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The 1%, Exploitation and Wealth:

Tim Di Muzio interviews Shimshon Bichler and Jonathan Nitzan

1.

Tim Di Muzio: You argue that the capital as power framework does not offer a general theory of society but an incisive account of how capitalists shape and reshape our world through the logic of differential capitalization and accumulation. As you well know, the Occupy Wall Street movement has organized under the banner 'We are the 99%', opposing what they refer to as the global 1%.

Could the capital as power framework be conceptualized as the political economy of the 1%? If not, do you see any way in which the capital as power framework could contribute to a critical political economy of the 1%? Does your latest article on the asymptotes of power speak to any of these debates?

Shimshon Bichler & Jonathan Nitzan: Your question invokes the century-old dilemma of what kind of determinism we can impose on society and the world more generally. This dilemma emerged largely as a consequence of the second scientific revolution and parallel developments in logic and mathematics, and it remains largely unresolved. Is there a 'general logic' to be discovered, or is 'reality' fractured into multiple and possibly contradictory patterns? Should we adhere to the traditional identitary-ensemblist logic of Cantor's set theory, or should we follow Castoriadis' notion of the magmas - those fuzzy groupings that include yet extend beyond the traditional logic and that allow the *nomos* to partly defy the determinism of the *physis* (Castoriadis 1987: Ch. 7)? Are we to look for a singular totality, or should we follow Bohm's framework of infinite enfoldments (Bohm 1980; Bohm and Peat 1987)?

Modern theories and doctrines of society - from liberal political economy to Marxism to statism, as well as their many offshoots and fusions, from social systems to postism - tend

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to follow the traditional path, each imposing its own determinism, logic and rules. These impositions may be natural or historical, positivist or dialectical, simple or complex. Most of them imitate the determinism of the first scientific revolution, while a few, mainly of the postist variety, reject determinism altogether (although this wholesale rejection is itself a form of determinism). But whatever the approach, the imposition tends to be *universal*: each approach articulates its rules, structures and patterns (or their absence) in general terms, applicable to *society as whole*.

It is important to note, though, that the origin of these universal approaches is always *particular*: liberalism originally spoke for the interests of capitalists, Marxism for those of workers and statism for the state apparatus. And in each case, the particular starting point has been leveraged into a complete theory of society: liberalism claims the principles of utility and productivity to be inherent in every social atom; Marxism makes labour time the linchpin of both the accumulation of capital and the resistance of workers; and statism sees the imperatives of the state as the governing rationale of modern society.

Our own analysis of capitalism rejects these particular-cum-universal views. Our principal aim, as you indicate, is to understand not society ‘in general’, but the underlying logic of its ruling class. We call this logic the ‘capitalist mode of power’. If there is a meaningful determination in capitalism, we argue, it can be found only in the uncompromising ethos, rituals, institutions and organizations that the ruling class imposes on itself and everyone else. It is only here, in the ‘megamachine of capital’, that we can expect to observe fairly stable structures and patterns, or at least to estimate their statistical hierarchies and boundaries. Our research on dominant capital and differential accumulation strives to substantiate this view.

But the logic of the capitalist regime, although universalizing, is by no means intrinsic. It permeates everything, but it is not inherent. It does not spring up naturally, on its own. For this logic to exist, capitalists have to relentlessly impose, force and imprint it on every living tissue of society. And they are compelled to do so because enfolded in their logic is the greatest menace of all: an unknown magma of meanings and significations that capital cannot grasp or mould, but merely cap and withhold. This magma is like the infinite irrationality that pervades and upsets the apparent smoothness of Pythagorean rationality. It is the bedrock of humane resistance and change, the creative energy of society than hasn’t succumbed to the capitalist mode of power. And because this humane energy lies outside the logic of capital as power, it cannot be examined and analyzed – let alone predicted – by that logic.

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Now, on the face of it, this portrayal seems consistent with your suggestion: if we think of dominant capital as represented by what the Occupy movement calls the 1% and the underlying magma of humanity as proxied by the remaining 99%, can we not treat the theory of capital as power as the political economy of the 1%?

Unfortunately, the answer is not as simple as it may seem. Our framework seeks to research, theorize and negate the way in which the ruling class *creoders* - or creates the order of - the capitalist mode of power. And in that respect, it certainly resonates, at least in spirit and motivation, with the anti-systemic Occupy movement, particularly with those who emphasize autonomy and direct democracy. But we need to bear in mind here that the capitalist ruling class is not the same thing as the 1%, and that its mode of power cannot be reduced to a simple contrast between rich and poor.

Begin with the numbers. Who are the 1%, and who are the 99% that the Occupy movement calls 'We'? Strictly speaking, the 1% consists of the top income earners and asset holders in society. If we were to rank every individual according to what he or she earns and owns and set the top percentile as our cut-off point, those above that point will constitute 'the 1%', and the 99% below it will comprise the 'We'.

This, though, is not the only possible division. We can use any other cut-off point. For example, we can contrast the top 0.1% with the bottom 99.9%, or the top 10% with the bottom 90%, etc. These divisions are obviously all arbitrary, so their association with the ruling class is loose to begin with. More importantly, these divisions are usually used not to examine the structure of power or the ways in which this power is imposed, but to accentuate the contrast between the 'rich' and the 'poor'. Most commonly, they are marshalled to show that the top strata of society have 'access to resources' and live lavishly, while the bottom strata lack such access and are left to feed on the crumbs.

