

Historical Materialism 142

Beyond Liberal Egalitarianism

*Marx and Normative Social Theory
in the Twenty-First Century*

Tony Smith

BRILL

Beyond Liberal Egalitarianism

Historical Materialism Book Series

Editorial Board

Sébastien Budgen (*Paris*)

David Broder (*Rome*)

Steve Edwards (*London*)

Juan Grigera (*London*)

Marcel van der Linden (*Amsterdam*)

Peter Thomas (*London*)

VOLUME 142

The titles published in this series are listed at *brill.com/hm*

Beyond Liberal Egalitarianism

*Marx and Normative Social Theory
in the Twenty-First Century*

By

Tony Smith



BRILL

LEIDEN | BOSTON

The Library of Congress Cataloging-in-Publication Data is available online at <http://catalog.loc.gov>

Typeface for the Latin, Greek, and Cyrillic scripts: "Brill". See and download: brill.com/brill-typeface.

ISSN 1570-1522

ISBN 978-90-04-35227-8 (hardback)

ISBN 978-90-04-35229-2 (e-book)

Copyright 2017 by Koninklijke Brill NV, Leiden, The Netherlands.

Koninklijke Brill NV incorporates the imprints Brill, Brill Hes & De Graaf, Brill Nijhoff, Brill Rodopi and Hotei Publishing.

All rights reserved. No part of this publication may be reproduced, translated, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission from the publisher.

Authorization to photocopy items for internal or personal use is granted by Koninklijke Brill NV provided that the appropriate fees are paid directly to The Copyright Clearance Center, 222 Rosewood Drive, Suite 910, Danvers, MA 01923, USA. Fees are subject to change.

This book is printed on acid-free paper and produced in a sustainable manner.

Contents

	Preface	IX
	List of Figures	XV
1	Liberal Egalitarianism	1
	Introduction	1
	Well-being	3
	Autonomous Agency	7
	Access to Resources	10
	The Development of Essential Capabilities	15
	Democratic Will-Formation	19
2	Towards a Liberal Egalitarian Normative Theory of Institutions	22
	The Household	22
	Market Production and Distribution	25
	The State	31
	Civil Society: The Public Sphere and Voluntary Associations	41
	The Regime of Global Governance	44
3	Misunderstandings, False Starts, Further Questions	51
	Some Marxian Objections to Liberal Egalitarianism	51
	Liberal Egalitarian Criticisms of Marx	62
	Conclusion	71
4	The Beginning Level of Marxian Theory	73
	The Beginning Level of Theoretical Abstraction (1): The Commodity, Value, Abstract Labour	74
	The Beginning Level of Theoretical Abstraction (2): Money	85
	Normative Considerations	91
	Conclusion	98
5	Marx's Concept of Capital	103
	Marx's Concept of Capital (1): Capital as a 'Dominant Subject'	103
	Ontological and Normative Implications of the General Formula of Capital	110
	Normative Implications	114
	Marx's Concept of Capital (2): Capital as a 'Pseudo-Subject'	120

- 6 Human Flourishing and the Structural Tendencies of Capitalism** 131
- The Capital/Wage Labour Relationship 132
 - Overaccumulation Crises 144
 - Financial Crises 148
 - Environmental Crises 156
 - Severe Global Inequality and Poverty 157
 - Conclusion 160
- 7 A Liberal Egalitarian Response to the Marxian Challenge** 162
- The Critique of Economism 163
 - A Reform Agenda 165
- 8 Towards A Marxian Theory of ‘The Political’** 183
- Five Theses on the Capitalist State 183
 - A Critical Examination of Liberal Egalitarian Proposals 191
 - Conclusion 215
- 9 Competing Perspectives on Neoliberalism** 218
- A Liberal Egalitarian Narrative 219
 - Beyond Liberal Egalitarianism: A Marxian Critique of Neoliberalism 229
 - Conclusion 254
- 10 Two Modified Versions of Liberal Egalitarianism** 262
- ‘Neo-Schumpeterian’ Liberal Egalitarianism 263
 - The Normative Promise of ‘Commons-Based Peer Production’ 269
- 11 Modified Liberal Egalitarianism and the Present Moment in World History** 279
- Prospects for a New ‘Golden Age’ 279
 - The Prospects of Commons-Based Peer Production 293
 - Conclusion 309
- 12 Property-Owning Democracy: A Liberal Egalitarianism Beyond Capitalism?** 312
- Property-Owning Democracy (1) 314
 - Property-Owning Democracy (2) 319
 - Property-Owning Democracy (3) 324

13	Beyond Liberal Egalitarianism	335
	The Argument Thus Far	335
	Beyond Liberal Egalitarianism	341
	Bibliography	353
	Index	370

Preface

Marx began writing in a period of reaction, after the defeat of Napoleon gave every petty aristocrat and monarch in Europe an open invitation to suppress liberal currents. Yet he did not devote much time to critical assessments of reactionary views, dismissing them as ‘beneath all criticism’.¹ Marx’s main attention was focussed instead on the gulf between the political emancipation called for by the leading progressive movements of his day and the far deeper transformation required for universal human emancipation.²

Today we live in another reactionary period, dominated by neoliberal ideology and practices. Those who hoped that the crisis of neoliberalism erupting in 2007 would lead to its rapid demise have been horribly disappointed. Throughout the global capitalist order, the main response has been renewed neoliberalism – an unprecedentedly aggressive increase of credit money, a yet higher rate of exploitation, a new ‘new economy’, more rounds of capital flight to new regions of accumulation, more financial bubbles, and new symbiotic arrangements between deficit and surplus regions. These strategies restored prosperity at the top of the ladder.³ For the rest of us, however, things have remained bleak. Living standards have declined. Unemployment has remained high, especially if measured correctly to include discouraged workers and the involuntarily part-time workforce. The full-time employed face a future of overwork and extended work lives. The term ‘debt slave’ has re-entered everyday discourse, not always as a metaphor. The material preconditions for stable communities have been further eroded. Funds for health care, education, pensions, and anti-poverty programmes have been cut at the very time rates of poverty, homelessness, and hunger have skyrocketed. The number of extreme weather events has inexorably increased across the planet as greenhouse gasses continue their equally relentless build-up. There have been more failed states, more warlords mobilising troops for plunder. These are not science-fiction projections of a dystopian future. They are our reality now.⁴ Given the suffering neoliberal policies continue to inflict, the resurgence of neoliberal clichés in public discourse and academic studies, and the accommodations made by political currents of the centre and what passes for the left, there could

1 Marx 1975b, p. 177. For the political context of Marx’s early writings, see Kouvelakis 2003.

2 Marx 1975a.

3 ‘In the “recovery” of 2009–2010, the top 1% of US income earners captured 93% of the income growth’ (Stiglitz 2012).

4 McNally 2010, Chapter Five.

hardly be a more pressing task than defeating neoliberalism theoretically and politically.

