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Commentary

The problem of the original capitalist

I have a confession to make: I have been rereading Karl Marx. The alarm bells have been ringing recently in the circuits of capitalism, as we all know. It's a worldwide Bust Bowl, as some pundits call it. This sounds like a Marxian moment to me.

But Marx has long been our most frustrating philosopher: so smart and yet so bone headed. In this commentary, I offer an account of the present moment that takes Marxism seriously, and takes his passion for contradicting capital equally seriously. I will also be contradicting *Capital* the book, even as I find much insight there. Some Marxists will be annoyed. But the real value of a totem is to clarify our arguments, not silence them. Some conservatives and liberals will be annoyed that I engage Marx as much as I do. But they should ask whether they are letting their own totems silence our debates.

Far more important is how we can understand and respond to our current conditions, and plan for a more humane future. To that end, I will offer an argument that spirals out from a deep structural observation that I will call the *wage – price gap*, a trouble that springs out across space and time from what I will call the *problem of the original capitalist*. I do not consider this merely, or even mainly, a materialist structure, however, contra the usual mode of Marx and Marxism. Rather, our economic life is a political life, and thus equally material and ideological. The dialog of the material and ideal dimensions of the wage – price gap has much to suggest about opportunities for alternative ways of living with each other and the Earth.

Conversing with a totem

When I began my reencounter with *Capital*, I was soon reminded of one of the reasons why Marxist analysis has often left me impatient: the single-minded focus of the analysis on the relationship between worker and capitalist, and the waving aside of what Marx called the "sheer redundancy" of the role of consumption, aside from a vague flick toward the problem of "realizing" surplus value. For Marx, the essential historical and moral point was that some people get richer than others by employing workers and paying them less than the value of what they make, keeping the difference—the surplus value—as a source of accumulation. Marx, quite reasonably, regarded this as exploitative and alienating, and as leading to continually widening class distinctions. Plus Marx argued that capitalists will generally want to accumulate more and more for themselves, increasing production through mechanization and other means, thus undermining the price of their own goods through overabundance, in turn leading to falling rates of profit, expansionary pressures, and continual crises in capital accumulation. Many a capitalist has experienced the force of this argument.

But Marx thought that this was pretty much all there was to bourgeois social and economic relations. "Upon this", he famously wrote in the third volume of *Capital* (1967, page 791), "is founded the entire formation of the economic community which grows up out of the production relations themselves, thereby simultaneously its specific political form. It is always the direct relationship of the owners of the conditions of production to the direct producers...which reveals the innermost secret, the hidden basis of the entire social structure ... ."

Production, production, and the workers who are its direct producers. Here is where the secret lay hidden for Marx. I certainly agree that these power relations are quite unequal. Marxist accounts rightly point out the conflict between exploited workers and capitalists trying to get them to show up every day. But getting wary customers to plunk down some of their limited stock of cash is also rarely an easy process. As I will argue, there is a *double conflict* at work, not a redundancy. This double conflict leads to an additional, and more fundamental, source of the expansionary dynamics of capitalism and of our current economic troubles, as I will describe.

But first I have to take up one more crucial issue in the debate over Marxism: the labor theory of value, what Marx regarded as the centerpiece of his economic analysis. For Marx, value inhered in the "socially necessary abstract labor time", as he called it, of creating something of use. The capitalist simply doesn't pay the worker for all of his or her labor time, and takes control of the surplus—the surplus value—thereby reaping returns. The worker is thus always underpaid. But value is not the same as price, said Marx, because something might be sold for more or less than its actual worth in terms of socially necessary abstract labor time. This is the feeling of the fair price, or unfair price, that is familiar to anyone who lives under capitalism.

The labor theory of value has long been controversial. Many have complained of the almost mystical quality of the notion of socially necessary abstract labor time, and have wondered how any economic actor could calculate it, given the lack of equivalence in each other's lives. What seems necessary to you may not seem necessary to me. Note that the notions of 'socially necessary' and 'abstract' labor time put idealism—moralism, really—right at the heart of historical materialism (although Marxists have rarely dwelled on this point). But value is not moral, argue conventional economists. Value is a matter of willingness to pay, derived from how much people want of what there is to buy: marginal utility, in neoclassical economics, making price and value the same. In effect, the neoclassical case is that value is an abstraction of the individually necessary, as opposed to the socially necessary.