This focus on 'rich versus poor' is not accidental. The Occupy movement is largely a *reaction* to the current systemic crisis. The movement decries the outcome of the crisis, but, so far, it has had little or nothing to say about the causes of the crisis, let alone on what can be done about them. And this reaction is hardly unique. Note that the present systemic crisis started not in 2008, but in 2000 or even earlier, and that it was accompanied, from the beginning, by increasing counter-systemic reverberations. The reverberations were first felt in 1998 (a year after the 1997 Asian Crisis) with the anti-globalization demonstrations in Seattle; they continued with the growth of the ecological movement; and they spread further with the recent popular uprisings in the Middle East and elsewhere. However, so

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far, these counter-systemic movements, although full of energy, remain acts of protestation. They abhor the apparent injustice, inefficiency and corruption of the system, but they do not offer a meaningful alternative to that system. They point their finger at greedy corporations and financial intermediaries that ‘mismanage’ our resources and hijack our future; they accuse governments of being corrupt, complacent, or simply unable to regulate the ‘excesses’ of the system; and they blame these maladies for a growing inequality that allows the top 1% to engross a disproportionate share of society’s ‘wealth’. But they find it difficult to explain how any of these developments can be *fundamentally* altered.

In our view, the key reason for this difficulty is that these counter-systemic movements remain hostage to the very capitalist cosmology they contest. This cosmology - which all political economists, left and right, seem to share, and which the protesters, unknowingly, tend to reproduce - rests on three key premises. The first premise is that ‘economics’ and ‘politics’ are two distinct realms of society; the second premise is that the economy is an ‘objective’ productive entity that obeys a set of mechanical functions (in the liberal case) or historical laws of motion (in the Marxist one), and that politics either distorts this economy (in the liberal case) or supports it (in the Marxist version); the third and final premise is that the economy itself is further divided into two domains: a ‘real’ sphere of material production and consumption on which the economy rests, and a ‘nominal’ sphere of volatile money and speculative finance that often upsets the real sphere and throws it out of balance (for more on the capitalist cosmology, see Bichler and Nitzan 2012b).

This conventional viewpoint fractures society into numerous spheres, realms and systems that ‘interact’ with and ‘affect’ each other positively or negatively. In this fractured view, the income and wealth inequality between the 1% and the 99% are rooted in the objective laws of the ‘economy’. The main cause of inequality lies in the ‘real’ sphere of production (the high productivity of capitalists according to the liberals, excessive exploitation if we follow the Marxists), and its immediate impact is on the ‘real’ level of consumption (plenty for the 1%, little for the 99%). This ‘real’ inequality could be amplified by the ‘nominal’ sphere of the economy (for example, by the financial mischief of the banks, or the bubbly activity of stock-market speculators). The inequality then reaches beyond the economy to interact with the other spheres of society. It affects ‘politics’, ‘culture’, ‘ethnicity’, ‘race’ and ‘gender’, among other realms (for instance, by enabling the rich to ‘buy power’ and ‘influence’ government policy; by keeping the poor in a lifecycle of hard work, social deprivation and petty crime; and by accentuating racial, ethnic and gender divisions); and it is in turn affected by those very realms (for example, when lower corporate taxes augment inequality, or when unemployment and welfare payments reduce it).

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If the Occupy movement wants to offer an alternative to the capitalist regime, it has to shed this fractured cosmology. Capitalism is the most universalizing mode of power, and so should be the framework that seeks to understand and negate it. In our research, we have tried to study the fabric of capitalist power, its historical evolution and multifaceted manifestations. We have shown how seemingly distinct phenomena, which the social sciences associate with separate realms of society, can be examined as part of a single totality. We have demonstrated how different processes, organizations or institutions – be they asset prices, earnings, risk, credit, leverage and mergers and acquisitions (usually classified as ‘financial’); inflation, stagflation, unemployment, growth and productivity (‘economic’); state, government, the army, violence, political parties, NGOs and social movements (‘political’); communication, public relations, advertising, propaganda, entertainment and religion (‘cultural’); or wars, peace treaties, energy conflicts and superpower confrontations (‘international’) – all get quantified, capitalized and integrated into the megamachine of capital as power.

The quantitative manifestation of this complex megamachine is a matrix of differential income streams and asset holdings that maps the distribution of capitalist power. One of the many measures included in this matrix is the indicator that the Occupy movement has rallied against: the income and asset share of the 1%. But if we wish to use this index, we should understand it not as an ‘economic’ measure of ‘access to resources’, unequal ‘standards of living’ or ‘distributive injustice’, but as an indirect proxy for capitalist power.

We use a similar power proxy in our recent paper on ‘The Asymptotes of Power’ (Bichler and Nitzan 2012a). Figures 16 and 17 in the article plot the ups and downs in the income share of the top 10% of the U.S. population since the late 1920s, showing its historical U-shape and the fact that its respective peaks were recorded during the two systemic crises of the 1930s and the 2000s. This focus on the top 10% of the population is meant to highlight the power not only of dominant capital, but also of the thick ‘power belt’ of managers, lawyers, accountants, journalists, public officials, opinion makers and other professionals that surrounds, serves and protects the mode of power and the class that rules it. The charts also show that this broad proxy of power has been positively and tightly correlated with the ‘correctional population’, measured by the share of the U.S. labour force that is in prison, in jail, on probation and on parole. The paper uses this and similar correlations to suggest that, in the 1930s and again since the 2000s, the rising power of dominant capital and its power belt was predicated on increasing sabotage, rising fear and growing pains inflicted on the underlying population. If this trajectory were to continue, the paper argues,

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capital would be pushed toward the asymptotes of its power, with untold consequences for the future of humanity.

