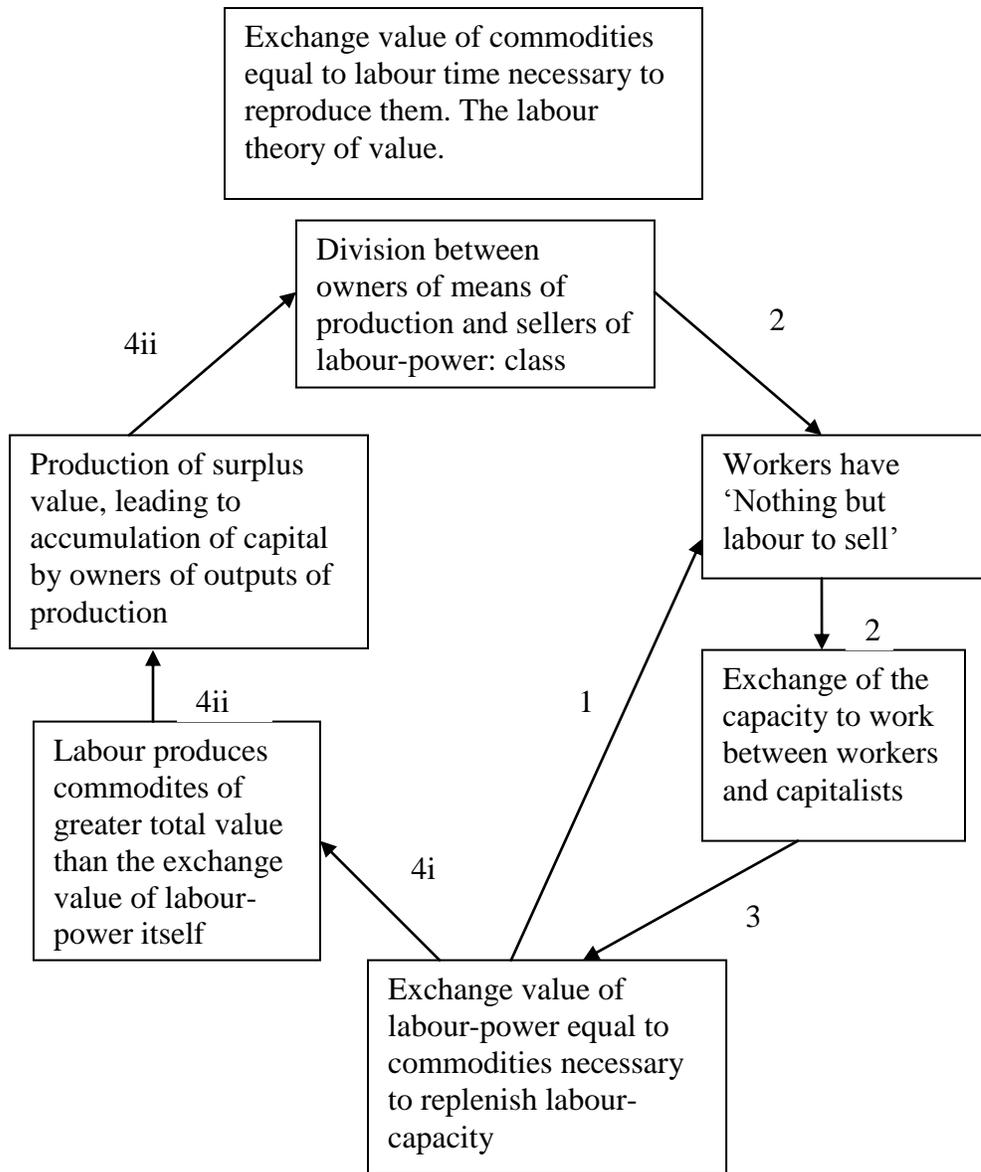
Marx was undoubtedly correct to insist that labour is at the source of the creation of economic wealth, in whatever political economy, capitalist or pre-capitalist. His view is a

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<sup>22</sup> Harvey speaks of ‘the wholesale commodification of nature’ and suggests that ‘[t]o presume that markets and market signals can best determine all allocative decisions is to presume that everything can in principle be treated as a commodity.’ David Harvey, *A Brief History of Neoliberalism*. Oxford University Press, Oxford, 2005, pp. 160, 165.

permanent antidote to accounts that one-sidedly treat markets – which also involve their own labour activities – as the stimulants and generators of wealth. He accords to labour, in all its variety, a privileged position, not just as one productive factor amongst others. We retain that vision.

Represented at its most schematic, the initial conditions for the ‘motor’ of capitalism as characterized by Marx in volume one of *Capital* can be depicted as follows. In a much simplified form, the diagram below sets out the logic of capital, once in place, the unchanging and general laws of capital just referred to.



During the course of the subsequent analysis, we will be visiting and exploring each of these links in the chain of a closed-commodity conception of the economy. In this diagram, however, an initial presupposition is held in abeyance for the sake of exploring the argument (though it will be questioned tangentially): namely, that all commodities have a price ultimately determined by the socially and technically necessary labour time for their production – the labour theory of value. We will return to examine that presupposition later, so as to concentrate first on the elements contained within Marx’s schema that contribute to ‘an economy of labour’: how labour-capacity is

produced/reproduced; the social organization of the parties to the exchange between ‘capital’ and ‘labour’; the necessity of that exchange; what is exchanged and how it is priced; and how it is then used in production – all in a continuing process within the wider framework of capitalist political economies. Each of these aspects of the economy of labour is critical for the labour theory of value, and each requires fundamental development and revision from its formulation in *Capital*, the *Grundrisse* and *Theories of Surplus Value*. The argument to emerge in due course will be that economies of labour vary in space and time in these core aspects, and hence that there is no unchanging or spatially general law of capitalism with regard to the production of surplus value and capital accumulation.

### **The production/reproduction of labour-power (see arrow 1)**

In Marx’s account of the production of labour-power in capitalist economies, the central analysis refers more to reproduction than production, and in particular to the consumption of those goods that are necessary for sustaining the social and biological existence of workers. As many, including Marx, have emphasized, the amount, variety and quality of those goods deemed necessary changes in the course of history, and may differ from one culture or country to another. It is a social and historical definition of ‘necessary’. Nonetheless, critically, whatever this bundle of goods, labour-power is reproduced through the consumption of commodities produced under the market system of commodity production. The reproduction of labour-power is contained within the circuit of the commodity economy, and labour-power itself is also a commodity within those same circuits. This analysis therefore enshrines a conception of capitalist economies as a closed circuit system, and thereby postulates the economy itself as a closed system.

Feminist critics have already demonstrated the need for a revision of this analysis, by highlighting the significance of non-market domestic labour, the bringing up of children and the continuing gendered division of labour within the household, for the reproduction of labour-power. Reproduction of labour-power requires more than the consumption of commodities. The consequence of this critique is that labour-power, and its presence or

absence on labour markets, is thoroughly and fundamentally gendered. Moreover, as most subsequent analysis has shown, there is no universal or historically static gendering of reproduction of labour-power: changes in the provision of child-care, the development of maternity leave, and a wide range of fiscal and policy instruments mean that this non-market process of reproduction of labour-power varies significantly from country to country, from historical period to historical period. The economic organization of reproduction is instituted in temporally and spatially varying ways.

Nonetheless, non-market household reproduction of labour-power was present in Marx's day and overlooked in his analysis. Since that time, too, a different kind of non-market labour has emerged on a significant and expanding scale. A major historical development has occurred requiring a shift of emphasis to include not only reproduction but also production of labour-power: the progressive emergence of universal and selective education.<sup>23</sup> Obviously, one cannot criticize Marx for having ignored this, but latter-day Marxists who adhere to the formulations of *Capital*, clearly have not taken full advantage of their historical vantage point to revise the theory. Over the course of a century and a half, most 'advanced' economies have seen the time spent in schooling and education, and the devotion of public resources to it, expand more or less continuously. The patterns, structures and forms of this new production of skills and capacities also differ between countries, so again pointing to economies of production of labour-power varied in time and space. Although this will not be considered here, educational institutions constitute, as well, the basis of, and are engaged in, the production of new knowledge.

Three important consequences flow from the consideration of these non-market forms of production/reproduction of labour-capacities. The first, and most obvious, is that significant swathes of the population are withdrawn from the labour market: compulsory education leads to children and young adults no longer being economically constrained to sell their labour, a point to which we return. The labour force has been fundamentally and continuously reshaped. Second, the non-market production of labour-power breaks the

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<sup>23</sup> This is not to imply that education solely concerns the production of labour for the market: there is no functionalist or necessary process of adjustment between educational supply and market demand. More broadly, education also concerns development and reproduction of social relations, culture and polity.

commodity circuit, critical for establishing the dynamic portrayed in the diagram above. Labour-power is not reproduced through the consumption of commodities alone (hence its ‘value’ cannot be measured in terms only of the labour time involved in the production of these commodities). However factory-like school and university systems may appear, the public owners of these ‘educational means of production’ do not sell their products (school leavers, graduates) as commodities on the market, not least because they do not own them. Likewise, the household as such does not produce or own labour as a commodity, in order to sell it on the market. There is a direct implication of these points, namely, that the work undertaken in the household or in the education system – and we must insist on both the work of teaching and the work of learning by schoolchildren and students – is never priced by markets.<sup>24</sup> There is no standard or process of establishing commensurability between non-market and market labour.

A possible defence of the closed circuit economy might simply be that Marx’s version could be made to work in so far as one only considers the reproduction of labour-power through the consumption of commodities and brackets off the non-market as a separate sphere.<sup>25</sup> However, to the extent that the skills developed and produced within education or households are essential for the production of commodities in the market economy, this bracketing just does not work. In short, we have to consider the economy as multi-modal at its core, with developing and variable interdependencies between market and non-market forms of production of labour-power. The dynamic of political economies that we call ‘capitalist’ requires consideration of non-market as well as market forces and pressures.

Third, and consequently, it becomes critical to expand our understanding of the generation of inequalities to include unequal rights to public resources as well as commodity resources. For, just as much as the wage secures rights to commodities quite

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<sup>24</sup> There might be all kinds of administrative attempts to measure ‘productivity’ of teachers or students – just as there are parallel attempts to achieve such measures for health care in hospitals, including cost setting. But there is no pricing by markets or market competition for outputs from different organizations.

