

**Jonathan Nitzan and Shimshon Bichler. *Capital as Power: A Study in Order and Creorder*. New York: Routledge, 2009. Pp. 464. \$140.00 (hardcover). ISBN 978-0415477192**

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The authors of *Capital As Power* wish, as they said in their own words at a recent *Rethinking Marxism* conference, to perform a ‘ctrl-alt-del’ on current political economy. The basis for this extreme assertion is the sorry state of value theory and the concepts that depend upon that theory, including capital. In place of the two standard theories of value (the neoclassical ‘utility theory of value’ and the Marxist ‘labor theory of value’), both of which have serious analytical and ontological problems, Nitzan and Bichler offer a theory that *capital is nothing but quantified power*.

I present here a brief overview of Nitzan and Bichler’s criticisms of the standard theories of value, then a summary of select elements of the theory of ‘capital as power’ (CasP), and finally some suggestions for how social justice activists and academics can use the theory. I hope to indicate to social justice thinkers and actors why the political economic theories on which they have relied are flawed and why CasP can provide useful, new analytical tools.

There are numerous and distinct criticisms of the standard theories of value, and Nitzan and Bichler summon a large number. They devote an entire chapter to the ‘neoclassical parable’, two chapters to the ‘Marxist entanglement’, and an additional chapter that asks ‘accumulation of what?’ and addresses the theories’ shared problems. While the problems with the standard theories of value are both analytical and ontological, the former difficulties emerge from the latter as ontological quandaries translate into major problems of analytical operation.

Both the neoclassical and Marxist theories postulate a ‘dual quantity’ conception of not only value, but ultimately reality itself. These theories give ontological primacy to entities that are unobservable, but nonetheless claimed to be ‘real’ and quantifiable. For neoclassical theory these

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are ‘utils,’ while the Marxist theory depends upon units of ‘socially necessary, abstract.’ Both theories claim a relationship between their postulated objects and observable, or ‘nominal,’ quantities, i.e. prices, profits, wages, while their distinct elements lead them to divergent claims about that relationship. Nonetheless, there is some surprising overlap between the two standard theories. The divergence and overlap align with what Nitzan and Bichler identify as the two ‘bifurcations’ of capitalist political economy: 1) between the ‘real’ and the ‘nominal’ and 2) between the ‘political’ and the ‘economic’. The disagreements between neoclassical and Marxist theorists of the relationship between the ‘economic’ and ‘political’ are based in their differences on value. Despite their differences on the purported basis of the ‘real-nominal’ distinction, they nonetheless share much common ground. This is demonstrated in common parlance about the financial crisis, particularly with claims about ‘asset bubbles.’

When an observer of political economy refers to a ‘bubble’, they are relying upon this nominal/real division and the ‘dual quantity’ theory of value and reality. The general story is that the observable price of the asset, whether real estate or tulip bulbs, departed from its unobservable ‘real value.’ Once the ‘nominal’ is severed from the ‘real,’ quantities become ‘fictional.’ The evidence of this ‘departure’ is usually after-the-fact reference to a drastic price decline. However, how are we to know that the price now corresponds to the value of the asset? Might not the price now be too low? Maybe it is still too high? Are all prices now in correspondence with their value, or just those deflated in the ‘bursting bubble’? The inability of political economists, regardless of their ideological or political stripes to answer these questions points to the analytical problems of their value theories. Neither neoclassical nor Marxist theorists can tell anyone when, if ever, prices are in agreement with their ‘real’ or ‘true’ values.

In the wake of this failure, political economists have made extensive use of the concept of ‘distortion’ to save their theories of value and avoid the difficult task of re-theorizing value. ‘Distortion’ is used to explain why, unlike physics, their unobservable ‘real’ entities cannot be used to explain observed reality. For neoclassical theorists, in a free market, where the law of supply and demand are allowed to operate and generate an optimal equilibrium, every factor of production, land, labor and capital, will be remunerated according to their marginal contribution to the creation of value. This value is ultimately realized as utility in the form of individualistic, hedonic consumption. So, as much as each factor adds to overall ‘happiness,’ it will be rewarded. Of course, other institutions intervene and ‘distort’ this outcome, preventing the optimal from being

realized. Therefore, market purists advocate as little 'extra-economic' involvement in the 'economic' realm as possible.

Marxists acknowledge a vital role for politics in the capitalist political economy, but still distinguish a 'productive' realm of surplus creation from the 'unproductive' realm of rent-seeking, which includes the political institutions. Distortion occurs when 'power' other than the direct expropriation of 'surplus value' by the owners of production intervenes to redistribute the surplus to various forms of 'rent,' now largely identified with finance. At the root of this analysis remains a presumption that we can distinguish between 'productive' and 'unproductive' capital, i.e. that which gets used by labor in the creation of value and that which is not, as well as between the 'economic' and the 'political.' Most Marxist political economists continue to subscribe to these as separate categories, even as they acknowledge their inter-relationship. Nitzan and Bichler assert that these categorical distinctions are deeply misleading and that, for the purposes of an empirical understanding of capitalist political economy, there is no possible distinction between 'production' and 'power.'