Rather, value is political. Price and wages are too. Value, price, and wages originate in labor, or in marginal utility, only to the extent that labor and marginal utility are factors in politics. These are matters not of abstractions but of concrete relations of power, material and ideological. They are set by relations of needs and constraints, patterned by materiality and infused with moral debates about justice, which shape needs and constrain constraint.

What I mean here is close to what Jonathan Nitzan and Shimson Bichler (2006) call a "power theory of value". I would prefer the phrase 'political theory of value', though, as I worry about overly materialist readings of the word power, even after Foucault. The word 'political' more easily reminds us that the play of ideas looms as large in our lives as does our materiality. Plus highlighting politics emphasizes dynamism—the never-resolved complexity of both material and ideological power, and their interactions. As well, for my analytic purposes, I would prefer even more a phrase that does not use that abstract word 'value', but rather refers to the concrete. Although it misuses and misphrases the insight, the neoclassical view has a bit of a point: the concrete relations that matter most immediately in the structure of a capitalist economy are relations not of value but of money and the material and ideological power money affords, or what I like calling *money-power*, with a hyphen. So I will term my approach here a *political theory of money-power*.

The problem of the original capitalist

With this background, let me now point out the main dynamic of my argument: a paradox of money-power I call the *problem of the original capitalist* and the *wage–price gap* it leads to. This problem shows that there is a double conflict between capitalists and their employees that inescapably connects production and consumption in the intestines of capitalism, and shows consumption to be a site of social struggle every bit as contentious and potentially earth shaking as the struggle between capital and labor.

Plus the wage – price gap immediately connects these two pivotal moments in the sociology of conflict with the struggle over money-power between capital and capital, and the collective action problem of capital that results.

Here goes. Consider the position of what we might term the 'original capitalist', who hires a worker for the first time, likely to produce food. Perhaps it was carrots. (Why not carrots?) The original capitalist hires the 'original worker' to produce a pile of carrots, one cubit high, and sets a price of ten shekels. (It was a long time ago, so why not a cubit and why not shekels?) It's a new arrangement, but the original worker agrees. Perhaps he agrees (it probably was a he) because the original capitalist has exploited difficult conditions, or even created them, such that it seemed the best option. Or perhaps the original capitalist persuades the original worker to apply his labor because the original capitalist has greater knowledge and productive capacity for raising carrots. Whatever. The original worker sets to and raises the one cubit pile of carrots. Or course, our original capitalist has to pay the original worker less than ten shekels to produce the carrots, or the endeavor would not be worth it to the capitalist. So our capitalist pays the worker four newly minted shekels, figuring that when the carrots are sold he (it probably was also a he) will be able to pocket six shekels. Nice, at least for the original capitalist.

The trouble is, who has any shekels to buy the carrots? Only the original worker. Remember, we are dealing with the original capitalist and the original worker. But the original worker has just four shekels, not ten, and can't buy enough carrots to give the original capitalist any profit. Big problem. So why do capitalism?

Am I just being silly here? I don't think so. To see why, let's take the situation up to the global level with a little imaginary calculus. Taken in sum, all capitalists have to pay all workers less than the price of all they sell, or they won't make any money. Let me write that out again. *Taken in sum, all capitalists have to pay all workers less than the price of all they sell, or they won't make any money.* But the sum of workers can't spend any more than what they've been paid, leading to a permanent gap in the capitalist economy, and an ever-present horror that what has been produced won't be consumed and that profit will not be "realized", as Marx put it. Of course, capitalists can consume too, but only based on the profit which, because of the gap, they do not yet have. In short, capitalism continually finds itself producing more than is needed or can be consumed.