<sup>25</sup> There are passages in *Capital* which suggest this possibility, those dealing with skilled labour, where the value of skilled labour is but a multiplication of simple labour, with the commodities consumed by trainers adding to the commodities consumed by trainees to form a composite exchange value of labour-power from an aggregate of the labour time involved in the total of commodities consumed by all those involved.

different from the rights of the owners of the means of production of commodities – to profits, property, and so on – so educational systems, again in ways varied in space and time, generate unequal rights over public resources, say between a school leaver at age 16 and a university graduate at age 21. Educational systems are characteristically selective, creating instruments for determining the rights to differential access to public resources. That there is a combinatory intersection of inequalities over commodity and public resources, in wage hierarchies and labour market opportunities, only reinforces the importance of understanding capitalist economies in multi-modal terms. We have to get away from the idea that education merely reproduces class, if class is understood in the classical political economy terms of unequal rights over commodity resources. Educational systems and households are vehicles for generating and reproducing inequalities in skills and knowledge, within and across generations.

### **The exchange of labour-power (see arrows 2 and 3)**

Marx wrote extensively about different aspects of the exchange of labour-power: the organization of the parties to the exchange; the necessity of exchange (arrow 2); what exactly was being bought and sold (arrow 3); and how the price of labour-power was determined (arrows 1 and 3). We deal in turn with each of these now, once more with the ambition of developing the analysis. Strangely – and surprisingly unremarked upon – Marx builds his argument for the labour theory of value around an assumption of an individual seller confronting an individual buyer under a condition of equality, at least before the law.<sup>26</sup> This can be assumed to be partly because of how it fits within a more general argument that *in exchange* one person's gain can only be through another person's loss. Hence, Marx argued, the process of exchange cannot in general be a source of the generation of wealth, just a redistribution between individuals. Yet, as soon as one

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<sup>26</sup> 'He and the owner of money meet in the market, and enter into relations with each other on a footing of equality as owners of commodities, with the sole difference that one is a buyer, the other a seller; both are therefore equal in the eyes of the law.' Or again, in the famous passage: 'It is the exclusive realm of Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, let us say of labour-power, are determined by their own free will. They contract as free persons, who are equal before the law... Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own.' *Capital* 1, pp. 271, 280.

recognizes the social organization of owners of property, for example in the constitution of firms, and also institutions of property rights and inheritance, on the one side, and gender divisions, the shared characteristics of sellers of labour-power, the communities and combinations of workers – including, here, the history of crafts and guilds – on the other, this portrayal of an exchange between equal individuals appears fanciful, just as it is in much neo-classical and contemporary economics. Most significantly, it obscures the analysis of asymmetries of economic power in market exchange, and consequently of systemically unequal exchanges, which have, at the very least, redistributive consequences. One has only to think of the capture of value in value chains that results from the asymmetries of power enjoyed by UK supermarkets over small farmers, or by major end-product manufacturers like car producers over their suppliers, to recognize the importance of systemically unequal exchanges between different categories of economic agent. In these circumstances, unequal exchanges can redistribute wealth between classes of agent, so that it is not a question of one agent's gain against an otherwise equal agent's loss. The important thing to realize is that the exchange is entered into under a circumstance of inequality and asymmetry of economic power. The consequence of this is that asymmetries of power in exchange systematically generate unequal rights to commodity resources.

As for equality before the law, the assumption is historically quite fanciful for any of the European countries as they experienced industrial revolution. In the case of the United Kingdom, it took many decades, some would argue more than a century, before equality of contract was established in employment law. And even now one can remain legitimately sceptical about equality before the law. With whatever irony he may have portrayed it, equality in exchange was hard-wired into Marx's analysis,<sup>27</sup> and his analysis of markets in general takes for granted many of the assumptions advanced by economists who uncritically advocate the market economy. In developing a political economy of the exchange of labour, therefore, the major requirement is that the supposition of a universal

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<sup>27</sup> For example, the individual seller of labour-power, Marx writes, 'must be the free proprietor of his own labour-capacity.' *Capital* 1, p. 271.

condition of exchange has to be abandoned in favour of a historical and spatial analysis of the socio-economic organization of the parties to the exchange, underpinning the dynamics and inequalities of exchange.

Arising directly from Marx's analysis is the emphasis on the necessity – Marx uses the term 'compulsion' – for the exchange to take place, in a way that does recognize two classes of economic agent: owners of money (potentially capital) and owners of labour-power. Marx has a strange formulation of the double freedom of the wage labourer: on the one hand, the free ownership of his or her labour-capacity; on the other hand, freedom from, that is, deprivation of, any objects that might otherwise ensure the worker's continued existence as a living being.<sup>28</sup> There are two major revisions required to develop this understanding of the constraint, or compulsion, to sell labour-power. The first concerns the nature of the economic constraint: the absolute dichotomy between owners of means of production (in the first instance, money) and owners of labour-power deprived of all objects other than labour-power to sell. The second puts in question whether the constraint to sell can, in fact, be seen as purely economic: to sell and survive or not to sell and to die.<sup>29</sup>

There is considerable ambiguity in Marx's text, for he does certainly consider, on the one side of the exchange, labour-power as comprising all the mental and physical attributes of a living being,<sup>30</sup> but then equally emphasizes the absence of all other *objects* necessary for survival. On the other side of the exchange there is a parallel emphasis on ownership of physical assets, money, commodities and eventually physical means of production. So, the contrast or dichotomy is drawn between owners of means of purchase of commodities and owners of nothing other than a capacity to produce commodities, a static and absolute division of rights over commodity resources.

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<sup>28</sup> '... this worker must be free in the double sense that as a free individual he can dispose of his labour-power as his own commodity, and that, on the other hand, he has no other commodity for sale, i.e. he is rid of them, he is free of all the objects needed for the realization... of his labour-power.' *Capital 1*, pp. 272-3.

<sup>29</sup> The worker 'must rather be compelled to offer for sale as a commodity that very labour-power which exists only in his living body.' *Capital 1*, p. 272.

<sup>30</sup> 'We mean by labour-power, or labour-capacity, the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind.' *Capital 1*, p. 270.

We have already seen that the economic compulsion does not exercise its force equally on men and women, because of various and developing divisions of labour, market and household. But this is not to diminish the understanding that there is indeed a constraint or dependency on selling labour, as a dominant form in a wage-labour economy of labour. However, the economic force of mutual dependency on buyers and sellers of labour, the asymmetric power relation between them that binds them into making exchanges, is far from static or universal in form. Again, the issue of knowledge and skills requires a theoretical shift. It is worth dwelling for a moment on Marx's exact words, a kind of possessive individualism in which the seller of labour owns his own 'mental and physical capabilities existing in the physical form, the living personality, of a human being'. An argument might be – has been<sup>31</sup> – mounted that the abstract individual is itself only a product of capitalist historical development, and that the theory is postulating such a being only as an unfolding outcome of this history. The difficulty with the argument is that the possessive individualism of labour-power is a critical theoretical component both identifying the initial conditions of capitalist economic growth and underpinning the theoretical edifice of a universalising capitalist logic of accumulation, as outlined above. It is the 'commodity' labour-power which the owner may under compulsion sell to the capitalist: 'mental ... capabilities existing in physical form'. We will come back to this when examining the use or consumption of labour-power in production.

But what is critically missing here are the skills and knowledge of knowledge-bearers: they may be deprived of necessary tools and equipment and all other means of producing means of subsistence. But workers have knowledge. They have skills. And it may be that capitalists have all the physical means of production, because they can purchase those with money and acquire full property rights over them; but given that those physical means of production depend entirely for their conception, design, implementation and maintenance on bodies of knowledge and skills, it is difficult to argue that this body of knowledge, and the technical skills allied with it, are not also a means of production.

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<sup>31</sup>Jameson, *Representing Capital*.

Setting aside, in this argument, the major significance of the public stock (*not* capital) of knowledge, and complex interactions between that and technological knowledge,<sup>32</sup> knowledge of the means of production is itself part of the means of production. And owners of the physical means, the fixed and circulating capital, are not owners of the knowledge as such, but at most hire its use in production.

On the other side of the exchange, that of the sellers of the use of their knowledge, crucially, individuals do not own skills or knowledge in the way they own commodities. Indeed – though this is an argument that cannot be fully developed here – as individual bearers of knowledge, they no more own collective skills and knowledge than they own the language they speak, also only as individual speakers or as ‘bearers’ of languages. Here we are treating the significance of this exclusively from the angle of the constraint to exchange, the mutual dependency between buyers and sellers of labour-power. The key implication deriving from it is that the force of the mutual dependency between buyers and sellers of labour-power, the nature of the asymmetry of economic power, shifts with the growth and distribution of knowledge amongst the sellers of labour-power. To put it bluntly, the owners of physical capital hire labour under a force of compulsion to obtain the use of skills necessary to create and mobilize that capital. Conversely, the sellers of specialized scientific or technical labour-power in Silicon Valley are under a different force of constraint than migrant rural workers entering into waged labour in Ghuangzhou Province today, or indeed in Engels’s Manchester in the early 19th century. One further point before leaving this economic dimension of the compulsion to exchange: any division of labour creates a necessity to exchange between those who produce different commodities. If some workers produce bread and others butter, there is a necessity to exchange if people are to butter their bread, and wages (and, more widely, money) are a generalized means to enable such exchanges. People are under a compulsion to exchange wages for goods to sustain their customary ways of life.<sup>33</sup>

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<sup>32</sup> See, for example, D.C. Mowery and N. Rosenberg, *Paths of Innovation: Technological Change in 20th Century America*, Cambridge University Press, Cambridge 1998.

<sup>33</sup> Of course, within this overall compulsion to exchange for some goods or other, there may be considerable ‘freedom of choice’ as to what to buy and from whom. But even that relative freedom is subject to spatial and historical variation. The shopper in the UK makes choices within an organization of retailers and retailer power in 2011, quite different outlets from those characteristic of Italy or Norway in

However, the necessity arising from interdependencies across divisions of labour are of a different kind from the necessities arising from divisions of wealth and resources, typified by the division between employers and workers. Marx is right to that extent. But then, in this respect, labour is *not* a commodity just like others, and the force of the compulsion to exchange is different from that to buy commodities. Moreover, this is only a first point to mark the fact that labour is not a commodity like others. So Marx's analysis needs revision when he places such explanatory weight on the fact that it *is* a commodity like any other.