An extended critical assessment of neoliberalism will be provided in later chapters. But at this point in history the theoretical bankruptcy and pernicious practical consequences of neoliberalism are transparent for all who wish to see. No less than the ideologies of reaction of Marx's time, neoliberalism today falls 'beneath all criticism'.

Today, as in Marx's day, those of us repulsed by the status quo are told that all would be well if only the correct reforms were put in place by political action. This is the implicit or explicit view of many of the most prominent contemporary political philosophers, including John Rawls, A.K. Sen, Jürgen Habermas, Brian Barry, Thomas Pogge, and Elizabeth Anderson. Progressive social scientists like Joseph Stiglitz and Robert Reich regularly appeal to this thesis in their many books and editorials. In everyday politics this viewpoint is referred to as 'left liberalism'. In academic philosophy the designation 'liberal egalitarianism' has become standard, and that is the term I shall mostly use here. The main question of the present work is whether liberal egalitarianism provides an adequate framework for normative social theory in the twenty-first century. I shall argue that it does not because it lacks an adequate concept of capital. And that, as the cliché goes, is like *Hamlet* without the Prince.

For many Marxists, left liberalism is itself 'beneath all criticism', the vocabulary of normative social theory – 'freedom', 'justice', 'rights', 'the good', and so on – mere gibberish standing in the way of serious analysis. How could anyone who looks at the horrors of capitalism and still holds out hope for its reform be worthy of serious engagement?

It is certainly true that social change does not come about primarily through moralistic appeals, and certainly Marx's analysis in *Capital* cannot be reduced to such appeals. But Marx did call for a society in which 'the full and free development of every individual forms the ruling principle' and 'the free development of each is the condition for the free development of all'.⁵ One important dimension of his project was to show that capitalism is not and cannot be such a society. To explain why this is the case, and to explain why it matters that it is the case, is to engage in normative social theory.⁶ In this sense Marx too was a normative social theorist.

5 Marx 1976a, p. 739, Marx and Engels 1976, p. 506.

6 Various views on 'Marx and Morality' are debated in Cohen et al. 1980, and Nielsen and Patten 1981. Marx's stature as a normative theorist is confirmed in Geras 1985, Callinicos 2000, and Lebowitz 2010.

Further, it is not a good strategy to scornfully dismiss ideas that most members of progressive social movements are powerfully drawn to. It would not be irrational to embrace reformist views if the prospects for reforms were realistic and their content adequate to the challenges; it would be irrational to call for a radical break from the status quo when such disruption was not necessary. The long history of Marxists who have underestimated the possibilities of reform in capitalism while tragically overestimating the achievements of self-proclaimed post-capitalist regimes should also give us pause. The burden of proof is on those who embrace Marx's legacy to show in detail exactly why left liberalism is inadequate. Polemical dismissal will not do; a serious engagement is required.

Approaching matters from the other side of the fence, so to speak, it is easy to understand why liberal egalitarians might not be favourably disposed towards a work arguing that they ought to take Marx far more seriously. I will spell out my reasons for thinking this over the course of the book. For now I shall simply assert that if left liberals want to talk about capital, then sooner or later they will have to talk about Marx. And if they are going to do that, they should want to get him right, and to comprehend the nature of the challenge he poses to their position. I hope that this study can aid those attempting these tasks.

Of course the terms 'liberal egalitarianism' and 'Marxism' do not refer to natural kinds. They are constructed categories and, like all constructed categories, may prove useful for some purposes, and less so for others. In the course of the work, I shall distinguish a number of variants of liberal egalitarianism as the term is understood here. The composite pictures I have constructed from the works of prominent liberal egalitarian theorists are not the only ones that could be drawn. Other commentators would no doubt focus more on some themes over others. All I can say at this point is that I have sought to present an accurate account of liberal egalitarianism, its most important versions, and the main arguments given in their defence.

Chapter 1 surveys the dimensions of social life that matter most from the liberal egalitarian point of view: human flourishing, autonomous agency, the resources necessary to pursue reasonable life plans, the development of essential capabilities, and dialogues exploring a shared 'space of reasons'. Left liberal theorists are deeply committed to the *moral equality principle*, that is, the principle that all persons are equally worthy of concern and respect as ends in themselves. It follows that all persons should have an equally fair opportunity to attain well-being, exercise agency, obtain resources, develop essential capabilities, and engage in public discourse. The second chapter examines the general institutional framework liberal egalitarians regard as best suited to provide such opportunities. It includes non-patriarchal households, the use of mar-

kets to organise the production and distribution of most goods and services, a democratic constitutional state, a civil society with both numerous voluntary associations and a dynamic and open public sphere, and a regime of global governance based on universal human rights.

What I take to be the dominant version of left liberal theory is defined by the following 'core thesis':

A capitalist market society is compatible with the institutionalisation of the moral equality principle so long as the systematic tendencies of markets to generate results incompatible with that principle are put out of play by effective political regulation.

Before turning to a critical assessment of this thesis, I argue in Chapter 3 that a number of criticisms Marxists routinely make against liberalism simply do not apply to liberal egalitarianism. In contrast, some of the main reasons given by liberal egalitarian theorists for distancing themselves from Marx's legacy cannot be so immediately dismissed.⁷

Chapters 4 and 5 are devoted to the Marxian challenge to the core thesis on the level of systematic theory. I argue that Marx's concept of capital remains essential for comprehending our social world. It therefore remains essential for contemporary normative social theory as well, since any acceptable normative social theory must be based on a satisfactory comprehension of our world. Marx shows that in capitalist market societies, human ends, the human good, and human flourishing are systematically subordinated to the end, the good, and the flourishing of capital. Lacking an adequate concept of capital, liberal egalitarian theorists overlook this state of affairs.

Chapter 6 explores a number of specific systematic tendencies in capitalist market societies that make them unacceptable from the normative point of view of the moral equality principle: the systematic tendencies to coercion, domination, and exploitation in the capital/wage labour relation; the systematic tendencies to overaccumulation, financial, and environmental crises; and the systematic tendency to uneven development in the world market. Chapter 7 discusses the main liberal egalitarian response to this Marxian challenge: unacceptable tendencies in capitalist market societies can be put out of play if the proper background conditions are established by states or a higher-order form of governance. A critical assessment of specific liberal egalitarian proposals then follows in Chapter 8.

⁷ I provide sufficient reasons to dismiss them in the later course of the book.

The relationship between the economic sphere and the political sphere is a major theme of both Chapter 7 and Chapter 8. I argue that the familiar objection that Marx was committed to a reductionist 'economism' does not withstand scrutiny. His goal was in fact an appreciation of the full scope of the political dimension in social life.

In Chapter 9 the debate shifts to the more concrete level of major historical developments since World War II. The standard liberal egalitarian account of the rise of neoliberalism in recent decades is contrasted with a Marxian narrative. I criticise left liberal critics of neoliberalism for failing to realise that if neoliberalism had not provided a path for capital to recover from the slowdown of the 1970s, the all but inevitable alternative would have been a global recession or depression that liquidated or devalued a truly massive amounts of excess productive capacity in the world market at tremendous social cost.