This gap sets up two ever-present points of conflict. Capitalists want to pay workers as little as they can, so they can retain as much profit as they can when they sell their production. Workers typically don't like that, so they complain and struggle for more income. Capitalists respond by trying to create political situations in which the workers won't do well in that struggle. Capitalists also want workers to buy as much as possible of their production, and to charge as much as possible for it. So capitalists try to create situations that are equally political, although sometimes less obviously, to entice high spending. The wage – price gap is fundamentally a political gap. Workers typically don't like those politics either, especially when they haven't been paid very much to begin with. But capitalists respond by exerting political pressure, through cultural argument and material constraint, to keep wages low and spending high.

Which doesn't add up. If capitalists win, they lose. So how does capitalism keep going? For surely it is still the main thing going, even if the present moment is quite gloomy.

It keeps going by what we might, with a tip of the hat to David Harvey (2006 [1982]), call *stretching*—by stretching out the time and space frame of the wage – price gap, enabling consumption to eventually close the gap of one moment and place from the vantage of another moment and place, at least partially. It does this stretching in various ways, but mainly by extending credit, finding new markets, inviting speculation, moving money around, and drawing on the banks of ecological capital. These methods often lead to indebted workers, oppressed colonies, dodgy stocks and bonds, the bitter elixir of global money flows, and mispriced ecological relations, all forms of encouraging spending beyond our means, presenting capital with a range of additional conflicts and struggles. But without time and space for the sum of workers to find the extra shekels, and without time and space to find additional workers with shekels, the gap between means and spending, and thus between wages and prices, remains and periodically gets stretched to the breaking points of falling sales and share values, and even recession and depression.

This stretching again puts ideas at the center of capitalism.(1) To extend credit, expand markets, invite speculation, mobilize capital, and monetarize the Earth is to rest the solution of the wage–price gap on what are really all forms of faith. The capitalist organizes the wage–price gap on the hope that workers will be able to repay their loans, that new markets will be found, that the capital to get the wage–price gap going can be repaid, that it can be found to begin with, and that we are not drawing down the planet's ecological capacities. Stretching thus makes capitalism a game of confidence, a giant Madoff-style Ponzi scheme, always subject to our doubts and suspicions about whether the economy can expand to fill the needed stretching, or whether the whole business will one day simply burst.

The need for stretching also makes capitalism fundamentally expansionist. Capitalism, at least as it is now, simply cannot do without economic growth. The economy must be larger at the end of the year than it was at the beginning, or there can be no confidence in capital's global Ponzi scheme. When growth does not pan out, the disruptions in the economy and in people's lives are enormous. As an environmental sociologist, I find this a deeply troubling recognition. I don't think one has to be a Malthusian to think that the world is only so big and that the pressures for economic growth are neither socially nor ecologically gentle.

Capitalism's need for expansion has long been recognized, of course. It is central to our politics, especially right now. But I believe we have not recognized how deep this structural need runs. Marxism has long traced it to the conflict between capital and capital—to competition between firms and resulting declining rates of profit in the face of overproduction. Expanding markets is the main solution for the capitalist, Marxism finds. But the wage–price gap shows that there is an even more fundamental need for expansion, a need that emerges immediately from the wage relation. For the worker is also the consumer, a *worker-consumer*. If worker-consumers don't have enough income to buy what they have produced, there is an immediate problem of simply not enough money around to buy what must be bought if it is to be produced to begin with.

Moreover, the usual way we think about what I have been calling stretching is by looking at what is happening at the top, at the level of the corporation, expanding into the latest developing market. We generally don't think of the stretching that occurs through the everyday expansionary struggles of worker-consumers, trying to make the ends of the wage–price gap meet, financed with money they don't yet have but have promised to get. The growth in a capitalist economy rests on the success of everyday people in contending with the wage–price gap. The problem of the original capitalist thus is everyone's problem.

The state and the wage – price gap

And what of the state?

Marx was surely right that inequality is a premise of capitalism. That is the win the capitalist is looking for: to keep wages low and spending high, resulting in, and from, greater accumulation of money-power for the capitalist. Capitalists see these two

(1) As my colleague Özlem Altiok helped me see.

points of conflict and know where they stand with relation to them. They understand buying labor low and selling products high, and they understand buying labor less and selling products more. They get that. But *capitalists rarely see that the two points of conflict are connected.* As a political force, capitalists face a considerable collective action problem. Individually, they want their own workers to be paid little. But to the extent that each capitalist endeavor is individually successful in maintaining low pay there will not be enough spending power to buy what capitalist endeavors collectively produce. In other words, inequality is a premise of capitalism, but it also undermines it.