So far it is the specifically economic dimension of constraints to exchange, arising from asymmetries of economic power and interdependencies, that has led us to this point of difference between labour and other commodities. That difference is significantly amplified once we introduce the political dimensions (legal and fiscal) of constraints to exchange. Throughout the uneven emergence of industrial capitalisms, law and fiscal instruments have fundamentally conditioned this most political of exchanges. Laws on movement of people, vagrancy, settlement, and laws of contract of employment; poor relief and welfare to incentivize or penalize moves into wage labour – both legal and fiscal conditions have been critical in shaping the compulsion to exchange. For example, and notoriously, the Poor Law Reform in England in 1834 criminalized those refusing work, so adding significantly to any economic compulsion to sell one's labour. We cannot give a detailed empirical account here, but these fiscal and legal frameworks have continuously co-evolved alongside, and in interaction with, the emergent economic organization of relations of exchange, differentially affecting both the gendering of that compulsion and child labour, as well as the exchange of labour in general. And of course, this politicized compulsion to exchange is still changing to this day, and doing so in radically different ways, even across European economies of labour (for example, 'workfare'). The dynamics of exchange cannot be understood from within an abstracted economy, an economy as it would otherwise be in the absence of legal and fiscal frameworks. For that is to ascribe autonomy, as against specificity, to economic

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2011 or the UK in 1950. There are no pure individual freedoms of choice, abstracted from the historically instituted organizations of exchange.

processes. The dynamics of exchange are interdependently economic and political at ‘ground level’, as it were – at the constitutive core of capitalist political economies.

Given that there is exchange, a key question is: what is bought and sold in economies of labour? Marx went to great pains (and, in *Theories of Surplus Value*, to great length) to insist that wages were exchanged for the capacity to labour: for labour-power rather than for the actual labour performed (Ricardo), or for the value of the goods labour produced. It is this capacity to labour, labour-power, which has a value and ultimately a price, linked to the costs of its reproduction, especially that bundle of commodities socially necessary to sustain a given standard of living.

Clearly, the issue identified by Marx, of what is being exchanged, is of central importance to any analysis of capitalist economies. However, there are many ambiguities in his thinking, and also notable failures to analyse just how different labour-power is from any other commodity in terms of what is exchanged. Put at its sharpest, the exchange of property rights over most non-labour commodities is typically absolute: in exchange for money, the new owner of the commodity has complete control over the object of exchange and can do what they like with it. The person who sells it, retains no further rights or control over it. But it is important to distinguish between hiring any other good and hiring labour. Labour is different in two key aspects: the nature of the property rights exchanged, and how these are manifest in property rights over knowledge within economies of labour.

As a point of entry on the issue of property rights, we can take Marx’s early formulation in *Capital*, where he seems to suggest that the only difference between wage labour and slavery is that the former is a time-delimited sale, whereas the latter is for life.<sup>34</sup> Putting aside for one moment the issue of the exchange in the first case being between the

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<sup>34</sup> The sale of the labour-power, Marx writes, is for a ‘limited period only’, otherwise if sold forever, the worker would be ‘converting himself from a free man into a slave, from an owner of a commodity into a commodity.’ *Capital* 1, p. 271. The same point is put much more simply, in pamphleteering mode, in *Value, Price and Profit*: ‘What the working man sells is not directly his *Labour*, but his *Labouring Power*, the temporary disposal of which he makes over to the capitalist... If allowed to do so for any indefinite period whatever, slavery would be immediately restored.’ Karl Marx and Frederick Engels, *Collected Works*, Volume 20, Lawrence and Wishart, London 1985, p. 128.

purchaser and the worker, the second being between one slave owner (or trader) and another, this suggests that the exchange of property rights is absolute, as with any other commodity – and as fits with the labour theory of value. But Marx is equivocal on the point, for he immediately insists that if the worker only sells his commodity temporarily, he consequently retains the right of ownership over it, in order to be able to sell it on successive occasions. It is only an equivocation – what is sold is, as we shall see, then used up, so that a new quantum of labour-capacity then becomes available for sale, once restored. But Marx is also equivocal in another way, when he speaks not of the sale of labour-capacity as such, but of rights to use labour-power for a delimited time. This is different from purchasing a commodity with total rights over it, and then using it; it is purchasing rights to use a commodity, as against purchasing that commodity and then using it. In short, it is like *hiring*; and here we indeed find Marx likening the purchase of labour-power to hiring a horse for the day. But then he uses exactly the same terminology when saying that the right to use a commodity such as labour is no different from buying oil and then using it. In sum, confusion.

So the first step forward is to be clear that we are talking about hiring, rather than selling, and that what is exchanged is a right to use labour-power, not labour-power as such, as the commodity. But, then, we have to go on to ask, is there a significant difference – where Marx insisted there was none – between hiring a commodity (such as a horse or a car) and hiring a worker? And there are two issues here, a specifically economic one, and a legal and normative one. For, once we start speaking of rights to use, we are also speaking of retained control by the owner of the used commodity during the period of hire, after the exchange. When an owner of a horse hires it out, they retain some control, stipulated by agreement, over what may or may not be done to the horse (such as not turning it into horsemeat). In more recent history, there might be laws against cruelty that limit the rights of use over the horse and protect the hirer of the horse. But once we have redefined the general nature of what is purchased as hire of the use of labour-power, the significance of ownership of the labour-power comes to the fore. A horse never hires out itself. A wage worker does. The issue of rights over use of a horse is between the hirer and the owner of the horse, and an agreement over rights between them, not an agreement

with the horse. Labour is the only ‘commodity’ that hires itself, and thereby is ever in a position to resist or go along with how use is made of it.

Workers have at least the possibility, though often limited, of exercising control over how they are used, in a way that no other hired commodity does. There is a difference (not a spatially universal or historically static one) between hiring a horse and hiring a worker. This is talking abstractly and in specifically economic terms of levels and possibilities of control over use. A whole literature exists, in labour process studies, of how those possibilities are realized – a contestation over control that is ever present, whether overtly or latently. But, as with the compulsion to exchange, these specifically economic aspects of control over use, clearly reflecting balances of economic power, have in reality been accompanied by legal norms of contract, defining expectations and the limits of rights over use. And these have been constantly evolving in conjunction with changing organizations of employment. In a nutshell, what is exchanged – rights over use – is variable both historically and geographically. Property rights over labour as an object of purchase are an instituted phenomenon, and the nature of the rights over use of labour-power, what is bought and sold in economies of labour, is not a universal, just like every other, from the dawn of the industrial revolution until the present. Put simply, what is sold in Lyons in 2013 is not the same thing as what was sold in Manchester in 1840; it is not the same set of rights.

Nowhere is the difference in rights over the use of labour-power more evident than in the rights over the use of knowledge and skills. For here we mark a sharper difference again from hiring horses or cars, or any other good. Marx talks of the labour-power being alienated, or sold, transferred from seller to buyer, for use in production. We have just established that at most we can talk of purchasing the rights to use of a knowledge or skill. Going one step further, we now note that the worker hires out that knowledge, not as its owner, but as the bearer of a collective or social good, which is not itself produced or exchanged as a commodity. A key element to the dynamic of economies of labour is not for sale. For the hiring of the rights to the use of knowledge to occur – a market transaction – there is a collective non-commodity, knowledge, retained by the bearers of

knowledge, shared and validated by communities in diverse ways, as historical and geographically varied forms of public good. That is to say, at the heart of the exchange of property rights within capitalist economies of labour, there are interdependent market and non-market rights over resources. How this interdependence develops, how the collective, non-market goods of knowledge and skills develop alongside their use for the production of commodity goods is at the core of any dynamic of capitalist economic development. The purchasing (or hiring) of labour-power cannot be understood as a simple purchase (or hire) of a commodity, with labour-power a commodity exactly like any other within a closed circuit of commodity production, exchange, distribution and use.

We turn now to the price of labour-power. In the labour theory of value, the price of labour is related to the price of the commodities bought by the wage, commodities socially necessary for the reproduction of labour-power. As a consequence of the above analysis of the (re)production of labour-power, and of how and what is exchanged in the hiring of labour-power, this conception of price of labour-power is seen to be inadequate. The value of labour-power cannot be conceived in terms merely of the amount of socially necessary labour time involved in the production of that basket of commodities. As surplus value, the basis of profit and capital accumulation, rests on the difference between the values produced by the use of labour-power in production and the value of labour-power itself,<sup>35</sup> we have lost half of the critical equation. And there is no such thing as an equation with only one half.

Moreover, as we have already indicated, labour-time as the foundation of value is part of a theory of the relationship between price and value; and, in the case of non-market goods and services, we have no price. Consequently, we have no quantitative relationships through which to relate amounts of socially necessary labour time, partly because in a

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<sup>35</sup> In *Value, Price and Profit* (written in 1865), Marx comes perilously close to suggesting – though this is clearly a simplification for the purposes of popularization – that a horse produces surplus value, inasmuch as the socially necessary time for the production of the food to keep the animal energetic is less than the time-in-productive-use of the horse. This only underscores the point made above concerning the reproduction of the *existence* of labour-power through consumption of socially necessary goods. *Collected Works* 20, p. 130.

closed circuit commodity economy price competition is required to establish what amounts of labour time are socially and technically necessary to produce any given commodity. So we have no means of establishing the socially necessary labour time for the production of knowledge, for example, as there is no process whereby the production of a given knowledge is compared with another through market competition, and as mediated by price. Fortunately. It follows that the price of purchasing the rights to the use of labour-power, and of the knowledge of the knowledge-bearers, cannot be related to an underlying, and independent, quantity of necessary labour-time. So, the labour theory of value does not work for labour-power itself. The absence of an independent standard to which to relate price means that one cannot speak of selling labour-power above or below its value, if by that is meant, its independent underlying value. On the other hand, as we have already seen, economic power in exchange generates systemically unequal rights to commodity resources.

We note in passing here that we both once subscribed to the notion of the fetishism of commodities, under which price as a real phenomenal appearance, is underpinned by value and generated by deep structures – socially and technically necessary labour time – behind the screen of appearances. Having long since rejected Marxian value, however, we have not repudiated the view that there are processes behind the phenomena of price in market exchange that determine price. We have pointed, on the contrary, to economic power asymmetries and the relative organization of the parties to the exchange as one of the most significant of these.