This pronouncement, though, is no more than preliminary. The problem is that the measures and proxies we use to critique the capitalist regime, including the income shares of the top 1% and 10%, are generated by the capitalist regime itself. They are based on and drawn from a conceptual and statistical infrastructure created for capitalist purposes, mostly by capitalist organizations and the government organs and NGOs that serve them. These categories and measures work to bolster the mode of power and those who rule it, in part by concealing the very existence of this regime and hiding the identity of its masters. In order to tease out from the data what they seek to hide, we need bend the categories and reinterpret the measures - and even then, the results often highlight no more than a small fragment of the larger totality.

Obviously, this is not the way to go.

Many in the Occupy movement, particularly the anarchists, imagine a world without corporate/state organizations, nationalism, racism, institutionalized religion and other xenophobic barriers to a humane society. And as outcasts of a society besieged by all those ills, we share their aspiration for direct democracy. But we very much doubt that these goals are served by rallying against the 'Wall-Street-Washington Complex', 'financialization', 'American Imperialism' and 'the 1%'. If the Occupy movement wants to change the world, it should resist the temptation of catchy slogans and put aside worn-out theories and dogmas, and instead develop its own novel understanding of how the capitalist mode of power operates.

And that novel understanding cannot be concocted out of thin air. It needs an alternative conceptual and statistical infrastructure from which to grow, and such an infrastructure can only come from *re*-researching: from seeking new facts, from inventing new categories, from developing new methods of inquiry, from devising new systems of accounting and measurement and from building new theories.

In our view, the first step in that direction is an *independent, non-academic research institute*. The Occupy movement needs an autonomous organization that will theorize and empirically research the capitalist mode of power with no strings attached. Arthur Koestler titled the first volume of his autobiography *Arrow in the Blue* (1952). The 'arrow' in the title stood for political action, while the 'blue' represented contemplation and theorization

- and according to Koestler, although he engaged in both, he could never engage in both at the same time. An autonomous research institute may help mitigate this problem: the institute will inform the struggle, while the struggle will raise questions for the institute to grapple with. By finding out what capitalism is, the movement might then be able to articulate what it wishes to have in its stead and how to fight for what it wants to achieve.

2.

Tim Di Muzio: Marxists have a number of disagreements with the capital as power framework. But it seems that one of the most prominent is that the framework eschews the labour theory of value in favour of a new power theory of value that sees accumulation not as a narrow offshoot of production, but as a broad power process. For Marxists, since exploitation is rooted in the production process and is the expropriation of surplus value, abandoning this idea means that there is no reason to struggle against capitalism, let alone a justification for democratic/socialist/communist revolution. How, then, might the capital as power framework contribute to a practical and/or philosophical justification for resistance or revolution? Furthermore, is there any relationship of exploitation in the capital as power framework? Does the concept of exploitation matter at all to your approach?

Shimshon Bichler & Jonathan Nitzan: Marx studied capitalism as a mode of production. But for him, the capitalist mode of production meant not merely a 'productive system', or even as an 'economic system', but as an entire societal regime - the regime of capital. He was interested in the underlying structure and dynamics of that regime: What brought this regime into being and made capitalists its rulers? How had this regime developed? What would come in its place? To answer these questions was to decipher the underlying *forces* that shape change and resistance to change, to discover the *mechanisms* that stabilize and transform social reality, to lay bare the *rules* that govern the broad contours of social action and its historical evolution. To answer these questions, in other words, was to understand the nature of *power in society*.

The secret to such an understanding, Marx argued, lies in production and, specifically, in its relationship to labour. Following Hegel, Marx saw labour as a deeply dialectical process. Labour enables human beings to discover their subjectivity and manifest their societal existence - but it is also the means through which they are being controlled by and subjugated to others. In capitalism, the worker creates goods and services, yet the capitalist uses those goods and services against their own creator. In this way, labour becomes the chief leverage of societal power - as well as the leading agent in the abolition of that power.

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According to Marx, the engine of the capitalist regime is the exploitation of industrial-productive workers. The capitalist extracts the surplus labour of these workers - which he then ploughs back into production in the form of accumulated capital with the sole purpose of extracting more surplus labour in order to accumulate more capital. The process gains momentum through incessant technical change and increasingly 'rational' means of organizing production and consumption. Industrial workers and machines get entangled in a Gordian Knot that makes them increasingly productive and profitable. The stock of capital grows in volume and value, and that growth empowers its capitalist owners, disempowers the workers and fuels the class struggle between them. Around this skeleton of industrial production, exploitation and struggle grows the political, legal and cultural fabric of capitalism. And the totality of these relationships is what Marx calls the capitalist mode of production.