The problems with the standard theories of value have been known for a long time. Some of Marx's earliest interlocutors identified the 'transformation problem' of how value translates into prices. These debates continue, although they have largely been relegated to a theoretical backwater within the already marginal realm of academic Marxism. In the 1960s, leading neoclassical thinkers engaged in a debate with some prominent heterodox thinkers known as the 'Cambridge capital controversies.' Despite acknowledgement by leading neoclassical theorist Paul Samuelson that his opponents had exposed serious, if not fatal, holes with the neoclassical conception of capital that would have to be dealt with, neither he nor any of his successors actually did so. Instead, thousands of new economics grads emerge each year, confident that their concepts and categories are valid and useful. Dissatisfied with this state of affairs, Nitzan and Bichler have undertaken a project eschewed by political economy for more than a hundred years: to devise a new theory of value and capital.

The labor theory of value constitutes lead feet for our on-going attempts to understand the day-to-day vicissitudes of capitalism and the transformations that capitalists effect in their efforts to accumulate. Theoretical concerns aside, a more pragmatic question is: Where does a reduction to labor of the complexities of contemporary capitalist maneuvers actually get us? Most Marxists either 1) inappropriately rely on statistical categories such as 'real GDP,' which depends upon neoclassic-

al concepts,<sup>2</sup> 2) abdicate on-going quantitative analysis of capitalism, despite the fact that numbers define how capitalists understand and order their world, or 3) ignore the disaggregate world of business, favoring discussions of capital in general, with particular corporations – Ford, Wal-Mart, GE – serving as mere exemplars of the aggregate reality. These interpretive moves leave much analysis either unperformed or misunderstood. Unlike Nitzan and Bichler, I do not consider ‘ctrl-alt-del’ an appropriate metaphor for renewing political economy. There is a great deal of interesting, informative and useful political economic analysis being done. But this is in spite of, not because of, the standard frameworks. Much of this analysis would be invigorated by an abdication of the leaden categories that tie them to problematic theories of value.

Nitzan and Bichler, like Marx, consider accumulation the primary goal of capitalists. However, rejecting the dual quantity theories of value, the pair asserts that “capital is finance and only finance” (262). Monetary accumulation is not simply the ‘nominal’ representation of underlying ‘real’ accumulation. Rather, it is both the goal, as well as the means of assessing success. Given this assertion, Nitzan and Bichler turn to the mechanistic ritual employed by capitalists in assigning values to their fortunes: capitalization.

Ostensibly, capitalization represents the present value of an asset: expected earnings discounted for the probability that the earnings will not be realized. If expected earnings increase, then the price of an asset increases. If the riskiness of the earnings increases, then the price decreases. Nitzan and Bichler assign much more meaning to this formula than merely its quotidian operation as they claim that it forms “the central institution and key logic” of capitalist society (153). This primacy means the institutions that make capitalization possible form the necessary ground for capitalism. Although these institutions begin with private property, they also require quantifiability – property must be capable of being priced – and vendibility – owners must be able to buy and sell. So, while the ultimate target of anti-capitalists properly remains the juridical and psychic codes that legitimize and order private property, it also extends to the ritualistic mechanisms that allow a value to be assigned so that the property can be sold. We can see how aspects of Marx’s thought

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<sup>2</sup> Ask yourself precisely what ‘real GDP’ measures. It is meant to remove the growth effects of inflation. So, you ‘deflate’ nominal GDP by a price index. What does that price index represent? What are its units? What are the units of ‘real GDP’? How does it account for the changing qualitative make-up of total output? How does it deal with the redistributionary effects of inflation, given that not all prices rise equally? Nitzan and Bichler deal with these issues and the deep problems with such statistics in chapter eight.

inform this analysis. However, my understanding of how the capitalist logic plays out, and therefore how resistance ought to respond, is very different within CasP.

A central claim that Nitzan and Bichler make about accumulation, understood to be solely financial, is that it only makes sense *differentially*. In other words, it describes inter-capitalist relations. If a company grows by 10 percent, owners are displeased if the market as a whole grew by 15 percent. On the other hand, they may be pleased with a five percent decline if the market contracted by 10 percent. I will describe four important consequences that flow from this. First, the struggle of capitalism is not only between labor and capital, but also, and perhaps primarily, *among* capitalists. The rest of society, including labor, experiences this inter-capitalist struggle as collateral damage. Second, earnings stem not simply from the appropriation of labor-value generated by ‘productive’ workers, but from every relevant social relation that impacts expected earnings. More precisely, it stems from the ability of capitalists to control, influence and transform those social relations for the purposes of accumulation; in other words, their power. This capacity to create order – *creorder* – society is both ends and means. Consider the example of a beauty product firm. Their profits depend not only on the labor engaged in the manufacture of those products, but also on the myriad institutions involved in the social construction of ‘beauty.’ The owner-managers of such firms strive to *creorder* these institutions in order to differentially accumulate. This will occur both as a shared effort by all beauty product firms to engender and entrench certain social norms and a mutual struggle to differentiate. So, while both Elizabeth Arden and Revlon benefit from women’s general dissatisfaction with and anxiety over their natural appearances, they each push particular fads and fashions, with a great deal of mimicry as they respond to fashions generated elsewhere, including within subcultures that become co-opted.

