

Reading 'Capital' Today.

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Edited by Ingo Schmidt and Carlo Fanelli

Reading *Capital* Today

Marx after 150 Years

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Introduction: *Capital* After 150 Years

Ingo Schmidt and Carlo Fanelli

Why read *Capital*? After its publication in 1867, increasing numbers of socialists turned to *Capital*, or introductions to its ideas written by Engels and Kautsky, to understand what they were up against. Yet the revolution that mostly Western European socialists had been preparing for during the days of the First and Second Internationals happened in Russia, a country where the logic of capital that Marx had revealed had barely started to develop. Its supposed gravediggers, the industrial working class, even less so. The 1917 revolution truly was, to borrow Gramsci's term, a revolution against *Capital*.

Another 50 years later, a new generation of leftists, inspired by anti-colonial revolutions in the South and discontented with the administered worlds of Soviet communism and Western capitalism, turned to *Capital* and other Marxist texts outside the Soviet orthodoxy in search of ideas for how to restart the revolutionary process in the East and West. Not long after a New Left had started discovering new sides of Marx's works, it seemed as if capitalists, concerned with the conjunction of social unrest and economic crises in the 1970s, had also taken a look at *Capital* to find ways of getting more surplus value for less money out of workers in old and new industrial districts.

Indeed, the neoliberal counter-reforms the capitalist classes unleashed against New and Old Lefts from the 1980s onwards created a world after *Capital's* image. This was particularly true after the Soviet Union collapsed under the weight of its own bureaucracy, and the Chinese communists' decided to follow into the service of capital accumulation. One hundred years after the revolution against *Capital*, the world looks much more like the one portrayed by Marx 150 years ago. But it wasn't just the need for a constantly expanding market that spread capital over the entire surface of the globe, it was also the effort to bypass workers' organizations of any kind that prompted capitalists

to move operations to locations previously untouched by capitalist relations of production or socialist agitators.

Reading *Capital* in Changing Historical Contexts

The Russian revolution against *Capital*, along with other revolutions that followed in its wake, failed to develop an egalitarian alternative model of development. Welfare states, built as part of post-Second World War efforts to contain the further spread of communism, have since seen their social safety nets much reduced. Both labour and other social movements organizing around issues historically neglected by Marxists have also reached an impasse having been unable to stop, let alone reverse, decades of concerted capitalist class war from above. Nevertheless, there is little doubt that twentieth-century struggles to overcome or at least tame capitalism did as much in shaping today's global capitalism as the unfolding logic of capital did. Reading *Capital* today – against the background of class struggles that moved history forward since its publication and, more significantly, the revolution against it – may help us to understand why twentieth-century socialisms failed and why capitalism was triumphant, but also how new socialisms, drawing on the experiences of past socialisms and the discontent produced by capitalism's current crises, might be built. These experiences include reorientations and adaptations of socialist strategy at different social conjunctures. Debates around *Capital* played their part in these searches for strategic renewal. The late nineteenth-century debate between Bernstein, Kautsky and Luxemburg about the need to abandon socialist politics based on Marx's analysis of capitalism pretty much set the tone for debates about the need for strategic reorientation in the twentieth century.

There were always some, following Bernstein, who argued that Marx's analysis of capitalism, and the socialist politics based on this analysis, might have been appropriate in Marx's time but that actually existing capitalism was entirely different and thus required a non-Marxist socialism. The irony of these repeated efforts to abandon Marxist socialism by relegating *Capital* to the dusty shelves of outdated history books is that latter-day revisionists glossed over the changes in capitalism that led Bernstein to turn against Marxist analysis and socialism. In their view, the entire nineteenth century was the classical

age of capitalism and Marx was its analyst. Changes that could not be explained within the framework established by *Capital*, notably the interventionist state and waves of automation in the production process, emerged, according to these latter-day revisionists, only in the twentieth century.

Marxists often responded defensively to the revisionist challenge by declaring that Marx was right and did not need any updating. Yet, as *Capital* was elevated to Holy Scripture status it also became detached from socialist politics as practice. Henceforth voluntaristic practices, whose twists and turns were driven by whatever reasoning but certainly not by theoretically guided understandings of respective junctures of capitalist development, could be wrapped into endless Marx quotes. The irony of this response is that Kautsky, who invented this method in an effort to reconcile the Marxist left with the revisionist right inside the German Social Democratic Party, was often seen as just another revisionist by latter-day defenders of true Marxism. Endlessly repeating Lenin's charge against his former role model, Soviet Marxists saw nothing but a renegade in Kautsky. Western Marxists, who had little political practice they could hide behind Marxian orthodoxies, accused Kautsky, often in tandem with Engels, of falsifying Marx's critical theory into a positivist cookbook for political strategies. Both charges, however, rest on a separation of theory and practice.