Chapters 10 and 11 then turn to two more modest versions of liberal egalitarianism. Both concede that a capitalist market society can never be fully acceptable from a normative standpoint. But both insist that an affirmation of capitalism is still justified on the grounds that it can provide a feasible 'second best'. Defenders of a 'neo-Schumpeterian' perspective accept Schumpeter's point that the 'destructive' elements of capitalism's 'creative destruction' are simply the price to be paid to enjoy its 'creative' elements. On their view, the price is well worth paying, since capitalism provides the material preconditions for human agency and flourishing far more effectively and on a far greater scale than any other mode of production. Another modified version of liberal egalitarianism focuses on the recent rise of a new mode of production, termed 'commons-based peer production'. Its emergence in the networked economy does not remove the serious normative problems of capitalism – for example, restrictions on autonomy, democracy in the public sphere, and global justice remain intrinsic to capitalism. But, so the argument goes, if commons-based peer production were allowed to flourish alongside proprietary for-profit production, then autonomy, democratic participation, and global justice would all be significantly advanced in the social order as a whole.

I argue that both of these positions overlook aspects of contemporary capitalism that simply should not be overlooked. They include the very significant compression of time in which high profits can be achieved from innovations, the increasing precariousness of social reproduction within the capital/wage labour relation, the continued flow of credit money into financial speculations, and the level of environmental threat imposed by the 'grow or die' imperative of capitalism. Whatever may or may not have been the case before, in the present moment of world history there are powerful reasons to think that the 'destruct-

ive' elements of capitalism now outweigh its creative elements. *There will be no more 'golden ages' of capitalism.* And there are no good reasons to think that tremendous potential of commons-based peer production to further human flourishing can be actualised as long as the social forms of capital remain in place.

If neither the strong version of left liberalism nor more modest versions are acceptable, does that imply that we must move beyond the liberal egalitarian defence of market societies and towards a normative social theory that builds on the legacy of Marx's critique of political economy? Advocates of the final variant of liberal egalitarianism to be considered deny this conclusion. They propose a different type of market society, 'property-owning democracy', defined by a wide diffusion of the private ownership of capital assets. In Chapter 12, I argue that this imagined form of generalised commodity production would leave the reign of capital in place. As such it would fail to bring about a society where 'the free development of each is the condition for the free development of all', which liberal egalitarians hope for no less than Marxian theorists and activists.

In the concluding chapter, I briefly sketch an outline of a feasible and normatively superior alternative to capitalist market societies, quite different in essential respects from the illiberal self-proclaimed 'Marxist' regimes that emerged in the twentieth century. A normative social theory for the twenty-first century must contribute in every possible way to the collective project of bringing about something like this alternative. That is what moving 'beyond liberal egalitarianism' means.

I would like to thank Rebecca Burke, Fred Evans, Joseph Kupfer, Michael Lebowitz, Christian Lotz, Paul Mattick, Fred Moseley, Patrick Murray, and Jeanne Schuler for their generous encouragement during the years I have been working on this project. It has been appreciated far more than mere thanks can convey. Dan Krier deserves special acknowledgement for many stimulating and enjoyable discussions on matters related to this book over the years. The anonymous reviewers of the manuscript also deserve special thanks for numerous suggestions and criticisms.

The book is dedicated to Bridgit and Conor, as they begin to make their own way in the world. *Fuerte.*

List of Figures

- 1 The initial determinations of generalized commodity production and exchange 91
- 2 Capital's circuit of self-valorisation 109
- 3 Capital's expanded circuit of self-valorisation 110
- 4 Capital: an alien form of (dissociated) sociality 129
- 5 Financial capital inseparable from productive capital 150

Liberal Egalitarianism

Introduction

This chapter explores the main features of 'liberal egalitarianism'. 'Liberalism' and 'egalitarianism' are ambiguous terms in themselves; the combination of the two no less so. Views grouped under this general heading differ in numerous and often profound ways. Nonetheless, on the issues of most importance to this book they share sufficient family resemblances to justify considering them together.¹ At this early point the goal is to sketch the essential features of the position in terms acceptable to its advocates, postponing critical analysis until later chapters.

For most of history, some human beings have been thought to be of greater intrinsic worth than others. Babylonian emperors were said to have special influence with divine forces. The pharaohs of ancient Egypt were themselves proclaimed divine, a status also bestowed on emperors of Rome. Aristotle believed in the existence of a natural aristocracy, superior in rationality and virtue to ordinary citizens, while these male citizens in turn were taken to be intrinsically superior to women and slaves. For close to two millennia after Aristotle, aristocracies enjoyed special legal privileges in Western societies, justified by their supposedly greater inherent worth. Closer to our own day, Nietzsche called for a new European aristocracy, willing to sacrifice the most fundamental interests of ordinary persons for the sake of the few superior exemplars of our species. Countless racist and sexist social practices today proclaim in effect that some persons' lives are worth more than others', even if few now dare utter such sentiments publicly.

As a first approximation we may define 'liberal egalitarianism' negatively as a rejection of the thesis that some individuals are inherently of greater worth than others. More positively, 'liberal egalitarianism' can provisionally be taken

1 This is standard practice in contemporary political philosophy. See, for example, Kymlicka 2001, Chapter 3. I should note, however, that my notion of liberal egalitarianism is broader than Kymlicka's. I regard many versions of utilitarianism, communitarianism, republicanism, multiculturalism, feminism, critical race theory, and postmodernism as variants of liberal egalitarianism, extending Parfit's claim that the most defensible versions of different normative perspectives are compatible analogously to the way different paths up the same mountain are compatible with each other (Parfit 2011).

to refer to positions in normative social theory accepting the ‘Moral Equality Principle’ that all persons are of equal moral worth as ends in themselves.²

Normative social theory in general, and liberal egalitarianism in particular, received a tremendous spur with the publication of John Rawls’s *A Theory of Justice* in 1971, probably the most influential work by a political philosopher in the last hundred years. Rawls summarises his position with the slogan ‘justice as fairness’, revealing that his commitment to fairness is less a conclusion of his arguments than their starting point. Rawls asks us to imagine what principles of justice rational and reasonable persons would accept in a specially designed hypothetical decision procedure, an ‘original position’ where principles of justice are selected under a ‘veil of ignorance’ ruling out knowledge of particular identities and contexts. He is well aware that no one could ever be in such a condition. The original position is simply a striking methodological device for ruling out principles resting on the assumption that some persons’ fundamental interests are inherently more worthy of concern and respect than others.³

Other liberal egalitarians have expressed this same commitment in different terms. Brian Barry calls for ‘justice as impartiality’, agreeing with Thomas Scanlon that ‘what we owe to others’ is to act on the basis of principles no one could reasonably reject.⁴ David Held states that ‘humankind belongs to a single moral realm in which each person is equally worthy of consideration.’⁵ A similar statement is found in Alan Buchanan’s *Justice, Legitimacy, and Self-Determination*: ‘justice requires respect for the inherent dignity of all persons ... this notion of dignity includes the idea that all persons are equal, so far as the importance of their basic interests are concerned.’⁶ Jürgen Habermas, Europe’s leading defender of a liberal egalitarian perspective, affirms the demand to show ‘equal respect for the human worth of each individual.’⁷ Martha Nussbaum echoes the same point:

2 The inadequacy of this approximation can be seen in the fact that it does not exclude libertarianism, whose adherents vehemently reject liberal egalitarianism.