In attempting to develop the understanding of economies of labour, we have argued that in terms of the production and organization of exchange, of property rights, and what it is that is exchanged, spatially and historically located dynamics are involved. By contrast, the ‘full monty’ labour theory of value entails that across the capitalist world ultimately the same underlying measure of labour-determined value, as the basis of the price of labour, is at work. In fact, prices need to be considered as historically and spatially located aspects of market organization, rather than just monetary quantities. If we compare the way that labour is priced in France, for example, with how it is priced in the

UK, we find immediate and striking contrasts. In the UK, we have multiple institutions of price, in public and private sectors, firm-specific price systems, spot prices, sector price hierarchies, international labour market prices, and so on. In France, within the salariat, we have one national salaried grid across industries, related directly to established criteria of qualification. So labour circulates across France, and across industries there, within the same price-quality nexus. And of course, both countries have witnessed significant and continuing changes to their price institutions. So, here too, what is needed in a renewal of the analysis of economies of labour, is a spatially and historically complex understanding of pricing of labour within the dynamics of production, exchange and use of labour-power in those space-time frames. There is no transcendent, underlying, universal-capitalist measure, or independent basis, of the price of labour-power.

### **The use of labour-power in production (see arrows 4i and 4ii)**

If we retain a vision of the centrality of labour to the creation of wealth, the primary process of maximizing the benefits to the employer of exploiting the rights to the use of labour-power is undoubtedly the production of outputs – commodities – at a higher value than the cost of inputs. The generation of profits and the accumulation of capital for growth, what happens within the firm or organization of firms in value chains through the use of labour is critical. Much attention in the literature has been paid to the labour process in terms of surveillance and control, Taylorism and de-skilling, on the one hand, and resistance and coping strategies by workers (including skilled workers) in the face of this control and work intensification, on the other.<sup>36</sup> Perhaps insufficient attention has been paid to the creativity of labour (innovation), the exploitation of imagination, knowledge and skills in both overall organization (firms, value chains, complex and multiple divisions of labour) and outputs of the labour process. We are convinced that the difference between the costs of inputs in production and the aggregate prices of outputs – the generation of profit – is in significant, although not exclusive, part a consequence of value creation in production by the use of labour-power and its varied organization. But it

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<sup>36</sup> In Marx's terms, this is related to the progression from formal to real subsumption of labour-power that is the historical development of control to maximize the production of surplus value from the formal rights of control over labour-power in production.

is beyond the scope and intention of this reflection on economies of labour to address the processes of profit generation, however important, to the labour theory of value. Rather, we limit ourselves to highlighting how the concept of surplus value is inadequate for an understanding of profit generation, as a consequence of Marx's conception of the use of labour-power in production.

The problems with treating the production of labour-power as a process of consumption of a socially and historically necessary basket of commodities have already been pointed out. Critical as this is to a surplus-value account of profit generation, Marx closes the circle of commodity production and consumption outlined in our earlier diagram with his account of what happens to labour-power when used in production. Again, there are ambiguities and confusions in Marx's own struggle with conceptualization. For he slips from talking of the basket of commodities necessary for the reproduction of labour-power to talking of that necessary for the reproduction of *the existence* of labour-power.<sup>37</sup> And by that he seems in places strongly to indicate biological existence.<sup>38</sup> From there the circle is closed in production by a suggestion that physical and mental exhaustion, consumption of labour-power as the *using up*, in addition to *use of*, labour-capacity, is what occurs in production.<sup>39</sup> In that respect again, labour-power is likened, as we have earlier seen, to the using up of other commodities in production: raw materials (for

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<sup>37</sup> 'Labour-power exists only as a capacity of the living individual. Its production consequently presupposes his existence. Given the existence of the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a certain quantity of the means of subsistence. Therefore the labour-time necessary for the production of labour-power is the same as that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of its owner.' *Capital* 1, p. 274. As a small, but important point, for most non-biological commodities this distinction between existence and quality of a commodity is of no importance. In the case of biological organisms, the distinction between what is necessary for continued biological existence and for capacities to work is of great importance: the first may be all that is required for horse meat; the second may require considerable additional investment in training a horse to plough, in 'breaking' it, etc. And the importance of that distinction becomes yet greater when considering humans and labour-capacity.

<sup>38</sup> 'We mean by labour-power, or labour-capacity, the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind.' *Capital* 1, p. 270.

<sup>39</sup> '[L]abour-power becomes a reality only by being expressed; it is activated only through labour. But in the course of this activity, i.e. labour, a definite quantity of human muscle, nerve, brain, etc. is expended, and these things have to be replaced... His means of subsistence must therefore be sufficient to maintain him in his normal state as a working individual.' *Capital* 1, pp. 274-5.

example, oil) and machinery. There is an expenditure of ‘vital forces’.<sup>40</sup> The living being is physically and mentally depleted, exhausted, by work and then restored by consumption of food, clothing, housing, heating – and TV, I-phones, MP3s, etc, etc.<sup>41</sup> And this link in the chain is what ties reproduction with consumption of labour-power within a closed commodity circuit. So, however ambiguous and open to interpretation, it is difficult to understate the role of this conception in the theory – it is an indispensable link in the analytical chain.

And of course, there is much that is convincing in Marx’s account, and not to be jettisoned. People do need to eat – even eat well – to live, and thereby to work. But again we come back to the knowledge of the knowledge-bearers, and now to its use in production. It certainly is used, but equally certainly it is not, in the other sense of the word and by contrast with raw materials, used up. The biological brain may become physically tired, but the ideas and knowledge do not. There is a strong argument, indeed, that knowledge and skills are enhanced, even developed in use, and (again) collectively. Undoubtedly, such knowledge enhancement or development, knowledge outputs, may well be appropriated by the employers of the bearers of knowledge, through intellectual property rights. But the difficulties of employers in ensuring the kind of property rights over this knowledge that they typically have over other outputs, given that it also resides in the knowledge-bearers, are also well known. And, to conclude this point concerning the use of labour-power in production, if knowledge is used, but not used up, in production, it is not in need of restoration, and certainly not by the consumption of anything one might like to put in a basket of commodities. So, this final link in the chain of a labour-theory-of-value understanding of surplus value production is also broken, in a way calling for further development of the analysis of economies of labour.

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<sup>40</sup> ‘We say labour, i.e. the expenditure of his vital force... is the expenditure of labour-power in general.’ *Capital* 1, p. 296.

<sup>41</sup> ‘The ultimate or minimum limit of the value of labour-power is formed by the value of the commodities which have to be supplied every day to the bearer of labour-power, the man, so that he can renew his life-process... the limit is formed by the value of the physically indispensable means of subsistence.’ *Capital* 1, pp. 276-7.

The main direction of such a development, as with the other aspects of economies of labour, needs to be towards looking at the overall social organization of labour, as a historically and spatially variable process. The exploration and analysis of interdependent uses of labour, market and non-market, across the spectrum of the economy, is required in a shift of focus, and in a shift in the conception of ‘the economy’. The idea of a closed-commodity system, in which a physical capacity shared by all human-biological beings<sup>42</sup> is used up in production, encourages thinking about the economy as following an initial logic whereby the motor is set in place and then universalizes towards globalized capitalism. It is this conception that needs fundamental revision and renewal.

### **The homogeneity of labour**

At the outset of this analysis of economies of labour, an assumption was held in abeyance concerning the homogeneity of labour. There is an implication that may be drawn according to which, because all human products are the products of labour and that is the only thing they share in common, there must be such a thing as common labour, abstract labour, labour in general – and all such homogeneous labour can be quantified by time.<sup>43</sup> This leads to the assumption that there is an underlying, independent, commensurable labour forming the basis of the commensurability of commodities: value as distinct from, yet forming the basis of, price. However, it simply does not follow from all products having in common that they are produced by labour that qualitatively different forms of

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<sup>42</sup> There is a strand within Marx that has been echoed in debates on de-skilling and suggests that capitalism has a historical tendency to reduce labour-capacity to simple physical capacities, prone to nothing but physical exhaustion in its productive use: ‘The distinction between higher and simple labour, “skilled labour” and “unskilled labour”, rests in part on pure illusion or, to say the least, on distinctions that have long since ceased to be real, and survive only by virtue of a traditional convention; and in part on the helpless condition of some sections of the working class, a condition that prevents them from exacting equally with the rest the value of their labour-power. Accidental circumstances here play so great a part that these two forms of labour sometimes change places. Where, for instance, the physique of the working class has deteriorated and is, relatively speaking, exhausted, which is the case in all countries where capitalist production is highly developed, the lower forms of labour, which demand great expenditure of muscle, are in general considered as higher forms, compared with much more delicate forms of labour; the latter sink down to the level of simple labour.’ *Capital* 1, p. 305

<sup>43</sup> For example: ‘As the *exchangeable values* of commodities are only *social functions* of those things, and have nothing at all to do with their *natural* qualities, we must first ask, What is the common *social substance* of all commodities? It is *Labour*. To produce a commodity a certain amount of labour must be bestowed upon it, or worked up in it. And I say not only *Labour*, but *social Labour*.’ *Value, Price and Profit, Collected Works* 20, p. 121.

labour are less different than qualitatively different forms of commodities. In Marx, if we disregard for a moment the issue of ‘horizontal’ qualitative differences – say, between bricklaying and carpentry – there is also an analytical and empirically brutal assumption that complex labour – high skills – is no more than some quantifiable multiple of simple skills, and that all labour can be therefore, in some measurable way, equated to a function of simple labour.<sup>44</sup>

Turning to horizontal qualitative differences, there are enormous assumptions made in trying to equate an hour of one type of labour with an hour of another. Even under the most Taylorized production systems, with task simplification, time measurements in general extend over a very small range of the total division of labour within an organization – mostly, restricted to assembly line production or mechanically and automatically regulated labour performance. And then any such measurement is non-transferable to assembly lines in general, to call centres in general, or any other such routinized forms of work. So neither horizontal nor vertical qualitative differences in labour can be assumed, without more ado, to be just variable quanta of a homogenous substance, abstract or simple labour. Empirically, the growth of capitalist political economies, in the market sector alone let alone the non-market sector in a multi-modal economy, has witnessed a proliferation and increasing complexity of interdependencies between both vertically and horizontally different kinds of labour. The idea of a progression towards greater homogeneity and simplicity of types of labour is both fanciful and erroneous, given the realities. In sum, a leap from the observation that all products share only labour as a common property to assuming that it is the same substance that all commodities hold in common, and then that this common substance is a quantum that can be measured by time, is a double jump into thin air. Rather, a more fruitful direction is to analyse the varied organizations of production of different kinds of labour, through different educational and household structures: the more important and

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<sup>44</sup> ‘[I]t does not in the least matter whether the labour appropriated by the capitalist is simple labour of average social quality, or more complex labour, labour with a higher specific gravity as it were. All labour of a higher, or more complicated, character than average labour is expenditure of labour-power of a more costly kind, labour-power whose production has cost more time and labour than unskilled or simple labour-power, and which therefore has a higher value. This power being of a higher value, it expresses itself in labour of a higher sort, and therefore becomes objectified, during an equal amount of time, in proportionately higher values.’ *Capital 1*, p. 304-5.

interesting focus is the understanding of the processes of generating different qualities of labour in different historical periods and places.