Now, on the face of it, this portrayal suggests two important similarities between Marx's view and our own theory of capital as power. First, both frameworks are concerned with *social power writ large*. For Marx the question is how production and exploitation, organized through the process of accumulation, dictate the totality of human relations in capitalism; whereas for us the question is how power relations - including the power relations between capitalists and workers (although not the Marxist relations) - are capitalized to *creorder*, or create the order of, this very totality. Second, both theories see capital accumulation as the key mechanism of social power - and *no more*. Capital is a means of control, not an agent of creation. In and of itself, capital is barren. Societal creativity - the transformation of nature and society for the good life - is the work of productive labourers (in Marx) and of the social hologram less the capitalists and their power apparatus (in our theory).

But underneath the similarities there is also a crucial difference. For Marx, capital is logically and historically conditioned on labour, and specifically on wage labour: without wage labour, there could be no surplus value and therefore no capital and no capitalism. By contrast, in the theory of capital as power, wage labour is a critical component - but not the only critical component - in the emergence of capitalism. Furthermore, the importance of wage labour lies not in the surplus value it supposedly generates, but in its relation to the reification of force. Capitalism, our theory argues, is a system of capitalized power, and the wage contract is the institution that quantifies, commodifies and eventually helps capitalize the direct power of capitalists over workers.

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During the early stages of the bourgeois revolution, the relationship between owners and workers dominated the power structure of the European bourg. The wage contract helped depersonalize and abstract this structure. By making labour a vendible commodity, it relieved owners of any responsibility for their workers beyond the daily wage, it gave workers a mobility that feudalism forbade, and it anchored both in a new morality of liberty and opportunity. The wage contract first appeared in warfare (the hired soldiers of the communes) and then in production (the 'blue nail' cloth workers), and as the institution spread, the ability of capitalists to constantly and flexibly creorder the nature and overall architecture of their power increased exponentially. The wage contract forced workers to become ever more efficient in ways that slaves and serfs could never be made to be; it helped capitalists divide and conquer workers when the latter attempted to organize and resist; and it enabled the bourgeoisie to leverage the power embedded in this new structure in their struggle to topple the feudal regime.

But the power enabled by the wage contract, although crucial in the early stages of the bourgeois revolution and still very important today, is only one aspect of capitalist power at large. Not only has the power of capitalists over workers expanded beyond the labour day and into consumption, leisure, culture and politics, but capitalist power more generally has now penetrated every corner of society, from ideology and the genetic code, to the law, politics and international relations, to the future of the environment and the very survival of humanity.

To see the crucial implications of this difference between exploitation in production and power at large, we need to examine Marx's argument more closely before returning to the theory of capital as power. The starting point is valuation. Because capitalism is a system of commodities, and because commodities - and the social groups behind them - are related through prices, any general theory of capitalism must rest on a theory of value. Marx based his own theory of value on labour time - and more specifically, on *socially necessary abstract labour time*. The exchange value of commodities, he said, depends on the average productive labour needed to make them (the socially necessary aspect), and this socially necessary labour, he continued, can be measured in universal (read abstract) units. In this way, the labour of productive workers, properly socialized and abstracted, becomes the elementary particle on which the entire logic of capitalism rests.

This quantitative aspect of the theory - i.e., its reliance on the *magnitude* of socially necessary abstract labour time - is the heart and centre of Marx's scientific socialism. Marx claimed his theory to be superior to the bourgeois alternatives, partly because it did

something they couldn't: it *objectively* derived the rate of profit – the quantitative compass of capitalism – from the material conditions of the labour process. Prices of production, he wrote, 'are conditioned on the existence of an average rate of profit', which itself 'must be deduced out of the values of commodities. . . . Without such a deduction, an average rate of profit (and consequently a price of production of commodities), remains a vague and senseless conception' (Marx 1909, Vol. 3, pp. 185-86). The very same point was reiterated by Engels. 'These two great discoveries', he wrote, 'the materialistic conception of history and the revelation of the secret of capitalist production through surplus value, we owe to Marx. With these discoveries socialism became a science. The next thing was to work out all its details and relations' (Engels 1966, Section I).

And this is where the problem begins.

First, neither Marx nor his followers have ever been able to offer an objective way of measuring socially necessary abstract labour. This failure is crucial, since, without this elementary particle, their science is akin to physics without mass or chemistry without the periodic table: it loses its explanatory power. And the science is just half the problem. The other half is Marx's political rejection of capitalism – a system based on an unjust and contradictory process of exploitation. And here, too, there is a difficulty.

As noted, for Marx exploitation is a quantitative concept, based on units of socially necessary abstract labour. But if these abstract units cannot be shown to exist, let alone be measured, on what *scientific* grounds can one claim that capitalism is exploitative and therefore objectionable and unsustainable? Moreover, how do we decide what is socially necessary? Marx tried to solve the problem by stating that the socially necessary cost of labour power is the actual wage as dictated by the particular epoch and concrete societal context, and that surplus value is simply the remainder left when this wage is deducted from the worker's product – but this solution was dangerously circular, not to say irrefutable.

A second, related hurdle has to do with the separation between 'productive' and 'unproductive' labour. According to Marx's theory, the two types of labour are very different: productive labour produces value and surplus value, whereas unproductive labour merely consumes those values. The key difficulty here is to decide who is productive and who is not, and Marxists have found themselves having to invest much time and effort trying to sort it out. Unfortunately, most of this time and effort has been spent for naught. Contrary to common belief, 'productivity' is not a straightforward, objective

concept; it is replete with highly subjective considerations, which in turn makes the entire problem theoretically insoluble and empirically intractable. Worse still, even if the productive-unproductive division were crystal clear, there would still remain the equally daunting challenge of fitting it into the broader theory.