Thus capitalists depend on John McCain's fears coming true: that the state enters into this conflict as the Redistributionist in Chief—what during the recent US presidential campaign McCain accused Obama of wanting to be—and not the Distributionist in Chief. The state must save workers from the worst intentions of capital. In so doing, the state also saves capitalists from their own worst intentions. Although capital typically fights it at every turn, redistribution by the state is essential for ensuring that the width of the wage – price gap stays within the rate of economic growth. For other than recession and depression, there is currently no other significant mechanism than the state to rein in the collective action problem of capitalists and their motive for inequality in money-power.

Note this implication. Redistribution helps capital by keeping the wage – price gap in line with economic growth rates, even if capital typically does not appreciate this little service. That means that when economic growth rates are high, the wage – price gap can be higher too, without bursting the seams of economic stretching. Thus China has seen simultaneously fantastic rates of economic growth and high levels of economic inequality, taking pressure off the Chinese state to step in with some redistribution.

Of course, a bit of a historical perspective should warn a state that growth rates can change faster than inequality levels, meaning that if growth takes a tumble an unequal economic structure will not be well placed to respond quickly. Unfortunately, the state has its own contradictory relations to the wage – price gap, and thus contradictory politics. The trouble is that the state picks up its capital at either end of the wage – price gap. The capitalist gains money-power by keeping wages low and spending high. The worker-consumer gains money-power by keeping wages high and spending low. The modern state gains money-power by keeping both of them high, picking up income taxes at the wage end and sales taxes and corporate taxes at the spending end. So the state has a direct incentive to keep inequality low but also to pump economic growth. When confronted with the common argument that economic inequality is necessary to maintain economic growth, instead of something that growth makes economically feasible in the short term, the state is confused by its contradictions and liable to be led on by the most painful and crass money-power politics—most probably in the direction of being distributionist instead of redistributionist, given existing inequalities.

Indeed, perhaps this is the only adequate economic theory of the state. Like politics, it is confused and contradictory. For, after all, the state *is* politics.

The wage – price gap and the current crisis

So how did capital get itself, and us, into the present mess? Quite simply by paying people less than capital needed to have them spend.

The turn-of-the-21st-century boom came about as a result of a double settlement of the double conflict: low wages propped up with easy credit, thus keeping inequality from overstretching the wage – price gap. The continual undermining of the political power of labor through free trade agreements and the WTO, the evisceration of bargaining law, the growth of economic sectors with little history of worker organization and the decline of those with such history, the decline of independent media, the rewriting of corporate legal codes, the pressuring of politically disadvantaged states to provide a low-wage workforce for international capital: these factors and more all combined to give capital a win at the wages end of the gap. The result was a "giant pool of money", as the US public radio show *This American Life* usefully termed it, just sloshing around at the top without a lot to do—the problem that Marxist theory aptly calls 'overaccumulation'. The resulting easy credit pushed the housing market along at a rate few thought would ever stop, stimulating home buying, construction, trips to the retailers, car buying to get people to the sprawled-out new homes, all at giant scale: big houses, big cars, big TV screens, mostly on credit, supersizing spending. A double win for capitalists. But capitalists, so eager for the stupendous excesses of money-power they amassed, neglected to pay worker-consumers enough to pay off their debts and thus close the gap at the other end.

For during the turn-of-the-21st-century boom, income inequality rose in most of the wealthy countries, as a recent OECD report starkly shows, and as many scholars have long been trying to highlight. Moreover, other circumstances certainly haven't helped. The draining of the public purse to keep a politics of war going. The draining of the public's purses by keeping a related politics of energy going, until recently. The cresting of the baby boom through the work force, increasing the load of retirees at the same time other politics are limiting immigration. Continued borrowing from ecological capital faster than it or we replenish its capacity, threatening to burst that bank too. And falling population growth rates. I'm divided on the consequences of this last one, but I can't help wondering if one form of stretching capitalism has long relied on is global population growth, which is now relenting.