3 Since we do not know which group we will belong to when the veil is removed, it is rational to take the members of every group’s fundamental interests equally into account when selecting principles of justice. It is rational to be reasonable, so to speak. ‘The aim is to rule out those principles that it would be rational to propose for acceptance, however little the chance of success, only if one knew certain things that are irrelevant from the standpoint of justice ... [T]he veil of ignorance ... should cause no difficulty if we keep in mind the constraints on arguments that it is meant to express’ (Rawls 1971, p. 18).

4 Barry 1995; Scanlon 2000.

5 Held 1995, p. 147.

6 Buchanan 2004, p. 42.

7 Habermas, 2001, pp. 94, 103. At one point in his career Habermas’s project was to ‘recon-

If we agree that citizens are all worthy of concern and respect ... then we ought to conclude that politics should not treat people as agents or supporters of other people, whose mission in the world is to execute someone else's plan of life. It should treat each of them as ends, as sources of agency and worth in their own right, with their own plans to make and their own lives to live, therefore as deserving of all necessary support for the equal opportunity to be such agents.⁸

Examples could be easily multiplied.

The main goal of this first chapter is to consider exactly what it is about persons that we should be concerned with and respect. In other words, what are the dimensions of social life that matter to liberal egalitarians from a normative point of view? In the following chapter, I shall turn to the social and political arrangements that left liberals generally defend on the grounds that they institutionalise 'equal concern and respect'.

There are, I believe, five dimensions of social life that liberal egalitarians insist are relevant to normative assessments of institutional structures and social practices. Some may give more weight to one or another of these dimensions than others do.⁹ For the purposes of this study, however, that is a secondary matter.

Well-being

In the passage quoted above, Nussbaum speaks of the importance of persons having 'their own plans'. In normal circumstances, persons make something their own plan only when fulfilling that plan furthers their well-being, either directly or by furthering something they care about. Being concerned for persons, then, is at least in part being concerned about their well-being (understood in terms of the fulfilment of their life plans). As a first approximation we

struct' Marx's historical materialism. His writings, however, have consistently articulated a viewpoint far closer to liberal egalitarianism than to Marxism, at least as these positions will be understood here. (I add in passing that from the beginning Habermas did not understand that Marx's theory is primarily concerned with social forms, and not the instrumental control of nature; see Chapters 4 and 5 below).

8 Nussbaum 2001, p. 58.

9 The complexities and ambiguities of the myriad forms of 'egalitarian' commitments is explored in detail in the collection of papers in Holtug and Lippert-Rasmussen 2007. See also Arneson 2015.

can say that equal concern and respect implies that all persons should have a fair opportunity to live out their life plans. However, a number of important clarifications and qualifications are immediately in order.

- Not all plans are of equal importance. Some concern short-term goals that if thwarted today can be abandoned, or sought without much loss tomorrow. Others are of such central importance to our identity and our conception of what it means to lead a good life that failure to attain them would make our lives as a whole seem a failure to ourselves and others. The normative significance of the latter is clearly much greater than the former.
- The evaluation of institutional frameworks by the consequences they tend to have for well-being is widely associated with utilitarianism. Utilitarians embrace a version of the moral equality principle, insisting that the positive or negative consequences of actions and institutionalised practices affecting one individual count for no more and no less than comparable consequences for another person. Nonetheless, ‘liberal egalitarianism’ and ‘utilitarianism’ cannot be simply identified. Many utilitarians evaluate particular actions according to the degree to which they further total (or average) happiness (desire satisfaction) on the level of society as a whole. This suggests that sacrificing even the most fundamental interests and well-being of particular individuals and groups would be justified whenever this could be foreseen to result in a net gain in aggregate desire satisfaction. That is hardly a recipe for respecting persons as ends-in-themselves. For liberal egalitarians, individual persons are fundamental units of moral concern in a way that is not true in utilitarianism.¹⁰

A familiar problem illustrates the point. In principle, at least, utilitarian calculations would justify providing luxury goods and services to those who greatly desire them, even at the cost of imposing burdens on those with less expensive tastes, whenever doing so would maximise the total (or average) social good. From a liberal egalitarian standpoint this is incompatible with the principle that all individuals are of equal moral concern. If our ends impose unfair burdens on others, they are unreasonable and without positive normative significance. Some liberal egalitarian theorists conclude from this consideration that the principle of equal moral worth should be understood in terms of a principle of equal opportunity to well-being, as opposed to the utilitarian principle of maximising well-being across soci-

¹⁰ Rawls 1971, pp. 179–83.

ety as a whole.¹¹ Derek Parfit, in contrast, has argued persuasively that the most defensible form of utilitarianism holds that the rules making things go best on the level of society as a whole will invariably be rules that offer significant protections to the fundamental interests of all individuals. This version of utilitarianism should be seen as a variant of liberal egalitarianism, not a competitor.¹² The key point is that the statement ‘that all persons should have a fair opportunity to live out their life plans’ must be qualified by a restriction to reasonable life plans consistent with the fundamental interests of others.

- Respecting the equal worth of all individuals might seem to require accepting people’s own assessments of their well-being, unequivocally rejecting any suggestion that others can know our true preferences better than we do ourselves. Unfortunately, however, people can be misinformed about relevant matters when they make choices, and often profoundly mistaken. If someone’s preferences are formed on the basis of mistaken beliefs about themselves or the world, how could the satisfaction of those preferences be intrinsically valuable from a normative point of view?¹³ Suppose my preference for a certain food is based on a belief that food scientists and the FDA effectively oversee the safety of our food, while this belief is thoroughly mistaken and the food in question has been made carcinogenic in the course of processing. Why should the satisfaction of my preference be given significant positive normative weight? There is an obvious difference between preference satisfaction and *informed* preference satisfaction. It certainly matters to individuals whether they are able to live the sorts of lives they value. But it matters much more to our well-being whether we are able to live the sorts of lives *we have most reason to value*.¹⁴ Equal respect for all persons does not imply the crass relativism of equal respect for all subjective opinions. Affirming that individuals are ultimate units of moral concern rules out being indifferent to the difference between the preferences they would have formed if they had had access to available (or easily discoverable) relevant information about themselves and their circumstances, and preferences formed in ignorance of this relevant information. The fact that someone desires an end provides one reason for considering its attainment positively. But there may

11 Arneson 1989.

12 See Parfit 2011, Chapter 17.

13 Of course mistakes can be instrumentally valuable as part of an extended learning process, as Mill taught. This does not affect the point that concern and respect for persons does not necessarily imply unqualified affirmation of all subjective preferences.