### **The ‘anomaly’ of slavery**

So far, we have been considering economies of wage labour, predominantly in Europe, in our critique of the closed commodity economy of ‘free’ labour conceptualized in Marx’s labour theory of value. One of the main strands of this critique has been the varied ways in which such economies of labour have been politically as well as economically instituted, entailing legal constraints on exchange, different rights to the use of labour-power in production, and different political constructions of the labour force through school leaving and retirement ages. There is no general form, in other words, no capitalism-universal logic, to the economies of wage labour.

However, the assumption enshrined in Marx’s *Capital* is that capitalism is almost defined as being based on the emergence, and then universalization, of economies of ‘free’ wage labour, with the dissolution of forms of feudal bondage. Yet, of all the historical and geographical varieties of instituted economies of labour that developed with industrial capitalism – some would argue, indeed, as a precondition for this development – the new economies of forced labour in the plantation economies of Latin America, the Caribbean and North America diverged the most from the presumption of ‘free’ waged labour. Modern industrial-scale slavery in those regions, built on a slave trade of some 15 to 18 million African slaves, constituted one of the greatest historical movements of labour, and it was followed by an equally modernized form of indentured labour from India, with a further 2 to 3 million persons being transferred under various degrees of compulsion and bondage.

Marx was well aware of the phenomenon, from 1847 when he wrote *The Poverty of Philosophy* through to *Capital*, the *Grundrisse* and *Theories of Surplus Value*. Moreover, though not offering a developed analysis, he acknowledged three key aspects of slave plantation economies: first, they were modern and not the archaic remnants of an earlier

mode of production; second, they were capitalist (not solely the outcome of ‘primitive’ accumulation), even, he wrote, producing surplus value; and, third, they were absolutely critical to European, and especially English, manufacturing capital, producing cotton for the archetypical capitalist industry in the Lancashire mills. Marx was particularly emphatic on the modernity and originality of the North American slave economy, as one written, he suggested, on a *tabula rasa*, rather than carrying the burden of historical institutions.<sup>45</sup> He even went so far as to say that ‘the veiled slavery of the wage-labourers in Europe needed the unqualified slavery of the New World *as its pedestal*’ (our emphasis).<sup>46</sup>

Yet, in spite of allotting to slavery so important a role, references to it by Marx are sparse, and in contrast to the wealth of empirical detail deployed in setting out the labour theory of value, they are detached and absent from his core analysis of capitalism. Indeed, at points Marx does describe the plantation owners in America as capitalists; but they are also ‘anomalies within a world market based on free labour.’<sup>47</sup> For Marx, as we have seen, a foundational assumption is that the capitalist mode of production is based on free wage labour. Slavery, although capitalist, was not free labour, and just did not fit the assumptions of his analysis. So, this major historical phenomenon of the 19th (and the 20th) century is excluded from it.

Of course, there is much that Marx did not know, and could not know at that time, about the various economies of forced labour and their historical co-development with industrial capitalism. He relied heavily on secondary sources, since much discredited (for example, on J.E. Cairnes’s *The Slave Power*). It is now quite widely recognized that the plantation economies of the New World were critical in bringing about the ‘great

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<sup>45</sup> America was a ‘country where bourgeois society did not develop on the foundation of the feudal system’, *Grundrisse*, p. 884.

<sup>46</sup> *Capital* 1, p. 925.

<sup>47</sup> *Grundrisse*, p. 513. Marx can also be seen to be struggling with how to fit slavery into his conceptual framework when he acknowledges that American slavery belongs to a capitalist mode of production, but ‘only in a formal sense, since the slavery of Negroes precludes free wage-labour, which is the basis of capitalist production. But the business in which slaves are used is conducted by *capitalists*.’ Karl Marx, *Theories of Surplus Value*, Part II, Lawrence and Wishart, London 1969, pp. 302-3.

divergence<sup>48</sup> between the then vibrant economies of the East, and the industrial capitalisms of Europe and North America. Apart from the availability of cheap and appropriate coal in England, the colonies provided key resources in sugar (calories), raw material for clothing, timber and other materials, thereby uniquely relieving Europe of a critical pressure on land. Without the vast expansion of land resources, it simply would not have been possible to clothe and feed a level of population, especially an increasingly urban one, in the emerging industrial centres. Europe, and in particular England, escaped the land constraints faced by other world economies of the epoch. This economic growth both drove and depended on the expansion of slave plantation economies. By 1860, just before the American Civil War, over 90 per cent of cotton for the English textile mills was produced by slaves in America. Moreover, the growth of world commodity markets, in which the slave trade and products of slave plantations were key components, was intricately woven into the development of finance capital and financial services industries, a leading edge of commodity market economies.

The growth of New World plantation economies, however, required labour on a massive scale, and aside from a few failed attempts to exploit the indigenous human resources, depended on migration. Market forces could never have induced such a shift in global population: global labour markets, where only economic incentives to sell labour freely as wage labour carried force, did not yet exist, and to this day are far from fully developed, with many barriers, legal and economic, to global integration. Only compulsion and force were capable of delivering the new workforces of the world. In the broad sweep of history of forced economies of labour, there were several different trajectories. For the British colonies, there was an initial phase of indentured white European labour, including political convicts, and land evictions, notably in Ireland during the 17th century. Once this source proved inadequate and diminished in scope, slavery took over until the abolition of the slave trade (1807) and Emancipation (1834-8). Distinctively, the Caribbean slave economies never developed a sustainable population of slaves, owing to high death rates, infant mortality, and a 4:3 male-female gender

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<sup>48</sup> K. Pomeranz, *The Great Divergence. China, Europe, and the making of the modern world economy*, Princeton University Press, Princeton 2000.

imbalance in imported slaves. In addition, as the case of Haiti demonstrated after the overthrow of slavery (1804), plantation economies relied on forced labour in production to survive. Consequently, after Emancipation, thriving sugar plantation economies such as Trinidad, Guyana and Mauritius depended on a new phase, quite different from the earlier ones, of the mass importation of indentured labour from India. This Indian indentured labour, recruited under varying conditions of compulsion and duress, transported in a manner and in ships very similar to those used for the Middle Passage, continued to produce the vital ingredients of developing European consumption: sugar, tea, and later rubber and rice from Burma and Malaya. The reliance on mass exportation of forced labour from India continued until the early 1920s.

A very different economy of slave labour developed in North America. By the time of the British Emancipation (1834-8), America had imported only 6 per cent of the total number of slaves traded across the Atlantic between 1500 and 1870, compared with 38 per cent for Brazil, and 51 per cent for the British, French and Spanish Caribbean. But it accounted for 38 per cent of the New World slave population by 1825, compared with 31 per cent for Brazil, and 30 per cent for the British, French and Spanish Caribbean and Americas. Unlike the Caribbean, slave populations in North America had manifested a strong natural increase, so providing the necessary source for a constant and growing American-born supply of slaves. Moreover, contrary to the myths which Marx relied on and referred to, in general slaves were not bred for sale: internal trade in slaves formed a tiny fraction of slave labour supply. Immediately prior to the Civil War, the cotton plantations were growing, highly profitable, business-oriented enterprises, not squeezed by the market for commodities or free wage-labour, but, to the contrary, crucially contributing to the growth of industry on both sides of the Atlantic.

Clearly, this is not the place for a detailed analysis of the different instituted configurations of forced labour and their trajectories. Rather, we indicate some of the key implications for a view of capitalism based on a closed commodity-circuit concept of labour, such as the labour theory of value. These instituted economies of labour, with a particular spatial and temporal fix, exhibit a variety of blends of market organization,

physical and military force, legal and political power, blends that generated profits for capitalists, including for slave-owners and slave-traders, as an integral part of developing and multi-faceted industrial capitalism.

To begin with, in terms of production and reproduction of labour-power, the Atlantic slave trade combined aspects of primitive accumulation – the capture by force of people (thus turning them into slaves) drawn from African populations reproducing themselves outside the economies of the West. Indentured labour from India, often drawn from the streets of the cities or impoverished rural areas, were by contrast populations within the British Raj – therefore internal to, and interdependent with, colonial economies of the time – populations often dislocated or displaced and in a condition of extreme vulnerability. Both these sources of supply, however, were not self-reproducing from within the plantation economies, which consequently needed constant replenishment by the global trade in forced labour. This contrasted with American slavery, as already noted, where, by the early 19th century, the majority of slaves were often multi-generational American in geographical origin. They were people born into slavery, produced internally to the plantation economies. Child-care, some relief from field work for pre-natal and nursing mothers, helped to sustain this source of slave-labour supply. Giving birth was giving birth to property, that of the slave-owners'. Not a second was lived by a single slave soul outside of the economy of slavery. Once capable, the child then formed part of the slave labour-force. In general, in both types of slave economy, self-subsistence farming on plots of land associated with dwellings sustained the daily reproduction of labour, hence falling outside the commodity circuit, in the absence, of course, of wages. In American cotton plantations, marriage was widely supported by the grant of a dwelling and an associated plot of land. Thus, many aspects of the supply and reproduction of labour fall outside the commodity circuit, and in different ways from household or educational systems in the waged economies discussed above. The non-market aspects of reproduction were very much internal to the economic organization of the plantation.