During the twentieth century, the relationship between the so-called ‘surplus using’ and ‘surplus producing’ sectors became top-heavy, with the unproductive sector apparently growing much faster than the productive one. This development was unknown to classical Marxism, so the challenge was to develop *neo-Marxist* explanations that would sort out which sectors serve to ‘offset’ or ‘absorb’ the growing surplus, and how. Some theories concentrated on the unproductive governmental, legal and military arms of the state. Others emphasized the unproductive managerial, marketing and sales apparatuses of large corporations. And still others pointed to the growing process of ‘financialization’, in which banks, insurance companies, real-estate firms and other unproductive intermediaries suck in increasing chunks of surplus.¹

This emphasis on surplus absorption, though, had one serious shortcoming: it endowed the shrinking productive sector with ever-greater surplus-generating capacity. To avoid this rather implausible assumption, other theorists, particularly those associated with ‘cultural’ or ‘political’ Marxism, opted for a more creative solution: they made surplus generation and absorption look more balanced simply by shifting sectors from one side of the equation to the other. One example of this fix was offered by Henry Lefebvre (1991; 2003), who made the city part of the productive base – a daring feat for which he was expelled from the French Communist Party. Another was given by Louis Althusser (1971), who, conjuring up ideas from the Frankfurt School, sorcerously moved political ideology into the productive base. In so doing, he made the state a potential partner to capital in generating surplus and accumulating capital, thus opening up a whole new field for subsequent generations of cultural and statist Marxists to capitalize on.

The chief casualty of these explanations and fixes was the labour theory of value. With no agreement on what constitutes socially necessary abstract labour time, and with no ability to

¹ Later on, many Marxists would switch to emphasizing the negative effects of ‘financial’ or ‘nominal’ capital, which, in their view, eviscerates and destabilizes capitalism – in contrast to ‘productive’ or ‘real’ capital’, which propels it forward (albeit with plenty of contradictions). The problem with this view is that nobody knows exactly how to distinguish financial from productive capital in the first place. This difficulty never arises in our own work, which argues that there is no such thing as ‘real’ or ‘productive’ capital, and that *all* capital is finance – and *only* finance. This solution, though, contradicts the basic real-nominal duality that all political economists adhere to, so obviously it cannot be accepted by Marxists.

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decide who is productive and who is not, the scientific core of Marxism – the quantitative theory of prices, distribution and accumulation – broke down. And with the theoretical core decimated, the notion of exploitation lost its clear meaning, the capitalist laws of motion dissipated, and the logic for resisting capitalism became opaque.

This void leads us to the third problem: the broader Marxist theory of politics. According to Marx's logic, the state and the law – as well as culture, religion, international relations and globalization, among other processes – are all causally tied to and ultimately steered by the generation of value and surplus value. In the final analysis, national parties, foreign policy, regional wars and superpower conflicts – as well as their countertendencies, from protest and reform to utopias and revolutions – should all be traceable, directly or indirectly, to the productive base of economic valuation and exploitation. But are they?

Many Marxist careers have been devoted to articulating these complex dialectical derivations. But the empirical-historical evidence to substantiate these articulations is not that impressive. In the end, it is hard to discern any connection between the exploitation of productive workers in Britain in the 1950s and the country's foreign policy in Iran; between the changing rate of exploitation in twentieth-century South Africa and the institution and dissolution of Apartheid; or between the rate of exploitation in contemporary Chinese manufacturing and government prosecution of religious sects – particularly when the rate of exploitation itself is not only unknown, but unknowable.

We need to remember that Marx fashioned his theory of value after the liberal version of David Ricardo. Ricardo's theory, conceived during the first half of the nineteenth century, reflected the early stages of European industrialization, when capitalists were still struggling to shape and control their emerging regime. At the time, it seemed reasonable to associate the soaring profitability and accumulation of factory owners with the explosive expansion of their industrial activity and the horrendous conditions enforced on their industrial workers. But this emphasis that led Marx to base his own value theory on 'industrial exploitation' is historically bounded: what seemed obvious in Victorian England started to look increasingly out of sync in the twentieth century and became practically irrelevant in the twenty-first; it is grossly insufficient if not utterly misleading for understanding contemporary capital accumulation; and it is a dangerous starting point for developing non-capitalist, democratic alternatives.

And here we come to the fourth and final difficulty: the class struggle. If we follow Marx and anchor this struggle in the underlying notions of production and exploitation, we

inevitably end up with a narrow clash between the owners of the ‘means of production’ and their ‘productive’ workers – while the rest of the population, classified as ‘unproductive’, is pushed to the sidelines. This understanding of the class struggle was a keystone of many twentieth-century revolutions – from the Russian and the Chinese to the Cuban and the Cambodian. Resistance to capitalism and capitalists excited the followers of these revolutions, while socialist dogma assisted their liberation struggles, solidified their national identity and helped their initial industrialization. But soon enough, the socialist projects faltered, inflicting incalculable costs on the underlying population.