14 See Christiano 2007.

be other reasons for evaluating matters differently, and they may turn out to be stronger.

- Throughout history, individuals have found themselves trapped in social roles with little or no realistic chance of escape, whether due to physical coercion, the weight of custom, internalisation of a threat of divine punishment, or some other mechanism. In these circumstances the preference formation process tends to ‘adapt’ to the given situation, generating preferences that have a realistic chance of being satisfied within the given social context. To the extent that this is the case, any attempt to normatively justify established social roles by appealing to the satisfaction of preferences is invidiously circular. The normative assessment of slavery does not stand or fall on the extent slaves adapted to their situation by blocking preferences with little chance of being fulfilled. The normative assessment of the role of women in patriarchal societies does not stand or fall on the degree women adapted their preferences to the limited options granted them.

If the satisfaction of subjective desires is not necessarily normatively significant in itself, states of affairs resulting from social actions should be normatively assessed primarily with regard to the objective well-being of individual agents, their actual flourishing, rather than their level of preference satisfaction. There is, in other words, a strong ‘perfectionist’ component in liberal egalitarianism.¹⁵ But this does not preclude a strong (if qualified) ‘subjective’ component. What matters is being able to live the sorts of lives we have most reason to choose for ourselves, given access to the relevant information and a processing of that information that has not been distorted by an adaptation of preferences to oppressive circumstances.

- To assert that individuals are a basic unit of moral concern is not to assert that the only consequences that matter from a normative point of view concern the fulfilment of private self-interest. The principle of equal concern and respect rules out an exclusive concern with narrowly defined self-interest (‘ethical egoism’) from the start. The consequences that matter are those we have good reasons to value or disvalue. We certainly have good reasons to value the fulfilment of our individual self-interest, narrowly conceived. But we also have good reasons to value the furthering of the well-being of others to whom we have special ties (daughters and sons,

¹⁵ Arneson 2010; Raz 1986. The language of flourishing and perfectionism is Aristotelian. I take the incorporation of an Aristotelian objective account of welfare to be a distinguishing feature in the views of leading liberal egalitarians, setting their position apart from traditional liberalism, which places individuals’ right to pursue their subjective desires at the centre of normative reflection.

spouses, other relatives, friends, fellow members of an association to which we belong, fellow citizens of our political community, and so on). And we have good reasons to value results that further the general good, impartially considered, which requires taking into account the well-being of others not tied to us in any special way. The fact that difficult trade-offs may have to be made when these considerations conflict does not imply that only one sort of consideration matters from a normative point of view.¹⁶

No liberal egalitarian would say that the only relevant issue in the evaluation of different institutional structures and social practices is the consequences they would have for attaining given ends. Imagine a society where drugs were distributed that maintained everyone in a state of perfect bliss. Suppose for good measure that maintaining this pleasant state was everyone's fondest wish. Suppose further that this preference was not uninformed, or distorted by adaptation to oppressive circumstances, and that it did not impose any unfair demands upon others. Such a society might maximise net desire satisfaction, preference fulfilment, and the attainment of the ends defining life plans at the given point in time. But it would not enable people to live the sorts of lives they have most reason to value over time. Drug-induced passivity rules out the possibility of critically reflecting on the given life plans, modifying or rejecting them when our assessments change, formulating new ones when required, considering possible implementations, carrying out the implementations decided upon, and so on. Attaining and maintaining well-being over time, in other words, requires agency.

Autonomous Agency

The passage from Martha Nussbaum quoted above refers to persons 'as sources of agency and worth in their own right, with their own plans to make and their own lives to live, therefore as deserving of all necessary support for the equal opportunity to be such agents'. All liberal egalitarian theorists would agree that the fulfilment of a life plan is not the only thing that matters from a normative point of view. The process of choosing the plan for ourselves and striving to fulfil it by means of our own agency matters as well. Social structures and practices that institutionalise equal concern and respect must foster the autonomous agency of all persons.

16 Parfit 2011, Chapter 6.

A number of clarifications and qualifications are once again in order.

- The complex relationship between liberal egalitarianism and utilitarianism is manifested here too. From the standpoint of the former, the liberty of individuals cannot be significantly sacrificed for the sake of a greater aggregate level of happiness or preference-satisfaction, at least outside extreme emergencies. The most defensible versions of utilitarianism, however, also rule that out. Rules making things go best on the level of society as a whole offer significant protections to the fundamental interests of all individuals, including their interest in autonomous agency.
- Within limits, technical terms can be defined however we wish. ‘Freedom’ can be defined as the ability to act arbitrarily without interference, and the absence of external coercion is in fact an important component of autonomy from the liberal egalitarian standpoint. But if it is taken to be the essence of freedom, as it is in traditional liberalism, the result is an extremely impoverished and inadequate concept from the liberal egalitarian point of view.¹⁷ A free act is not arbitrary, but one that responds to relevant reasons in appropriate ways. Freedom is enhanced whenever the preference formation of acting subjects becomes less uninformed, or less adapted to oppressive social circumstances.¹⁸
- Freedom is also not to be understood exclusively in terms of the pursuit of private self-interest. To be thwarted in what we want is not necessarily to be coerced. ‘Free’ acts must be reasonable if they are to have normative significance.¹⁹ Agents must take into account that other agents warrant concern and respect too; exercising the liberty to live the life we have most reason to value must include an acknowledgement of other individuals’ equal liberty to do the same. This acknowledgement should not be rejected as a restriction of liberty, but affirmed as a constitutive feature of the only form of liberty with normative import.
- The notion of individual autonomy does not imply that the choices and acts of individuals can be causally explained by themselves alone. Humans

¹⁷ Honneth 2014 includes an excellent discussion of different concepts of freedom.

¹⁸ See especially Sen 1999.

¹⁹ Some traditional liberals might regard this statement as illiberal. (Isaiah Berlin, for example, might well regard this ‘reasonableness restriction’ as a pernicious form of Hegelianism that liberals ought to reject. See Berlin 1990). Liberal egalitarians, however, rule out principles allowing some to act in a manner that imposes unreasonable demands on others, whether through the veil of ignorance thought experiment or some other feature of their methodological framework.

are natural creatures, and our choices and acts cannot be fully explained in abstraction from the entire course of natural evolution. Humans are historical creatures as well, and our choices and acts cannot be fully explained in abstraction from the legacies of social evolution either. Further, we are social creatures ‘all the way down’.²⁰ Individual identity is formed in the course of socialisation into the values and practices of particular communities; no individual choices or actions can be fully understood in abstraction from their social determinations. Autonomy is not a matter of escaping (or, better, pretending to escape) our biological, historical, or social identities. It is a matter of developing these identities in response to the concrete and contingent circumstances in which we must make choices and act.²¹ At any given moment in time there will be an indefinite range of possible choices and acts that would in principle be consistent with our natural, historical, and social determinations. If we affirm a particular choice and act in a corresponding way when relevant reasons for and against them have been taken into account, then making this choice and undertaking that act are ‘autonomous’ in the normatively relevant sense of the term. Autonomous agents act in the space of reasons; a free act is an act we have good reasons to affirm.²²