These claims are not unique. However, similar analyses are without political economic coherence as long as they have been either 1) shoe-horned into Marxist concepts and categories built upon the labor theory of value or, 2) left adrift from theories of value that serve to unify analyses of diverse capitalist institutions. Third, contrary to the near-consensus that accumulation is synonymous with ‘economic’ growth, a differential perspective, emphasizing power, means a period of general decline, such as the current recession, need not be a crisis for capitalism. In fact, as long as the legitimacy of the institutions that make capitalization possible remains intact, capitalism is perfectly secure. Declines will

always redistribute capitalized power and a crisis for some means success for others.

The focus on capitalization has important consequences for how we understand the temporal process of accumulation, which then informs how we can understand resistance in the political economic realm. In Marxist and neoclassical theories, accumulation happens after production as profits are turned over into increased productive capacity. CasP recognizes that accumulation happens *before* the unfolding of the complex social processes that impact earnings based on *expectations*. Combining this observation with points made above, I wish to focus on three aspects of CasP that can inform resistance: 1) the arenas of resistance 2) the political economic aims of resistance 3) assessing the success of resistance.

It should first be stated that these points are not definitive or absolute in terms of how social justice activists ought to understand their own struggles. Rather, we can consider CasP to be a toolbox containing new concepts that may prove useful in transforming or dismantling the unjust social relations on which capital depends.

When we recognize that accumulation depends on earnings expectations and perceived risk, we can consider resistance as an effort to insert itself into this before-the-fact assessment. Market participants may consider efforts against a corporation or corporate coalition to be a threat to future earnings. The resistance will be quantified in terms of both its expected impact on the level and growth earnings and the increased risk it poses to those earnings. Because it is expectations that matter, threats need not actually materialize as reduced earnings. Although reassessment may deem a resistance effort to no longer be a threat and therefore valuation may return to prior levels, even increased volatility is contrary to the interest of capitalists. This obviously relates to the third point I wish to make with regards to the assessment of success. Resistance efforts can be deemed successful on numerous levels and the CasP concepts do not displace or replace these multiple layers of success. Rather, they offer a useful quantitative tool for political economic disruption campaigns, those that target a corporation or a corporate coalition: differential impact. If the duration of a campaign is associated with a pronounced differential downturn of the targets, then it seems reasonable to declare success on at least one level: the campaign hit the capitalists where it hurts.

Since accumulation depends on much more than just the arena of manufacturing, resistance needs to locate and confront capital in every social relation it draws upon in order to differentially accumulate. CasP informs an acknowledgement that social movements have social agency, regardless of size or tactics. Often this agency sees intervention in the

processes of accumulation, sometimes unwittingly. Rather than advocate that social justice activists broaden their targets and immediate demands, CasP unifies the diverse tactics and strategies that activists are already employing.

When we reject the labor theory of value we also reject the labor based prescriptions for accomplishing social change. This is a fact of theory catching up to practice as even self-identified Marxists, when they participate in social justice movements, have diversified beyond the clichéd practices of forming vanguard parties, trying to raise consciousness and rally ‘the workers.’ Often the efforts of a particular social movement are derided as not revolutionary. However, as we note above, the only challenge to capital in general is a challenge to the legitimacy of the institutions that make capitalization possible. In order to approach the radical juridical and psychic change required to delegitimize private property and transform the institutions of quantification and vendification, we must engage in on-going challenge to those who depend upon this legitimacy for their power. This demands that we consider the particular social relations on which the diverse corporate bodies of power depend and confront them in equally diverse ways. In the process, we are right to strive to improve the conditions of people’s lives, even as such challenges will redistribute power among capitalists. Further, some segments of capital are almost certain to co-opt efforts as they begin to achieve success, altering them to serve their accumulatory needs. Since every campaign short of toppling capitalism will, by necessity, contribute to redistribution or provide materials for co-option, we can stop lamenting these outcomes, recognize them as the workings of capitalism and resume the struggle.

The practices of capitalization demand a high degree of public openness by the publicly traded corporations that control the majority of capitalist assets. Yet, few social movement actors actively make use of these materials in the course of strategizing resistance campaigns. Although the corporations have an interest in translating this information such that it puts them in the best light there are securities disclosure requirements that constraint the degree of misrepresentation. When we properly understand the functioning of capital, and we recognize the vast qualitative differences among the business entities that seek to impose their order upon us, qualitatively different tactics of resistance become a strategic requirement. Accumulation is always contingent and we must be as well.