Now the difficult result of all these politics has come about: poof.

Conclusion

Is there another way to live? Or are we stuck forever with the problem of the original capitalist and its consequences? Can we transition out of it?

I believe we can. In the short term, there is another old book to get out of the library: John Maynard Keynes's *The General Theory of Employment, Interest, and Money.* Finally, it seems that political leaders and their advisors are giving some thought to Keynes, instead of merely pouring more money into the leaky pool of slosh at the top, as they mainly did through to the end of 2008. At this writing it is too soon to conclude that we have reached the end of the Neoliberal Era, yet there is reason for some optimism in this regard.

But while Keynesianism does help close the wage–price gap, it does not address the gap itself and the problem of the original capitalist. So let me raise three points that challenge the gap and its underpinning structures.

First, I think it crucial that we be wary of how metaphors of understanding often imply seamless inevitabilities. Capitalism is not a great machine, systematic and unified, ticking along to one rhythm. Wary of this problem, I have offered the notion of the wage–price gap precisely to highlight disconnection and conflict—in what I believe is the best spirit of Marx.

Second, the wage–price gap is contestable, contestable because it is conflictual. Capitalists and worker-consumers alike, however people fall with regard to such positions of interest and commitment, are forever struggling to sort out what to do. Very few of us find that capitalism works perfectly in our favor, and maybe no one does. In these disconnections and conflicts are myriad possibilities for new mobilizations.

And, third, we must recognize the evidence of multiple forms of capitalism—of *capitalisms* in the plural, as a number of authors have strived to point out in recent years.(2) We should look in particular for those capitalisms that narrow the wage–price

(2) See Peck and Theodore (2007) for a review and critique.

gap, lessening its desperate expansionism without unemployment and without giving advantage to capital in the politics of money-power. The most potential, it seems to me, lies in relations that take us from our supposed market democracy to relations that put democracy first: that is to say, from market democracy to democratic markets. I speak here of the diverse possibilities of social ownership and management that already exist in the midst of capitalism's supposed singularity: commons, cooperatives, trusts, family businesses, governments, nonprofits, and 'slow money' investments.

If this sounds to some like socialism, then we must confess that, at least to this degree, we are all socialists, for these are common economic arrangements within 'actually existing' capitalist societies. And there are more capitalisms to discover. The alternative agrifood movements, I think, have been particularly creative in finding other capitalisms within capitalism, from farmers markets to CSAs, from community farms to fair trade, from dematerialization to repeasantization, from deliberative consumers to ethics of care—capitalisms that enhance the lives of people and the Earth.

The creative and liberative power of the alternative agrifood movements, and other capitalisms in the plural, lies in their ability to *fool the structure*, as I like to call it. With social ownership in democratic markets, there are still wages and prices. There are still markets, after all. These structures remain. But suddenly, there is no wage–price gap. The capitalist is happy to charge four shekels for a cubit of carrots because the capitalist and the worker-consumer are the same. Four shekels is all that what is now the worker-consumer-capitalist has on hand to spend. So why charge yourself more? Our ideas have changed about who is who and why, and the structure is fooled. In a sense, this is capitalism without capitalists. We create conceptual equivalents that slide right into the existing structures of capitalism, turning them to better purpose, although at first hardly anyone may notice. Perhaps in time we could even learn to fool growth itself.

Of course, even when the structure is fooled there are still politics. There are, very likely, still outcomes we lament. We can still fool each other and ourselves. But this is not a fool's politics. A world of possibility means a world in which things never work out exactly as we intend, ever calling for, and allowing, the reworking of our economy and our justice.

May such democratic creativity continue to flourish, for through it we enter the politics of money-power and contest its current forms. Many of these forms are deeply entrenched. Nonetheless, politics is struggle, not inevitability. So too is capitalism. As Engels and Marx (1975 [1845] page 63) themselves wrote, "History does nothing; it does not possess immense riches, it does not fight battles. It is men"—and women—"real, living, who do all this."

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