- The last point might seem to suggest that autonomous agents must be ceaselessly reflecting on reasons for and against possible decisions and actions. That is not the case. We may have good reasons to trust that our own initial judgements, the judgements of others (parents, friends, mentors, supervisors, community leaders), and the values and practices of our community are normatively acceptable. As long as this is the case, we can make choices and perform acts that follow our intuitive judgements, the suggestions of others, or established social practices without sacrificing autonomy, even if we have not engaged in extensive reflection to verify that the underlying reasons for every particular judgement, suggestion, and practice.²³ An autonomous agent, however, must remain open to the possibility that good reasons may emerge to *not* trust our own intuitions, the recommendations of others, or the accepted values and practices of a community to which we belong. The capacity to trust must be combined with receptiveness to evi-

20 This is another claim that at least some traditional liberals would resist.

21 See Christman 2009.

22 This is a main theme of the Introduction to Hegel 2008, a work that anticipates contemporary liberal egalitarian thought in a number of important respects. For Hegel, see Pippin 2008, Pinkard 2013, and Smith 2014, 2015a. For liberal egalitarianism, see Scanlon 2014 and Raz 2014.

23 Justified trust in testimony plays an analogously central role in epistemology.

dence suggesting that a more critical stance is required. In the sense of the term relevant here 'autonomy' presupposes both a capacity to be reconciled with established patterns of choices and actions when there are good reasons to maintain them 'all things considered', and a capacity to modify or break from established patterns when there are good 'all things considered' reasons for doing so.

Liberal egalitarians hold that the moral equality principle requires that all individuals have the freedom to live the sorts of lives they have most reason to value, subject to the 'reasonableness constraint' that the freedom of others to do the same is acknowledged. But the freedom to act on the basis of our proximate and ultimate ends would count for little without access to the material preconditions of effective agency. The freedom that matters is *substantive* freedom, and not merely a formal freedom from force or fraud. This brings us to a third dimension of social life that matters from the liberal egalitarian point of view.

Access to Resources

For Rawls, the primary subject matter of a theory of justice is the distribution of 'primary social goods': rights and opportunities, income and wealth, and the social bases of self-respect. These goods are 'primary' in the sense that they are generally required for social agents to carry out their life plans, whatever they happen to be. They are 'social' in that their distribution depends upon the 'basic structure' of society, that is, the institutional framework in place, in contrast to 'primary natural goods' distributed to individuals at birth in a genetic lottery (intelligence, imagination, health, etc.). For Rawls, principles of justice are rules for distributing primary social goods. These rules must be fair, that is, consistent with the notion that all persons are equally worthy of concern and respect. In Rawls's thought experiment we are to imagine ourselves in an 'original position' where we select principles for the allocation of primary social goods under a 'veil of ignorance' that excludes knowledge of our race, gender, age, income, ethnicity, and any other particular feature that could bias our decision-making, including our particular conception of the good life. While imagining that we are ignorant of the particulars of our own situation, we are nonetheless to assume we have a full understanding of the 'general facts of social life', including the fact that reasonable people will continue to disagree about religions and other comprehensive conceptions of the good. Rawls asks us to suppose further that we are neither egomaniacs concerned solely with our private self-interest and irrationally envious of others' successes, nor saints

disposed to sacrifice our self-interest for the sake of others' gain. Rawls lastly states that due to our profound interest in maintaining access to primary social goods throughout the course of our lives it is imperative to attempt to ensure an acceptable level of access to them no matter who we turn out to be once the veil of ignorance is lifted. Rationality demands, in other words, that we seek principles maximising the minimum we might receive, whoever we turn out to be.²⁴

In these hypothetical circumstances, Rawls thinks, anyone would reject the utilitarian principle that primary social goods should be allocated to maximise aggregate (or average) preference satisfaction in the society as a whole. There is simply too great a danger that our most fundamental interest in living the sort of lives we have most reason to value would be sacrificed. In contrast, if an extensive set of basic political and civil liberties were equally guaranteed to all, then individuals under a veil of ignorance could be assured that no matter who they turned out to be they would have an equal freedom to explore ideas and express judgements, including judgements regarding the justice of the basic structure and policies of their society. These freedoms are crucial preconditions for autonomy in the formulation and revision of life plans. Persons under a veil of ignorance would therefore endorse the principle that 'Each person has the same inalienable claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all'.²⁵ These basic liberties include freedom of thought and expression, freedom of association, and freedom of religion.

Of special note are the liberties associated with participation in political life. Liberties cannot in general have equal worth to everyone.²⁶ But Rawls insists that in a just society, political liberties must be of fair value to every member of the community. Rawls holds that rational agents in the original position would also accept a principle of strict equality with respect to access to the social bases of self-respect. Regarding 'equality of opportunity', however, matters are more complicated.

24 Rawls does not assume that the special psychological attitude towards risk manifested in this 'maximin' rule is generally rational. He does insist that it is appropriate when truly fundamental interests are at stake, as they are when access to primary social goods over the course of our lifetimes is being discussed.

25 Rawls 2001, p. 42.

26 Freedom of religion, for example, is worth more to a member of a minority religion than to a member of a faith shared by the vast majority of the population. Similarly, freedom of speech is worth more to a person with heterodox views than to someone who accepts the dominant consensus on the relevant issues.

For left liberals, merely formal equality of opportunity – ‘equality under the law’, that is, the absence of legal discrimination – is not adequate. But full substantive equality of opportunity is neither desirable nor possible to attain. For one thing, the genetic lottery will remain in place for the foreseeable future, dispersing different levels of innate capacities across the population. This in itself rules out everyone enjoying an equal starting point in life. Further, the opportunities available in later life also crucially depend upon the nurturing received as a child, the quality of one’s teachers, their willingness to serve as mentors, and so on. Attempting to ensure that these matters are equal for everyone everywhere would require massive surveillance and interference in everyday life, and even then the prospects of obtaining a truly ‘level playing field’ at the start of adulthood are nil. Knowing these ‘general facts of social life’, participants in the original position would adopt a principle of *fair* equality of opportunity, stronger than mere formal equality yet weaker than the impossible demand for unqualified equality.

The primary social goods of income and wealth remain to be considered, raising the question of economic justice. Here too a principle of equal distribution would have great initial attraction to agents under a veil of ignorance, since it would guarantee them an equal share of income and wealth no matter what their circumstances turned out to be when the veil was removed. It is important to recall, however, that income and wealth matter from the normative point of view because of the role they play in helping us live the sort of lives we have most reason to value. If a somewhat less equal distribution of income and wealth granted everyone a better chance of doing this, Rawls thinks, then a less equal distribution of income and wealth could be a more appropriate expression of equal concern and respect for persons as ends in themselves. Most liberal egalitarians endorse this reasoning.²⁷

Rawls assumes that among the general facts of social life known under the veil of ignorance are the fact that providing incentives spurs economic growth, and the fact that in principle economic growth can improve everyone’s living standards.²⁸ Of course it would also be known that a high level of economic growth may still leave a significant sector of the population impoverished. Under a veil of ignorance, rational agents would want to rule out the possibility of finding themselves in the latter group. They, Rawls concludes, would insist

²⁷ But see the discussion of Cohen in note 34 below.