Marxists often blame those failures on unfortunate ‘mistakes’, adverse ‘externalities’ and the ‘special circumstances’ that enabled gang leaders such as Stalin, Mao and Pol Pot to hijack the revolutions. But there was also a deeper, systemic flaw that Marxists, understandably, prefer to ignore: the revolutionaries relied on an *inadequate theory of value*. In Cambodia, for example, the Khmer Rouge turned their society upside down on the premise that the labour of city dwellers was largely unproductive. Cambodian society, they said, would be better off if its urban population were to be relocated, en masse, to the agricultural countryside, where it would become productive and create value instead of just consuming it (Samphan 1976; Mackey 2011). A similar template was followed by the Soviet Union, China and other socialist experiments, where assumptions about the ‘creation of value’ underpinned massive forced relocations and grandiose ‘productive’ projects that ended up killing millions and subjugating the rest to ruthless tyrannies. (According to Solzhenitsyn (1974), in the Soviet Union surplus and growth were generated by and benchmarked on the simple labour of the abstract Gulag.)

All of this serves to suggest that capitalism cannot be effectively resisted, let alone replaced, if we misunderstand what it means and how it operates. Protest and revolution occur for many different reasons – all mediated by notions of justice and dignity, the sense of having nothing to lose or something to gain, the image of an alternative and the confidence of achieving it. This complexity, although recognized by Marxists, can be linked to their theory only from the outside. For Marx, the bearer of revolution is the ‘productive’ working class. And yet, in the twentieth century, industrial labourers were often conservative and indifferent, and sometimes hostile, to revolutionary change. Can this failure be attributed entirely to ‘false consciousness’ – or might the fault lie in the very definition of ‘productive workers’ as a class and in the labour theory of value that makes this class the vanguard of progress? And then, what are we to make of the many uprisings and revolts spearheaded by students (from May 1968 to the present Occupy movement), veterans (Europe after WWI), women (from Argentina to Nigeria), the ‘homeless middle

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class' (Israel), civil-right activists (from Northern Ireland to the United States), peasants (from France to Mexico), blacks (from Haiti to South Africa) and the 'unproductive' marginalized masses (from the dawn of capitalism to the Arab Spring), to give a few examples? Are these all the roundabout consequences and derivatives of the class struggle between productive workers and capitalists - or do we need to rethink the meaning of classes in capitalism?

The theory of capital as power helps us transcend the narrow confines of the so-called industrial class struggle. Capitalism, it argues, is a system of quantified power, synthesized and creordered through the ever more encompassing ritual of differential capitalization. The power of capitalists over production and labour certainly is a significant aspect of this system - but it is merely one aspect of many, and not necessarily the most important one at that. Every power process that affects expected earnings, risk or the normal rate of return can be capitalized, and whatever gets capitalized becomes a facet of capital. The importance of any of these power processes - be they in production, consumption, culture, public policy, religion, war, the natural environment, or genetic engineering, to name a few - should be determined not *a priori*, but based on their relative contribution to capitalization.

In Marx's theory, real capital - and the resistance to that capital - is to be found in the productive factories of the industrial sector. Finance in this framework is 'fictitious' capital, a distinct nominal realm that lives off, absorbs and distorts the surplus generated in production. The theory of capital as power is completely different. Finance, it argues, is not a separate addendum to capital, but the only capital. All capital - whether we call it General Electric, Omnicom, JPMorgan Chase, the Government Pension Investment Fund of Japan, or the China Investment Corporation - is financial and only financial. Finance is the brain and nerve centre of the capitalist megamachine, a matrix whose *raison d'être* is to automate human beings and sacrifice humanity to the Moloch of power. Unlike Marx's capitalist mode of production, whose built-in kill switch ascertains not only the system's eventual demise but also its replacement by a better, socialist society, the capitalist mode of power does not have a pre-determined path. As we have tried to show in 'The Asymptotes of Power' (Bichler and Nitzan 2012a), capitalist power certainly has limits. But transcending those limits neither is automatic nor does it guarantee a better society. It can lead to socialism or barbarism - as well as to other forms of social existence, and even to the annihilation of society altogether.

In our view, the all-encompassing drive of capitalist power and the open-ended nature of its alternatives constitute a much deeper reason to abolish capitalism than mere exploitation does. These features mean, first, that the potential bearers of this radical transformation are not only industrial workers, but humanity as a whole; and second, that the outcome of this effort will depend not on historical laws of motion, but on understanding the concrete challenges of capital as power and on being able to negate them by reordering a humane, democratic alternative.

3.

Tim Di Muzio: In the annals of political economy, debates on the origins of ‘wealth’ loom large. How might the capital as power framework intervene in these debates, particularly given the gross disparity of compensation in the world and the right-wing justifications for the appropriation of income and wealth? Are investors and those charged with investing and managing their money really wealth and job creators and more productive than their counterparts in the working class?

Shimshon Bichler & Jonathan Nitzan: References to wealth are as ancient as class society. In every mode of power, the rulers command material resources that they use for various purposes, from self-glorification and conspicuous consumption to productive projects and destructive war-making. Throughout much of history, the possession of wealth was limited to a narrow stratum of society, and it is only with capitalism that the concept has gained wider appeal. Instead of the exclusive wealth of a few, political economists started to talk about the wider ‘wealth of nations’, a fuzzy concept that economists would subsequently replace by the seemingly more accurate ‘gross domestic product’ and the ‘standard of living’.