*Post hoc* calculation of the costs of reproduction of slave labour, compared with the costs of achieving similar standards of reproduction of wage workers, while demonstrating the economic and business rationality of slave production systems, seem to miss the central point that, as with wage labour, the unpriced, non-costed work of reproduction within the slave economy is what marked the difference between economic systems. Slave-owners neither had the economic or statistical apparatus, nor indeed the raw information, to make such calculations, nor did they need them to know they were in an extremely profitable line of business.

For the redistribution of labour across the world, as already remarked, force, compulsion and, for indentured labour, systems of recruitment and debt servitude beyond any narrow economic constraint or market force, were necessary in such a massive displacement. The navies of the main slaving states, and the force to acquire or capture colonies in the first place, were integral to the slave trade. Yet, it is equally true that capital markets, and financial services fuelled the trade. The slaving ships symbolized the combination of force and constraint and the character of the mass-marketing of slaves as commodities for the plantation economies. Vibrant slave and indentured auction markets were features of colonial ports. Mortgage finance assisted planters in raising the purchase price for their plantation labour force.

In production, first and foremost plantation economies depended on having a captive labour-force. In the case of slavery, captive meant for life, however long or short that might be. For indentured labour, a period of captive labour of generally 10 years and renewable, was combined with a ‘contract’ for payment for a return passage or settlement in the colony with an endowment of land. Rarely fulfilled, such contractual obligations were the focus of constant revision and contestation. European forms of indentured service were radically modified in colonial legal systems, especially with regard to penalties and punishments, and constantly revised and regulated throughout the 100-year duration of the institution of indentured labour – notably in the case of the British Masters and Servants Acts. For both slaves and indentured workers penalties for

absenteeism, regimes of whipping and brutal force, were critical to ensuring the continuity of active labour in production.

But, as has also been now well documented, plantation labour forces exhibited considerable hierarchical division of labour, with slaves occupying supervisory and even quasi-managerial roles, rewarded not by wages but by material benefits in kind and conditions of working life. Artisanal skills, developed on the job, or passed down through generations of slaves, contributed to the formation of a non-wage hierarchy of goods distribution. In American slavery, moreover, if only to demonstrate just how different instituted forms of economies of labour contribute to the nascent political economies, slaves for short-term hire, even agencies for slave-hire, were a considerable and conspicuous feature of labour flexibility to meet uneven demand for slave labour in the plantation production cycle and production system. Slaves-for-hire advertised themselves and negotiated their contracts, whilst remaining slaves, bound for life to their slave-owners, and paying them a cut from their income. The hybridity and fluidity of slave economic institutions defies a narrow perspective of labour-commodity capitalism.

For the use of slave and indentured labour, the dominant economic dynamic was the generation of profit through the production of commodities for the world market, and in particular to meet the demand for calories and supply the raw materials for industrial capitalism. In the labour process itself, therefore, once again the dominant feature is a combination of force and market productivity. It has been well established that sugar refineries on plantations pioneered factory industrial production, with considerable technological advance in steam power and industrial processing. Equally, the gang production systems in cotton farming, with their sophisticated internal divisions of labour, changing for different phases of agricultural production, ploughing, sowing, cultivating and harvesting, especially after the introduction of the cotton gin, have been likened to the assembly line production that was to typify factories many decades later. It was a division of labour that Adam Smith or Frederick Taylor could have approved, albeit reliant on its characteristic of being forced labour. No one needed to calculate the relative cost-benefits of free and forced labour for estimating the factor productivity of a

given quantity of inputs, in order to know that slavery and bonded labour produced profits efficiently. One thing is for sure: the profits of slavery and indentured labour cannot be derived from a difference between the exchange value of labour-power and the values produced by labour-power in production, within a commodity market system. Profits for capitalists certainly; exploitation certainly; ‘surplus value’ not applicable.

But were slavery and indentured labour just transitional forms, inevitably to be superseded by free wage labour? In one sense that is obviously the case, although, as we have argued, it applies equally to many forms of ‘free’ wage labour in industrial capitalisms; they too, for their part, no longer exist. However, it also has to be said, the disappearance of slavery and indentured labour took a very long time within the historical development of industrial capitalism – slavery lasting until 1860 in America; 1886 in Cuba and 1888 in Brazil; and indentured labour in plantation economies, British and other, until 1920. Moreover, as already emphasized, if they were transitional forms, they were modern ones, born and developed with and alongside industrial wage labour economies, in a combined and complex economic dynamic. They were definitively not relics of previous modes of production. Finally, and critically, they did not just disappear because of the competitive economic superiority of free wage labour in a global market economy. Just as they were politically instituted, so politics and civil war disestablished them. Acts of Emancipation not market forces freed slaves in British colonies. Military defeat by the North over the slave political economies of the South, economically thriving and expanding in the decades immediately preceding the war, brought an end to that particular form of slave economy of labour. Political protest, both led by Ghandi in South Africa and by political movements in India, forced the British Government finally to terminate the systematic exportation of indentured labour from that country. These forms of forced labour were not economically incompatible with capitalism, but politically and morally incompatible with certain political institutions and developing norms. But then, as we have argued, free wage labour economies are also not closed market systems, nor autonomous in their constitution. And to this day, throughout the history of the twentieth century and in many parts of the world, we need no reminders of the narrowly economic compatibility of forced labour, child and adult, with modern

capitalist productive systems. Whether in China, Indonesia, India or Vietnam (to point only to a few obvious cases), some of the most advanced production units of contemporary multi-national capitalist enterprises engage labour under conditions of forced constraint, debt bondage, or child servitude. There is no implacable, purely economic logic, as suggested by Adam Smith, that formally ‘free’ wage labour will outcompete and hence eradicate the many varieties and degrees of servitude. Capitalism is far from bounded by a Benthamite ‘freedom, property, and equality’ before the law.

So, although indeed transitional in a limited sense, the epoch of slavery and indentured economies of labour presents the most powerful empirical refutation of the narrow vision of the economy of capitalism enshrined in the labour theory of value. It also, as importantly, reveals an analytic failure to incorporate known realities into an adequate theoretical framework. To say that slavery and indentured labour are anomalies within capitalism is like saying that whales do not belong in the oceans.

### **The neo-Polanyian turn**

Our critical examination of, and conceptual development from, the labour theory of value has been conducted using a neo-Polanyian approach of ‘instituted economic process’. In pulling this analysis together, we now conclude the present section by highlighting five main themes: the spatial and temporal fix of economies of labour; the politically instituted aspects of economies of labour; the significance of knowledge and knowledge-bearers; the multi-modality of economies of labour; and the multi-modal generation of social inequalities.

*The spatial and temporal fix of economies of labour.* The labour theory of value has been examined in terms of production, exchange, and consumption of labour – to which the spatial distribution of labour in economic organization, so conspicuous in the case of forced labour, also needs to be added.<sup>49</sup> Throughout the above analysis, there has been

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<sup>49</sup> The urbanization of labour, involving a massive redistribution of it, directly affects the constraint to exchange, the increasing and intensifying dependency on wage exchange as the only way to acquire rights

emphasis in each of these dimensions on the changing and dynamic nature of economies of labour. In this approach, however, an economy of labour is constituted by the overall organizational configuration of these four processes in relation to one another, as they are instituted in time and space. So, for example, we pointed out how changes in the production of labour, schooling and school-leaving ages, alter the constraints to exchange. The development of child-care provisioning likewise both alters the process of reproduction of labour-power, and women's availability on the labour market. The organization of the parties to the exchange can reflect changing power balances between sellers and buyers, and both the economic power of the buyers and the organization of the sellers of labour-power condition the pricing of labour. Any given configuration of production, exchange, distribution and use of labour thus has a temporal and spatial fix, an emergent dynamic of expansion, retraction or reproduction in space and time. The French salaried system of the late 20th century was an example referred to above, where processes of qualification of labour are tied to occupational positions and salaried scales that are generalized across industrial sectors, and across public and private employment. This in turn is linked to distinctive modes of education and training. And, to emphasize the point of the spatial and temporal limits of such a system, there are millions of workers excluded from full participation in this salaried system, youth, migrant, and marginal workers, aside from the gendering of this economy of labour. Segmentation of labour markets, as well as differences between formal and informal, legal and illegal labour markets, is also widely varied even across Europe. Although it is beyond the scope of the present analysis, the implication is clearly that there are different conditions for generating profit in the market sector that arise from different economies of labour, again in space and time. In short, the asymmetries of power in systemically generating inequalities in labour price, and hence inequalities in rights over commodity resources, are continuously evolving in space and time.

But the wage exchange itself – between employer and employee – cannot be seen in isolation. Given the central importance of the wage as a ‘fiscal handle’ for taxation

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over commodity resources; and conversely, the commodification of many of the crucial items necessary for the survival of human labour.

(income tax, social insurance deductions, etc.) in all advanced capitalist economies, different taxation systems further condition, and often intensify, differential rights over commodity resources, the lowest wage earners being taxed at higher marginal rates than those that command the greatest rights over commodity resources through salary, property and share ownership, bonus systems, and the rest. An ‘instituted economic process’ approach further suggests that these rights over commodity resources should be seen as one type of societal resource, highly significant certainly, but not the only one over which different social groups have differential rights. As we shall see, the analysis of divisions in rights over commodity resources needs to be complemented by analysis of the generation of divisions over public and social resources and of the intersection of the two.

So, the ‘instituted economic process’ approach suggests a radically historical and spatial understanding of economic causality, as against a universal dynamic established once and for all at a point of transition from feudal to industrial capitalist modes of production.