²⁸ It is worth noting that Rawls takes various assertions of neoclassical economics and Keynesian economics as ‘general facts’ that any adequate theory of justice must simply presuppose.

on the *difference principle*: differences in income and wealth are acceptable so long as they are to the greatest benefit of the least advantaged.²⁹

All liberal egalitarians embrace the principles of equal basic liberties and fair equality of opportunity. The difference principle has proven much more controversial. Some regard the difference principle as *too* egalitarian. For them, there is an element of truth in the conservative complaint that those who have not contributed significantly to the production of goods and services lack a legitimate claim on the fruits of that production. This point led Ronald Dworkin to sharply distinguish the bad 'brute luck' over which individuals have no control (including natural disabilities, serious illnesses, unavoidable accidents, and so on) from bad 'option luck' resulting from their own choices in markets and elsewhere. The principle of equal moral concern implies for Dworkin that a just society will take corrective measures to help those suffering from the former. On the other hand, individuals must accept responsibility for the consequences of their choices regarding their education, training, and occupation, the trade-offs they have made between leisure and work, the amount of effort they put into their work, their spending decisions, their investments, and so on. We need not delve into all the details of the elaborate and picturesque thought experiment Dworkin constructs to illustrate these themes here.³⁰ Ulti-

29 It might seem as if *any* degree of inequality could be normatively acceptable according to the difference principle, so long as the income and wealth of members of the least advantaged groups was improved the tiniest bit over what it would be under alternatives. This is not the case. Levels of inequality in income and wealth inconsistent with the equality of liberties, the fair value of political liberties to all, and fair equality of opportunity are ruled out in Rawls's framework, even if they would leave the least advantaged better off in the narrow economic terms of income and wealth.

30 Briefly, Dworkin imagines survivors of a shipwreck swimming to a nearby uninhabited and unowned island. Being good egalitarians, they initially divide the resources of the island into bundles, distribute an equal amount of shells to each person, hold a series of preliminary auctions of the bundles using the shells as currency, and then adjust the content of the bundles so that at the end of the final auction no one envies anyone else's bundle. Special payments to the disabled are then instituted, determined by the level of insurance against natural disabilities that people on average would take out if they were available. The net result is defined as an initial egalitarian distribution of resources. This initial distribution is then transformed by the buying and selling of components of the various bundles, the use of bundles to produce new sorts of things to be sold, the free agreements of some to work for others in return for a wage, and so on. The result of all these imaginary occurrences and hypothetical calculations is not a situation in which everyone has an equal amount of everything. In Dworkin's view, however, the distribution would remain 'egalitarian' in the normatively relevant sense of the term, since

mately his central point is straightforward enough: the only justified inequality in the distribution of resources is one resulting from free choices from an initial starting point of equal resources that compensates for 'bad brute luck'. Dworkin, like Rawls, is a 'resourcist'. But in his view a far greater inequality of income and wealth is in principle compatible with egalitarian values than Rawls's difference principle allows, due to individuals' responsibility for their choices.

Liberal egalitarian critics of Dworkin hold that no social order allowing some members to remain destitute manifests concern and respect for others adequately, even when the destitution has resulted from their own choices. Critics also point out that if extensive inequalities are allowed in a given period, it will be extremely difficult to re-establish a rough equality of resources at the beginning of the following period. Sooner rather than later a point will inevitably be reached where we can no longer speak of individuals standing as equals in the political life of their community.³¹

Numerous liberal egalitarian theorists have proposed 'sufficientarianism' as an alternative to both Rawls's difference principle and Dworkin's more market-driven theory.³² Defenders of this variant of left liberalism affirm the crucial importance of all members of a society having *sufficient* access to the resources required to lead the sorts of lives they have most reason to value, and to 'stand as equals' in social and political life. Economic inequalities inconsistent with an equality of basic liberties or fair equality of opportunities are ruled out as a matter of principle, as in Rawls's framework. But, *pace* Rawls, so long as the least advantaged remain above the proper level of sufficiency they need not always benefit from economic growth, for reasons paralleling Dworkin's emphasis on individual responsibility. In contrast to 'luck egalitarianism', however, no one's access to resources would be allowed to fall below a level sufficient to stand as an equal in the given social context due to bad choices or bad luck, even when choices and risks were freely undertaken.³³

any inequalities that arise would be the result of different people freely making different trade-offs between additional income from work and leisure, different levels of option risks, and so on (Dworkin 1981).

31 See Anderson's critique of 'luck egalitarianism' in Anderson 1999.

32 See, for example, Nussbaum 2000 and Anderson 1999.

33 This position may be conjoined with *prioritism*, the view that the worst off ought to be raised to a sufficient level first, followed by the next worst off, and so on. Complications arise when a choice has to be made between raising a vast number of people relatively close to the baseline over the bar, and raising a much smaller number of people much further from the baseline above it. Cases like this are best handled within a frame-

It is not necessary to resolve these disputes here.³⁴ The main purpose of this brief survey has simply been to stress that for liberal egalitarians well-being and autonomous agency are not the only matters of normative significance. Rawls, Dworkin, and numerous other prominent social theorists insist that fair access to the *resources* needed to carry out the life plans we have most reason to value is normatively significant as well, including substantive (and not merely formal) equal basic liberties, the fair value of political liberties to all, fair (and not merely formal) equality of opportunity, and fair access to income and wealth.

Not all liberal egalitarians, however, agree that resources should be given such great weight in the determination of the proper background conditions of social life.

The Development of Essential Capabilities

In the capabilities approach developed by A.K. Sen, Martha Nussbaum, and others three main criticisms of 'resourcists' like Rawls have been presented.

1. The activities ('functionings') of social agents are not simply valuable as means to this or that goal; they are valuable as ends in themselves. Specific

work incorporating both 'consequentialist' elements (taking into account the numbers involved) and 'deontological' elements (giving priority to the worst off). See Parfit 2011, Chapter 21.