The key to this liberal ‘wealth’ is the capital stock. In economic parlance, both mainstream and Marxist, capital denotes ‘productive capacity’. This capacity can take different forms. It can appear as plant and equipment (for example, a GM factory); as structures (the head office of Mitsubishi); as natural resources (the oil of Saudi Arabia); as human bodies (the workers of the United States); or as knowledge (the inventions and innovation of GE). But regardless of its form, the essence is always the same: an ability to create goods and services that generate utility (in the liberal version) or use value (in the Marxist one).

Our own view is very different. Capital, we argue, is not productive capacity but commodified power. As a legal ownership construct symbolized in financial terms, capital

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stands outside the process of production. It has no role in industry, broadly understood, and it therefore cannot create jobs or output, by definition. If anything, the impact of capital on these categories is entirely negative. In order for capital to accumulate, its owners have to strategically sabotage, restrict and inhibit the creative faculties of humanity below their full potential. This suppression serves to augment the wealth of those who administer it, but the increase is entirely redistributive; it is achieved by curtailing the wellbeing of others, as well as of society at large.

To understand the problem with the conventional view, we need to go back to the Europe of the eighteenth and nineteenth centuries. During that period, a totally new phenomenon appeared on the historical scene: growth. Until that time, the per-capita levels of production and consumption and the so-called standard of living (however measured) changed very slowly, if at all. There were occasional increases, but these were usually offset by subsequent decreases. Life expectancy, health, energy use and caloric intake, to mention a few key indicators, fluctuated within fairly narrow bounds. And for as long as this stable pattern persisted – which means for much of human history and prehistory – distribution was a matter of conflict and power: for some to have more, others had to have less.

This imperative was removed with the emergence of growth. The early signs of this growth appeared in the budding European bourgs in the first half of the second millennium CE. But for a few hundred years, little of this growth spread to the predominantly feudal landscape, where inertia and stagnation prevailed. It was only in the eighteenth century that growth started to gather momentum and gain the attention of theorists and ideologues; and it was only in the nineteenth century that it became a defining moment of human affairs – first in Europe and then in the world as a whole.

This change had a profound effect on the nature of redistribution. While society had previously moved in a closed loop, now the skies were the limit. It seemed that, for the first time ever, it was possible for everyone to have more – or at least for some to have more without others having less. And this possibility has kept theorists and ideologues debating the question ever since: who ‘deserves’ to get which piece of the growing ‘pie’?

The answers, almost invariably, are anchored in production. Before the eighteenth century, the ruling classes justified distribution mostly by religion: different social groups were said to receive whatever the gods wanted them to have. But with the appearance of growth, the justification changed. The secular-scientific revolution introduced a new mechanical cosmology, and the classical political economists – the new theorists of society – fashioned

their explanations along similar lines. Matter can change its form but it always retains its mass, and the same law of conservation applies to society. The only way to increase output – or what Adam Smith called the ‘wealth of nations’ – the political economists argued, is for the different social classes to increase their ‘productive’ inputs. And with philosopher John Locke asserting that people have the right to own what they produce, the road was open to tying distribution to productivity.

During the eighteenth century, the struggle between the rising bourgeoisie and the declining nobility pit Adam Smith against the Physiocrats. The Physiocrats, who spoke for the nobility, argued that the source of all productivity lay in agriculture, whereas Smith, who represented the bourgeoisie, suggested that productivity was increasingly coming from manufacturing. The two theories helped explain rent and wages, but they got stuck when it came to profit. The difficulty arose because the early political economists thought that there were only two factors of production – labour and land – and that capital was merely an auxiliary that did not possess intrinsic productivity and therefore did not deserve an income. But if so, whence did profit come?

There were many attempts to answer this question. Some, like Nassau Senior (1836), argued that capitalists are compensated for their ‘abstinence’ while their capital is tied in production. Others, such as Alfred Marshall (1920), thought that profit compensates capitalists for the time they ‘wait’ until their capital returns. And still others, such as Herbert Spencer (1904), William Sumner (1920; 1963) and Ayn Rand (1966), took a more biological path, claiming that profit was due to the superior human traits of capitalists. But it was only in the early twentieth century that profit was put on the solid footing of productivity. The breakthrough came with J. B. Clark (1899), who declared that capital was not a mere accessory, but a full-fledged factor of production, on par with labour and land. Each factor of production, he maintained, has its own productivity; and under conditions of perfect competition, the owners of these factors – capitalists, workers and rentiers – each receive an income proportionate to the marginal productivity of the factor they own.

It should be mentioned that neither Clark nor his successors ever demonstrated this correspondence between productivity and income, and for a simple reason: productivity is not a knowable, let alone a quantifiable, attribute or trait. This failure, though, didn’t bother the theorists in the least. On the contrary, it gave them a carte blanche to draw wherever conclusions they felt appropriate. Logically, the theorists should have proceeded from productivity to income. For example, to explain the very high profit-to-wage ratio, they should have first measured the relative marginal productivities of capitalists and

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workers and then demonstrated that the latter measure was equal to the former. But since productivity in general and marginal productivity in particular cannot be known, the theorists have made it a habit to go in reverse. Their practice, from day one, has been to claim that the high profit-to-wage ratio *proves* that capitalists contribute that much more than workers. . . .