*The politically instituted aspects of economies of labour.* In addition to the fact that taxation and insurance deducted from wages has led to differential rights over commodity resources, the ‘instituted economic process’ approach shows how legal and fiscal instruments have co-evolved with specifically economic organizational forms of economies of labour. These only further contribute to the temporal and spatial scaling of economies of labour within national and transnational spaces, depending on the political units involved. Whether by use of legal constraints or by use of fiscal incentives or penalties, political instruments are co-constitutive of the compulsion, or pressure, to exchange, alongside specifically economic constraints. Employment law can equally condition in significant respects the use of labour-power in production, the respective rights of employer and employee, in definitions of employment contracts, rights to industrial action, rules over working hours, health and safety protection, and so on. In that respect, laws of contract are co-constitutive of the nature of the property rights exchanged within economies of labour. In insisting that there are both specifically economic and specifically political dynamics constitutive of economies of labour, the ‘instituted

economic process' approach points to different modes of change being involved in the innovation of forms of economic organization, as against changing laws or making budgets affecting incentives and penalties. Tensions and conflicts arise as a consequence of the different temporalities and scales of political and economic processes, generating co-evolutionary change, without functionalist co-adaptation and stabilization or 'equilibrium'. This co-evolutionary dynamic is hence critical to an understanding of spatial and temporal transformations of economies of labour. Indeed, historically what is most striking is the continuing and varied trajectories of co-evolution of economic and political organization of economies of labour: there is no steady state, no evident convergence towards a kind of uniform global super-capitalism. Above all, this approach facilitates the analysis of what Polanyi termed 'the shifting place of economy in society', and the dissolution of the separate, quasi-autonomous, spheres of polity and economy.

*The significance of knowledge and knowledge-bearers.* From the vantage point of the present, one of the most fundamental transformations occurring in varied forms across developing industrial capitalisms has been the growth of educational systems, formal schooling, technical training, different levels and characteristics of teaching and learning institutions and processes, regimes of selection and exclusion. This is a world of difference, quite unpredictable, even unimaginable, at the time Marx wrote *Capital*. Yet, equally, from our historical vantage point, the development of industrial capitalism without the development of this knowledge base and the production and dispersion of differentiated ranges of knowledge across the working population, is also unimaginable. Although, retrospectively, it is possible to see that exactly the same issues about the production, exchange, and use of knowledge were present from the inception of the industrial revolution, it is perhaps only when they have achieved such a wide societal scale of significance that the analysis of the production, distribution, appropriation and use of knowledge in economies of labour becomes so evidently imperative. Adopting, from Polanyi, an anthropological method of inquiry towards novel forms of property rights, complex forms of appropriation both public and private, and processes of differentiation and distribution of different types of knowledge, an 'instituted economic process' approach is able to grasp the varied and evolving patterns of the circulation of

knowledge through knowledge-bearers in economies of knowledge. Obvious contrasts between guild and craft systems preceding industrial capitalism and the educational and knowledge production systems that developed especially from the 18th century onwards suggest, again, a co-evolutionary process between processes of production and reproduction of knowledge and developments in economic organization of industrial production. However, once more, there is no functionalist adaptation, and education systems are by no means confined to producing labour fodder. The dynamics, temporalities and scales of knowledge production and reproduction are so radically different from changes in industrial economic organization as to preclude any functionalist co-adaptation.

*The multi-modality of economies of labour.* From this analysis of the growth of knowledge and the generation and circulation of knowledge by knowledge-bearers, a key development is that capitalist economic development is multi-modal. It cannot be contained within a closed-commodity circuit conception of the economy. As has been highlighted by feminist economists, much work occurs outside the sphere of waged employment, notably in the household. Moreover, waged work is dependent on household, unpaid labour – although, again, one needs to emphasize that this is not a functionalist relationship. Beyond that household work of reproduction of labour – to which one must add care of the elderly, who require unwaged care for their continued well-being and livelihood – there is a generally hidden aspect of the unwaged work critical for any functioning commodity market. Consumers coordinate and integrate their purchases, not markets. And, though it is beyond the scope of this analysis of economies of labour, the significance of public and state economic activity is evident in many spheres, not least with the most symbolic commodity of capitalism – there would be no cars without roads, which despite many political conflicts, remain overwhelmingly public goods, rather than private tolled property. And there would be no *life* without water, which in many economies is a public good. As we have earlier emphasized, the neo-Polanyian view is that forms of non-market work – of work by consumers, household labour, the work of students and teachers in education systems – are continuously changing and vary significantly both between and within countries. The approach calls

for a historical and spatial analysis of the forms of organization of this rich variety of public state, domestic, and collective economic processes; and not just a labelling of them by reference to what they are not, the non-market processes. Critical for this analysis is the dynamic interaction between multi-modal economic processes and their organization in complex configurations of production, consumption, distribution and appropriation. The example offered here of economies of labour, and the significance of knowledge-bearers to interdependent collective and market processes, provides one point of entry to such an analysis.

*The multi-modal generation of social inequalities and intersectionality.* An enduring contribution of Marx's closed-commodity circuit conception of the economy was undoubtedly to pose the question of why an economy systematically generated inequalities, and, indeed, growing inequalities. The labour theory of value was his particular, time-bound answer. Our own perspective highlights the major significance of inequalities of rights over commodity resources – inequalities that persist and often intensify when people leave employment and enter retirement. Again, different pension systems, public, social collective, private individual and corporate-industrial, result in very diverse inequalities of rights over commodity resources.<sup>50</sup> The UK is currently engaged in a general degradation of these rights in a race to the bottom. So, this neo-Polanyian turn in no way aims to downgrade the significance of the systemic generation of unequal rights over commodity resources.

However, again partly because some processes were formerly less developed or visible, insufficient attention and analysis has been devoted to the systemic generation of inequalities over public, collective and social resources – and the intersection of this process with rights over commodity resources. Again, feminist social scientists led the way in pointing, for example, to the household as a site for generating gender inequalities, starting in life by the gendering of capacities and expectations within household social reproduction. The household remains a significant locus for the

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<sup>50</sup> Even public- or social insurance-based pension systems endow pensioners with differential purchasing powers to buy commodities, so constituting a varied and historically evolving interdependence between public, social and market economic organization.

intergenerational reproduction of knowledge inequalities: informal and formal educative processes within the household underpin and reinforce inequalities established by formal, non-household, education systems.

But the significant growth in public education and the raising of school leaving ages, pioneered and led by the USA and Germany from the mid- to late-nineteenth centuries, have raised the significance of unequal rights over public resources to a new level. Of course, assumptions are deep that only certain proportions of the population are educable to certain levels, and that therefore there is a quasi-natural distribution of educational opportunities. And economies at different stages of development can only afford to support education of restricted sections of the population, although clearly one country's inaffordability is another's affordability, if we observe national variations. A societal goal of equal education, equal devotion of educational resources to all, appears to be off the radar, even though deep assumptions concerning the natural proportions of the educable have been successively overturned and radically revised during the last century and a half. Regardless of whether or not the aim for greater equality over these public resources – in an intergenerational perspective – is attainable, our focus is on the analysis of how historically and geographically these inequalities have been, and are being, generated. There are distinctive modes of generating inequalities of knowledge, changing as educational, university and research institutions develop. Selection systems setting quotas and proportions of successes and failures, and financial support and withdrawal of support for students to continue in education, are amongst the varied institutional instruments for generating inequalities over public resources.

These inequalities are distinctive within nations, but they also reflect significant inequalities in the distribution of knowledge worldwide. They intersect and combine with global inequalities of commodity resources. Through the distribution of bearers endowed with knowledge capacities, and the huge inequalities in dedication of public resources to knowledge production and reproduction, distinctive additional dynamics of inequality are central to understanding international divisions of labour and hence global economic inequalities.

We have been concerned here over inequalities in rights to educational resources in particular, because of their intersection with economies of labour and hence the way in which they demonstrate how inequalities over public and commodity resources combine and mutually amplify each other. A wider analysis would, of course, be needed to extend this approach to the systemic generation of inequalities to rights over other kinds of public resources. Water has been mentioned, and in many places in the world economic organization systemically generates inequalities in access to this most essential public good. Rights to health care and care for the old, and indeed rights to roads and communication infrastructures, exhibit to varying degrees modes of generating inequalities over public, collective and social resources. In the welfare state literature, this is sometimes analysed via the distinction of public versus private, where the public is seen as redistributive of, or mitigating, the inequalities created in the private, market-commodity circuit: a contest between commodification of everything and de-commodification of critically important social goods. But that is a narrow and limited way of understanding the generation of inequality of rights over public resources, including within and by welfare state regimes.

In conclusion, we hope to have shown in this section how a positive critique of Marx's *Capital* and the labour theory of value – and his closed-circuit, time- and space-abstract, commodity economy – points the way towards a reconfiguration and revival of the materialist conception of history. Focusing on the inequalities systemically generated by economic organizations, and through that trying to gain an understanding of the potential forces and sources of change, remains central. But we have tried to indicate some critically important ways in which the analysis needs to be developed and renewed.

### III

The foregoing analysis also has implications for contemporary left thinking about strategies for change – strategies aimed in the first instance at reducing inequality, and holding out the prospect in the longer term of a society thoroughly grounded in just and realistic principles of equality.

There is a long tradition of socialist commitment to democracy, and of activism to defend and extend it. From his earliest writings Marx held out the vision of a form of democracy that would transcend the boundaries of parliamentary politics, to run the length and breadth of the social order; and in his mature political writings he asserted, as a necessity for the workers' movement along the way to a better society, the importance of fighting for democratic gains through trade unions, the ballot box, parliamentary representation and social reform. Even the Leninist tradition, with its instrumental attitude to what it called 'bourgeois' democracy, was generally opposed to the ultra-leftism of those who adopted an abstentionist attitude to electoral politics: a workers' movement unable to make serious headway through democratic elections where these were available to it was unlikely to find itself in a condition to win power by insurrectionist means. In the interwar period Leon Trotsky, for his part, waged a fierce battle against those in the Communist movement who dismissed the differences between parliamentary democracy and fascist dictatorship as being of no account.

Alongside these traditions, however, there were other tropes that were to prove fateful for socialism in the 20th century, justifying as they did – in the name of class struggle and the harsh necessities of political combat – now terror, now the erosion of democratic norms and practices, now out-and-out dictatorship and a wanton disregard for civil liberties and the protections of human rights. There is no need here to rehearse all of this sorry history, but one important aspect of it was the propensity amongst some on the left in parliamentary-democratic countries – people living under the rule of law, with whatever limitations this may have involved in any given case – to make excuses for undemocratic actions, and even open tyranny, elsewhere. The apologetics by western communists and fellow-travelling socialists and liberals for Stalinism (for the purges, the show trials, the gulag) were only the most glaring expression of that propensity. They reflected habits of mind that have persisted on the left to this day, long after the effective demise of the international communist movement.