A different response to the revisionist challenge came from Luxemburg and was later adopted by Lenin and Trotsky. Recognizing that revisionists had a point when they proclaimed the inability of received Marxist wisdom to explain recent capitalist developments or aspects of capitalism that Marx simply had not dealt with, they drew on *Capital* and other of Marx's writings to come up with new theories that were closer to empirical realities than Kautsky's orthodoxy, but also allowed for more systematic strategizing than did Bernstein's abandonment of Marxism. However, to gain credibility for their revisionist Marxism they thought it better to label their original ideas as orthodox Marxism, therein competing with Kautsky's and other Marxists' claims of being the true heirs of Karl. Whatever the value of their theoretical and strategic inventions, engaging in a competition for the title of true heir did a lot to make Marxism look like a scholastic exercise to anyone but the already initiated. Moreover, by hiding the light of their inventions under claims to orthodoxy they might

have discouraged many likeminded critical spirits and determined socialists from also developing new ideas. With hindsight, it is hard to understand why original thinkers like Luxemburg, Lenin and Trotsky were so anxious not to be seen as revisionists. If they did not understand that a general theory of capitalism like the one Marx had advanced in *Capital* needed to be articulated with changing historical appearances, they would not have been able to further develop Marxist theory like they did.

All said, there is a possibility of learning from past debates about *Capital* in order to better understand today's capitalism but also a danger of getting stuck with quarrels as to who the truest follower of Marx is. To get past this danger, the old debates need to be put into their respective historical contexts. New interpretations of *Capital* always came up when socialist strategies ran into problems that could not be explained by earlier theories. Understanding the concrete historical conditions under which each new reading of *Capital* occurred also helps us to understand what might be learnt from those readings under today's different conditions. In other words, considering the historical contexts of the recurrent waves of debate around *Capital* helps us to distinguish between those aspects of *Capital* and its various interpretations that apply to the capitalist mode of production in general and others that are specific to certain times and places. It also enables us to identify issues that were largely ignored, or only dealt with *en passant*, but that could possibly be better understood in accordance with a new reading of *Capital*.

Capital in the Age of Capital

What were the historical contexts in which *Capital* was written and read? Marx worked on *Capital* after the defeat of the 1848 revolutions, a defeat that marked the passing, in Hobsbawm's terms, from the 'age of revolution' to the 'age of capital'. Though Marx's stated goal in the foreword to *Capital* was to 'reveal the law of motion of modern society', its underlying purpose, as is quite clear from many of his letters and his involvement with the First International, was to understand the emergence of industrial working classes that Marx and Engels had already identified as agents of revolutionary change in the run-up to the 1848 revolutions. They saw the defeat of these revolutions

as confirmation of their argument that it was time to move from cross-class alliances struggling against feudal rulers to independent working-class movements. *Capital* was all about understanding the conditions under which workers could form such movements.

Drawing on *Capital*, Engels, Kautsky and others in the First and Second Internationals wrote popular texts that could be used for educational purposes in burgeoning workers' organizations. Texts such as Engel's *Anti-Dübring* or Kautsky's *Economic Doctrines of Karl Marx* do not have the critical depth of *Capital* but without them Marxist socialism would never have become a mass movement. The difference between the critique of political economy Marx advanced in *Capital* and popular expositions of this critique points to the dual character of all political projects which, following in the tracks of the Enlightenment one way or another, see an understanding of the world as a prerequisite for changing it. All these projects, Marxism no less than liberalism, rely on critical analysis as much as on mass support rallied around a set of ideas and collective identities.

Paraphrasing Marx's analysis of commodities and labour in the first chapter of *Capital*, we might say that theory has a dual character. We might also say that theory producing labour has a dual character: it produces knowledge value, expressed in abstract terms, and legitimation value, used for concrete political mobilization. These two sides of theory exist in an uneasy relationship. If the production of knowledge retreats in ever more abstract formulations, it generates nothing but dogmas cut off from reality checks, but it will be also too bloodless to rally support for the cause the theory allegedly advances. If, on the other hand, political mobilization severs ties with a movement's theoretical foundations or reduces theory to the role of a slogan-delivering machine, the movement's inner cohesion and appeal to outsiders will deteriorate. Ideally, questions that are relevant to the movement are picked up by theoreticians to further develop their analysis and discuss refined versions with movement militants. In this way, a continuing dialogue between theory and practice would be established.