And this reverse template has been exploited to the fullest. Whereas Clark spoke of three factors of production, his successors have extended the list significantly, if not infinitely. First they divided and subdivided each factor, so that we can have as many different *types* of ‘capital’, ‘labour’ and ‘land’ as we wish. Then, they invented brand new factors - from ‘technology’ to ‘organization’ to ‘knowledge’, ‘symbols’, ‘culture’, ‘social networks’, ‘education’, ‘training’, ‘innovation’, ‘risk taking’, ‘entrepreneurship’ and ‘arbitrage’. Supposedly, these newly concocted factors are all endowed with their own distinct productivities, all accurately revealed - or so we are told - by the incomes of their alleged owners. We say ‘alleged’ because, in many cases, the identity of the owners is not entirely clear (who possesses ‘knowledge’, who owns ‘organization’ and who is the proprietor of ‘culture’?) But these questions too haven’t unsettled the income-by-productivity experts. On the contrary, they gave them additional room to manoeuvre. For example, when the earnings of a corporation, a group of workers or a even a whole country seem to ‘exceed’ (or ‘fall short of’) what is implied by the first-tier inputs of labour, land or capital, the pundits conjure up the contributions of second-tier inputs such ‘technology’ (Microsoft is said to be knowledge-rich, whereas Sears isn’t, hence Microsoft’s higher income), ‘entrepreneurship’ (software analysts take initiative while miners don’t, hence the former’s higher wages), or ‘risk’ (Germany was willing to take it while Italy wasn’t, hence Germany’s higher growth rate). Go prove otherwise.

And that isn’t the end of the story. Having succeeded in elevating capital from an auxiliary to a full-fledged factor of production, economists have decided to take the next logical step and declare that *every* factor of production is capital. The idea was first floated by Irving Fisher more than a century ago (1896). Capital, he argued, is not a ‘special’ commodity. In fact, any commodity, observed as a ‘stock’ at a give point in time, is capital. Fisher was still thinking in traditional economic terms, so his examples were drawn mostly from the tangible process of production. But his successors were no longer so hindered, and they have gradually imposed the concept on more and more social entities. Consequently, we are now enriched by ‘social capital’ (Hanifan 1916) ‘human capital’ (Becker 1964), ‘symbolic capital’ (Bourdieu 1984) and ‘cultural capital’ (Bourdieu 1986), among other capitals - as well as by an endless list of derivatives, from ‘academic capital’, to ‘intellectual

capital', 'knowledge capital', 'innovation capital', 'public capital', 'religious capital', 'military capital' and 'risk capital'. Nowadays, there seems to be no entity that the word 'capital' cannot easily suffix. And by extension, everyone – from big billionaires and asset managers, to state officials and professionals, to unionized workers, day labours, scientists, artists, homemakers, retirees, the unemployed, criminals and the insane – is an 'investor'. These 'investors' all advance their capital, making it contribute to production in their quest for the highest possible return in income.

Now, in this fantasy world, the claim that capitalists 'create' our jobs and 'augment' our wealth is a tautology. Since everything is capital, everyone is a capitalist and productivity is equal to earnings, it follows that the capitalists who profit the most are also those who 'contribute' the most. They 'generate' most of the jobs, 'produce' most of the innovations and 'add' most of the wealth. And the fascinating thing is that the bulk of humanity readily accepts this irrefutable dogma. In a recent global poll of 12,000 adults in 23 countries, roughly half the respondents thought that the rich 'deserve' their wealth, and only a quarter strongly disagreed with that statement (GlobeScan 2012). The distressing thing about these polls is not only the distribution of their answers, but the fact that the queries they pose are taken as self-explanatory. In order to agree or disagree that the rich deserve their income, one needs a prior benchmark of 'fair income'. And for most people, this benchmark, whether they know it or not, is J. B. Clark's productivity theory of distribution – the notion that everyone, rich or poor, should get in income what they 'contribute' in production – even when such contributions are unknowable and indeed indistinguishable in the first place.

Marxists avoid this tautological trap, but only superficially. As we have seen, they reject the mainstream theory of distribution and instead offer their own Marxist 'production function' in which the only productive agent is labour and in which all other income derives from the exploitation of productive workers. But this argument is still very much anchored in production – and as we have suggested earlier, it, too, runs into logical contradictions and empirical dead ends.²

The solution, we argue in our work, is to think of distribution not as a derivative of production, but as a manifestation of organized power. Society is like a giant hologram of

² For the application of this production function to the distribution of income in the Soviet Bloc, see Djilas' *The New Class* (1957). In his *Cancer Ward* (1968), Solzhenitsyn describes how this production function was used to justify the inequality of income and privileges between the Soviet nomenklatura and the country's productive workers.

conflicting impulses. The productive dimensions of this hologram are integrated, coordinated and cooperative. Every creative endeavour of humanity resonates with all others, and this systemic resonance makes it impossible to speak of separate ‘factors of production’, let alone of their distinct ‘productive contributions’. Jobs, production and wellbeing are created not by this or that factor, but by the *resonating totality* of societal creativity. However, in capitalism, the productive dimension of the hologram is subjugated to the logic of capital as power. Capitalist owners manifest their power by imposing – or threatening to impose – dissonance on the resonating structure of production. And it is this strategic sabotage, rather than capitalists’ alleged contribution, that is measured by their differential income and assets.

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