For there are still voices in this quarter ready to identify with, or at any rate to make exculpating noises on behalf of, undemocratic movements and oppressive regimes. Thinking on the left about the relationship between anti-capitalist struggles, on the one hand, and struggles for democracy, on the other, sometimes displays a tendency to regard anti-capitalism as the primary commitment while democratic norms and procedures are treated as more open to compromise on its behalf. This tendency may perhaps be prompted by standard impulses of political partisanship: on account of which the ‘enemy of my enemy’ becomes, if not my friend, then at least someone to be looked on with greater indulgence. Thus, if capitalism is the main object of antagonism, then movements and regimes regarded as *anti-capitalist*, but which are also undemocratic, may be given an easier ride than the elected governments of capitalist democracies. But the tendency has some independent theoretical underpinnings as well. It treats the capitalist economy and the political structures of democracy as occupying separate domains, as it were, so that efforts to shift the former in a more egalitarian direction or to replace it with something radically different can, depending on circumstances, take or leave the democratizing requirements of a truly self-active popular movement.

Rescuing the socialist idea from the failed experiments of the twentieth century and the persisting tendency, in a part of the left, towards anti-democratic apologetics must continue to involve (as it has always involved) the insistence that central to the very conception of a transformative socialist-egalitarian practice is that it is democratic at the root: which means in every sphere of economic *and* political organization. Democracy is not just an optional extra. The commitments to anti-capitalism and democracy are indissolubly linked. The force of the critique of capitalist economies and polities is only weakened by any relaxation of that link in projected socialist-egalitarian alternatives to them. Egalitarian struggles have, today, to be part of the culture of universal human rights that has developed since World War II and is now backed by a global civil society. In light of the previous history of socialism, no mature political populace will readily accept the rationalizations of an earlier epoch regarding the supposed need to curtail democratic rights and liberties because of ‘the struggle’ or of the necessities of economic development.

But beyond these general points, we would argue, in addition, that there are considerations specific to the ‘instituted economic process’ approach that strengthen the case for not driving a wedge between economy and polity.

First, there is no pure or universal model of the capitalist economy or of the relationship at its heart, that between capital and labour. The economy not being a closed system, it and the capital-labour relation are always and everywhere partly formed by political processes and legal norms; they are not simply a product of economic power. As we have attempted to show in the previous section, such legal, political and other social structures are co-constitutive of the pressure on the possessors of labour-power to exchange it. All the more reason to see the project of improving and extending the democracy of the polity and that of establishing just principles of economic equality as intimately related.

It is, after all, an old socialist theme that the democracy of the state is bound to be flawed, at best, where it coexists with economic relations in which wealth is distributed as unequally as it is in every capitalist country (with whatever variations). In these circumstances political power and influence, too, are bound to be unequal. But the causal relationship runs in the opposite direction as well. A state, a party or a movement from which political democracy is absent, or in which it is severely restricted, is not well fitted to achieving egalitarian objectives. The historical evidence is overwhelming that power which is not responsible and accountable to those over whom it is wielded will tend towards decisions unduly favourable to the interests of those who exercise it and the social groups – classes, strata or whatever – to which they are most closely linked. Democracy with exceptions, curtailments and apologetic excuses will not only be uncongenial to any politically experienced electorate today, casting doubt upon the sincerity of the egalitarian ideals professed by those seeking power in pursuit of change, it is also inadequate to the tasks of a transformative egalitarian movement. Political democracy and social and economic equality are profoundly interdependent, and the want of either must distort and weaken the other.

Second, it is no longer feasible to think of socialist-egalitarian progress as turning upon a single axis of change, in which capitalist exploitation in the classic Marxian meaning is abolished. It is no longer feasible because the model of relative economic advantage and disadvantage on which that conception relied was itself too simple, as we have shown. There is not a unique and universal differentiation according to which one class simply owns productive material assets while another class simply does not. Though this is indeed still a relevant and crucial dimension of economic differentiation and one yielding great relative benefits to those on the better off – that is, the possessing – side of it, real capitalist societies are also characterized by a multiplicity of other differentials of comparative advantage, not all of them reducible to that which divides the owners of material means of production from the non-owners. There are gendered inequalities, differences in access to educational opportunity, differences in access to available work, or to well-paid work, and to space and housing and health and insurance, and to a clean environment and to water, and more. Combating exploitation cannot, consequently, be thought of as simply undoing the appropriation by one class of the surplus produced by another. A more comprehensive conception of what a just egalitarian distribution of advantages and disadvantages would look like is required.

Nor can this issue of the multiple sources of comparative advantage be finessed by referring it to the Marxian distinction between productive and unproductive labour – so that the *essential* division is said to be between capitalist exploiters and those engaged in productive labour for profit, while other categories of ‘unproductive’ worker supposedly share in the surplus appropriated by the capitalist class, share in it in exchange for servicing the consumer wants of that class. The very distinction between productive and unproductive labour is predicated on the theory of value – value as labour-determined – that we have shown to be conceptually incoherent. This distinction cannot survive the theory’s demise, and neither can any secondary theoretical argument which depends on it.

Furthermore, there are grounds for thinking that the Marxian focus on the (class) distinction between those monopolizing the means of production and those without access to any such material means played its part in what went wrong with the would-be

anti-capitalist revolutions of the 20th century. There was an assumption that collectivization of the means of production and state planning would, in and of themselves, halt the genesis of fresh inequalities at their source, so to speak. Abstracting from other possible sources of inequality, however, disguised from supporters of those failed socialist experiments the danger of new inequalities posed by state ownership of property itself.

The multiplicity of dimensions of comparative advantage is a conclusion with far-reaching theoretical consequences. It means, at bottom, that the conception of a route to socialism based on the abolition of class exploitation must give way to – or evolve into – one of a route based on a more comprehensive theory of just egalitarian distribution. The latter denouement is an ironic one. It is ironic when one bears in mind the dismissive attitude of so many within the Marxist tradition to normative liberal theory. But, in any case, realities of *political economy* – always the primary domain of Marxist research and argument – themselves dictate that outcome, since they are the site of many inequalities, multiple sources of differential advantage, dividing not only owners from non-owners, but also high-earning scientific personnel and earners in other relatively privileged categories from cheap labour; male from female workers; those with and those without higher education; people with ample pensions and people without; some with access to free or easily affordable medical care and others without; and so on. A society free of exploitation in the classic Marxian meaning would not, in and of itself, be a justly egalitarian one unless it were based on more generally just principles of distribution.

On the left today we are therefore confronted with a task of analysis and advocacy in support of the case that just distributive principles are egalitarian ones, and of explaining further what *specific* concept of equality is to be supported. For it is a well-known feature of the *general* notion of equality that it needs to be further specified before one can know what it entails. A plea for equality always invites the question equality of *what*? In face of the plurality of existing differences of comparative advantage and disadvantage, should the left be arguing for equality of resources, or equality of well-being, or equality of opportunity, or Rawlsian inequalities justified only when they benefit the least well-off,

or something else again? We shall not undertake the necessary task of analysis and advocacy here, but only insist on its being necessary, and the more so in the light of an ‘instituted economic process’ approach, highlighting as this does the many dimensions of privilege and lack that exist across contemporary capitalist economies.

We will add, merely by way of indication, that exact equality of resources cannot be the aim where differences of need are taken into account, and equality of well-being is also problematic as an objective if the free choices of individuals are to be respected, since free choices inevitably generate unequal results – owing to differences in luck and to good and bad judgement – and it is debatable whether, or how far, such different outcomes ought to be ‘levelled’ by interventionist public policy. Equality of opportunity is also not unproblematic. What is often *called* ‘equality of opportunity’, as things are, is plainly not at all that, given how inequalities in one generation get passed on to the next. The advantages which richer parents can buy for their children, in terms of better physical surroundings, better health care, better education, better everything, are bound to mean that their children have greater opportunities than poorer children. Genuine equality of opportunity – or something approximating it, for perfection in this domain, as in most, is likely to be unattainable – could only be based on a greater equality of condition in the parental generation, so to put it, and on serious efforts to counteract the disadvantages among its offspring that are passed on willy-nilly.

Thinking through these problems and proposing solutions to them is an indispensable theoretical undertaking, and its necessity and difficulties throw a cruel light back on the self-satisfied stance of those Marxists who still profess to believe that Marx, though he supplied so little in this domain, was pretty much just ‘right’ about the things that matter most.

Because an egalitarian, non-exploitative society would aim to provide a decent life for all its members according to just criteria of need, effort, desert and so on, the democratic political institutions of such a society cannot be persuasively theorized purely by reference to abolishing divisions of *class*. Everyone is to be included in rights of

citizenship and covered by the basic protections afforded by human rights. A reconstructed materialist politics must be as insistent on democratic rights and liberties as it is on the necessary transformation of global capitalism; as committed to the democratic traditions that have evolved within bourgeois societies as to the task of creating more egalitarian economic forms.

It is a striking feature of recent times and of the economic and financial crises with which the institutions of national, regional and international governance are still struggling that the left has mostly not been the clear beneficiary, in gaining fresh and vigorous mass support. Here and there Marx's name is invoked and his theories are commended as having a new – or revived – relevance. But such talk is principally at a superficial level; it is not translated into serious programmatic argument or policy recommendation, a state of affairs suggesting that the old Marxian 'unity' of theory and practice remains sundered. In the light of what has been argued by us here, this should not surprise anyone. Former models of socialist strategy or egalitarian politics, based as they centrally were on the closed-system conception of labour, exploitation and the capitalist economy more generally, need to be rethought from the bottom up.

They need also to be integrated – as they never properly were in the traditional Marxist political vision – in a fully elaborated ethical critique and alternative. One of the signal strengths of the original conception of a transformative socialist politics founded in historical materialist analysis was to insist that its critique of capitalism must be more than merely *abstract* criticism. It was to be grounded in (a) an understanding of real socio-economic tendencies, and (b) a real social movement capable of effecting change. At the same time Marx bequeathed to the tradition he founded a one-sided rejection of moral advocacy (sometimes formulated in overtly relativizing terms) that was out of harmony with the commitment to certain universal values implicit in his critique of exploitation. A reconfiguration of materialist thinking towards progressive change needs not only to improve on the economic analysis founded by Marx, but in so far as such improvements are called for, as we have argued above that they are, it must also be able to engage with normative arguments in the area of human rights and different

conceptions of equality and justice. No more than in Marx's day will a moral critique of capitalism suffice; but unless there is a moral case for socialism there is no case for it, and it needs to be properly articulated.