Sadly, the history of Marxism is full of examples showing that it does not always work this way. Efforts to organize emerging industrial working classes, theoretically supported by *Capital's* focus on the role these classes play in enriching capitalists and driving capitalist

development forward through their struggles for shorter hours and better pay, made it difficult for socialist parties and unions in Western Europe to recognize the significance of the colonial expansion and imperialist rivalries that eventually exploded in the First World War. Left-wingers in the Second International tried to rally workers against colonial conquest as well as against the arms race and war-mongering amongst the imperial powers. However, their appeals to internationalism had an idealist ring that could not compete with the seemingly realistic prospect, advocated by right-wing social democrats, of reaping material gains for Western working classes from colonial exploitation. The divide between anti- and pro-imperialist currents in the Second International made effective opposition against imperialist war efforts impossible. Eventually, the pro-imperialist currents supported their respective ruling classes during the First World War, while theoretical inventions made by the left in support of opposition to colonialism and war would later become signposts for communist and left-socialist strategies. This is particularly true for Lenin's *Imperialism: The Highest Stage of Imperialism*, published in 1916. It portrayed capitalism as a decaying system in which the breaking of the weakest link of the imperialist chain, Russia, could lead to the unravelling of capitalist rule in the imperialist centres. Later, when the hopes for revolution in the West had already been disappointed, the same portrait of capitalism, coupled with Lenin's plea for the Right of Nations to Self-Determination, served as the larger context within which postcolonial regimes embarked on developmentalist projects.

Capital in the Age of Imperialism

Without having a similar impact on socialist, developmentalist or any other progressive projects as did Lenin's intervention, Hilferding's *Finance Capital* and Luxemburg's *Accumulation of Capital*, published in 1911 and 1913 respectively, were much closer to Marx's *Capital*. Hilferding drew mostly on Marx's analysis of money and finance in Volumes 1 and 3 of *Capital* to analyse what he saw as a merger between industries and banks into finance capital and the imperialist policies the newly created finance capitalists pursued. He understood the categories that Marx had developed in *Capital* as being specific to the concrete forms in which capitalism appeared in Marx's day. As

these forms developed, Hilferding thought, Marx's categories also had to be further developed. Where Hilferding saw the need to adjust Marx's categories to keep up with historical changes, Luxemburg considered Marx's work as unfinished because its analytical apparatus rested on the simplifying assumption of a pure capitalism in which only capitalists and workers existed, with no traces of non-capitalist modes of production. Recognizing that Marx left *Capital* unfinished, Volumes 2 and 3 were published on the basis of incomplete manuscripts by Engels in 1885 and 1894, respectively. Luxemburg thought the next step necessary to complete Marx's work was to demonstrate how capitalism developed historically within a non-capitalist world. Starting with a critique of Marx's schemes of reproduction, which suggest that capitalist accumulation is not constrained by a lack of effective demand, Luxemburg developed the argument that capitalist expansion into non-capitalist milieus, advanced by means of credit and military force, creates the markets necessary to realize surplus value produced under capitalist relations of production. Her key argument, which she developed against Marx, was that accumulation in a purely capitalist economy would be constrained by insufficient effective demand and that, therefore, capitalism is bound to economic stagnation unless capitalists find markets in non-capitalist social milieus.

Finance and the capitalist expansion into non-capitalist milieus were aspects of capitalist development before and after Hilferding and Luxemburg wrote their respective works on these issues. The attention they attracted in socialist circles after the publication of *Finance Capital* and *Accumulation of Capital* was short-lived, as the First World War and the Russian Revolution confronted socialists with new and urgent challenges. However, after the collapse of Soviet communism, when finance was at the helm of restructuring capitalism globally and territories that the Russian and other revolutions had turned into no-go areas for capitalists were reintegrated into the world market, the issues raised by Hilferding and Luxemburg once again reappeared on leftist radar screens. By then, finance had taken on much larger and opaque forms compared to the marriage between bankers and industrialists that Hilferding had tried to understand, and capitalist expansion no longer took the specific form of colonial conquest, which had attracted most of Luxemburg's attention. But the questions both had asked took on a new urgency after communist regimes coming

out of the revolution against *Capital* had collapsed or, as in China and Vietnam, turned onto the road to capitalism. At the time the revolution happened, though, it helped to establish a new brand of Marxist socialism after the Second International's support for national war efforts from 1914 onwards had discredited that original brand of organized Marxist socialism.

Capital and Soviet Communism

The Russian Revolution induced new readings of *Capital* in order to solve practical problems. The establishment of workers' councils, or Soviets, posed the question of whether these new forms of exerting political power could be developed into devices through which workers could self-manage collectively owned means of production and thereby overcome the rule of the law of value exerted by a small number of private owners of the means of production over the dispossessed working-class majority under capitalism. Dealing with that question required a sharp distinction between the productive forces and relations of production that characterize the capitalist mode of production and the respective forces and relations in non-capitalist modes of production. Works like Rubin's *Essays on Marx's Theory of Value* and Pashukanis' *General Theory of Law and Marxism*, both published in 1924, used *Capital* to stress the specific capitalist forms in which economic activity unfolds and political power is executed. Despite being highly abstract, these works supported left currents in the Bolshevik Party that sought to develop genuinely socialist relations of production. These aspirations were at odds with other currents in the party that made the development of the productive forces the number one priority. To achieve this goal, individuals belonging to these productivist currents sought to turn theoretical concepts that Marx had used to analyse the capitalist mode of production into tools for economic planning.

Marx's analysis of the primitive accumulation of capital, which transformed feudalist into capitalist relations of production, was translated into the need for socialist accumulation of capital in order to establish the basis for the future growth of industrial production, an idea originally advanced by Preobrazhensky in his *New Economics* in 1926. The reproduction schemes Marx used to analyse accumulation

in an economy divided into sectors producing means of production and means of consumption, respectively, and that had been the analytical backbone of much of the Marxist debate on imperialism since Hilferding's *Finance Capital* and Luxemburg's *Accumulation of Capital*, became the core of the Five-Year Plans that were used to allocate economic resources in the Soviet Union from 1928 onwards. Rather than overcoming the rule of the law of value this approach aimed at allowing economic planners to consciously apply this law in order to avoid the waste of human and non-human resources associated with the anarchy of market production, an expression of the unconscious rule of the law of value, under capitalist relations of production. The consolidation of bureaucratic rule in the Soviet Union firmly established this latter reading of *Capital* as the basis of Soviet economic policies, whereas ideas such as those advanced by Rubin and Pashukanis, who were both executed in 1937, were brutally suppressed. Preobrazhensky, who belonged to the Left Opposition around Trotsky, was murdered a year after Stalin had appropriated his ideas and started to apply them ruthlessly way beyond Preobrazhensky's original proposals concerning the conversion of the peasantry into an industrial working class and the speed of building industrial capacity.

Capital and the New Lefts

Of course, the counterrevolution that culminated in Stalin's reign of terror as much as the failure of revolution in the industrialized West, which the Bolsheviks had sought to unleash by their own taking of power in 1917, posed new questions for socialists of all strands. However, debates over these questions were subdued when the Great Depression seemed to confirm the bleakest conclusions one could possibly draw from Marx's theories of crises. Moreover, the role of the Red Army in defeating the Nazi Wehrmacht gave the Soviets a second lease on legitimacy, despite the Stalinist terror. It wasn't until the 1960s that, under radically different economic and political conditions, a new generation of socialist activists and intellectuals picked up the question about the relations between capitalist development and revolution. During a period of unprecedented economic prosperity, claims referring to a close connection between crises, the intensification of

class struggles and eventually revolution, were dropped. Such claims had been a staple of the original Marxism of the Second International, and seemed more than appropriate in the days of the Comintern and the Great Depression, but they now appeared outdated in the new age of welfare capitalism.

Many new leftists considered anti-imperialist struggles in the peripheries instead of crises in the capitalist heartlands as triggers for revolution. But to the degree these struggles diminished the size of the capitalist world market, the basis for prosperity in the West would be undermined. In turn, the taming of class conflict based on prosperity might also be unsettled. Thus, there was a line from fighting against the imperialist exploitation of Southern peripheries to unlocking class struggles in the West. Lenin, who also saw the plunder of the colonial world as an economic basis for labour aristocracies favouring class collaboration over class struggle, had already made this argument in embryonic form. But now, at a time when the imperialist centres were striving to maintain control over peripheries despite decolonization and the struggles of some of the postcolonial regimes to move from political to economic independence, works such as Gunder Frank's *Development of Underdevelopment* and Emmanuel's *Unequal Exchange*, published in 1967 and 1969 respectively, offered much more elaborate and empirically updated versions of Lenin's original argument.

Theories of unequal exchange especially underpinned Lenin's argument by adapting Marx's labour theory of value to a real world in which Western and Southern labour were anything but equal. Another significant difference between the classical and new theories of imperialism was that the former were mostly interested in the effects that colonial expansion would have on capital accumulation in the imperial centres. The new theories of imperialism, on the other hand, also recognized the class alliances pushing liberation movements and subsequent developmentalist projects forward as agents of change in their own right. In view of anti-imperialist struggles from Vietnam to Algeria and Cuba, to name only those receiving most attention in the West, it was the obvious thing to consider the suppressed peoples of the South rather than Western working classes, the latter apparently subdued by social reform and consumerism, as vanguards of revolutionary change.