- 34 One other controversy should at least be mentioned in passing. While many liberal egalitarians regard Rawls's difference principle as too egalitarian, G.A. Cohen has criticised it on the grounds that it is not egalitarian enough. Rawls begins by assuming that individuals behind the veil of ignorance are 'reasonable'; they do not wish to impose unfair demands on others, and are willing to abide by the principles of justice they have selected. But, Cohen asserts, Rawls inconsistently also presupposes that once the veil is lifted the more talented will in effect blackmail everyone else, threatening to withdraw their contributions unless they are granted an unequal share of the benefits of economic growth. The inequality legitimated by the difference principle is in effect a peremptory response to this blackmail. In a society truly governed by 'justice as fairness', Cohen argues, such blackmail would not occur, and therefore there would be no need for others to acquiesce to the threat. The talented and skilled would recognise that their luck in the genetic and social lottery was 'arbitrary from a moral point of view', to invoke Rawls's oft-used phrase, and that no claim to the special gains allocated to them by the difference principle can be justified by their undeserved luck. Justice, in other words, demands that they contribute without demanding a greater share than those whose luck is not as great. See Cohen 2009.

activities cannot occur if the underlying capabilities for action have not been developed. The development of the capabilities underlying human agency, therefore, is valuable as an end in itself. Resources, in contrast, are merely means to aid our functionings. A 'resourcist' approach reflects an excessive concern for things that are merely means to the neglect of what is intrinsically valuable. Resourcists, in brief, are guilty of a form of fetishism.

2. Individuals with an equal amount of resources may profoundly differ in their ability to make effective use of those resources. The same medicine or food means something quite different to the sick or malnourished person from what it means to someone healthy or full. This immensely important difference is rendered invisible in the 'resourcist' perspective.
3. Many social impediments to human flourishing are not best conceptualised as unfair distributions of primary social goods. Cultural beliefs and social practices, for example, may prevent certain races or genders from participating in prestigious occupations or aspects of public life as much if not more than insufficient access to resources. Addressing the former impediments requires close attention to who is allowed to develop what capabilities, and not simply to the way resources are allocated.

Making capabilities central to normative social theory immediately poses the question as to which human capabilities are essential for human flourishing. Martha Nussbaum has suggested the following list, strongly emphasising its empirical and provisional character:

- Life* (being able to live a life of normal length);
- Bodily Health* (requiring adequate nutrition, shelter, etc.);
- Bodily Integrity* (freedom to move; physical security; reproductive choice, etc.);
- Sense, Imagination, Thought* (requiring education and freedom of expression);
- Emotions* (being able to have attachments to people outside ourselves);
- Practical Reason* (ability to form a conception of the good and life plan, requiring liberty of conscience and religious choice);
- Affiliation* (having a right to association and the social bases of self-respect);
- Other Species* (being able to live in and have concern for the world of nature);
- Play*; and

Control over One's Environment (having the right of political participation, property rights on an equal basis with others, being able to work as a human being, etc.)³⁵

With lists of this sort there is always a danger that elements of a particular conception of the good life are presented as if they were universal. The more items on the list of purportedly essential human capabilities, the greater this danger. Such a list should only be as long as is necessary to include all capabilities required to 'stand as an equal' in social and political life.³⁶

Responses to the above criticisms of 'resourcism' are available to its defenders.³⁷ First, they can easily grant that the distribution of primary social goods is not an end in itself, but merely a means to enable individuals to live lives they have reason to value. They can also agree that the development of essential capabilities is an end in itself. The (internal) development of capabilities, however, cannot be easily measured in a socially objective manner, while access to (external) resources can be. It follows that the latter provides a much more feasible and useful social measure of the extent to which the equal moral worth of all individuals is respected in a given context.

Second, resourcists can acknowledge that the moral equality principle demands that disabilities be addressed (whenever the costs of doing so are not overwhelmingly burdensome), whether or not the disability was caused by social practices. Simply granting equal access to resources is indeed insufficient when that leaves the victims of sickness, malnutrition, or other afflictions without the capability to stand as equals in the social world. Some resourcists incorporate this point on the abstract level of principles of justice.³⁸ Rawls came to agree, reversing his earlier decision to postpone discussing it to a more concrete level of analysis than the original position. The differences from capability theorists on this issue appear fairly negligible at the end of the day.

It also seems indisputable, finally, that social discrimination is not automatically overcome simply because political liberties, opportunities, and income and wealth have been distributed in a fair manner. But this is precisely why Rawls added 'the social bases of self-respect' to his list of primary social goods, and insisted that they must be equally distributed in a fully just society.

There are no capability theorists who do not regard access to resources as normatively significant, and there are no resourcists who do not understand

35 Nussbaum 2001, pp. 416–18.

36 Anderson 1999.

37 See Pogge 2010b.

38 See Daniels 2010.

that without a development of essential capabilities, access to resources is pointless. It seems reasonable to conclude that the background conditions for human agency must include *both* access to the resources required to live the lives we have most reason to choose *and* the development of the capabilities required for flourishing in the course of living those lives. From this perspective the debate between ‘resourcists’ and ‘capability theorists’ is a minor squabble among siblings.³⁹

The point can be generalised to other members of the liberal egalitarian family and to other matters of normative importance. Richard Arneson, for example, holds that the proper expression of equal moral concern is to provide equal opportunities for welfare, defined in terms of the living of truly good lives, rather than the mere attainment of certain subjective psychological states (happiness, preference satisfaction) as in utilitarianism. Actually attaining well-being, and not the distribution of primary social goods, is what matters most from a normative point of view in this ‘perfectionist’ viewpoint. But Arneson would never deny that it is only possible to live truly good lives if we exercise agency, have access to the required resources, and have developed the requisite capabilities. Joseph Raz, to mention one other example, focuses on the normative significance of autonomous agency. But he also affirms ‘perfectionism’, the importance of access to resources, and the need to develop essential human capabilities. There are *no* liberal egalitarians who do not regard all four of the dimensions of social life discussed so far in this chapter as centrally important from a normative point of view.

For the purposes of this book, I need not articulate and defend a specific version of liberal egalitarianism. The family resemblances between perfectionist theories of flourishing, the theory of autonomous agency, resourcism, and capability theory are far more significant than any differences. Each perspective explores the implications of the idea that all persons are equally worthy of concern and respect in a manner that complements the others. Each focuses on a matter of great normative importance. Each contributes a consideration necessary to the normative assessment of institutional frameworks and social practices. Here as elsewhere the truth is the whole, as Hegel would say.

But we still do not quite have the whole picture. There is a fifth dimension of social life whose normative import is also affirmed explicitly or implicitly in all variants of liberal egalitarianism.

39 Sen seems to have come to this conclusion in Sen 2009 and 2010.

Democratic Will-Formation

The normative questions social agents (and social theorists) might consider are endless. Are the sorts of lives people value the sorts they have good reasons to value? Do our attempts to fulfil our desires impose unreasonable costs on others? When is it a matter of concern whether or not people attain the ends they have sought? If they are not attained, when is this due to bad luck, when it is simply a matter that our choices may be thwarted when the free agreements of others are required to fulfil them, and when is it the fault of some institutional arrangement or social practice? When does a particular action count as free? When are preferences so uninformed or adapted to oppressive circumstances that the autonomy of the relevant agents is called into question? In a given context, what distribution provides adequate access to resources? What is the best mechanism for distributing those resources? If it is not possible to further the development of all capabilities simultaneously, which should have priority? Why? And so on.

It would be quite mistaken to think that the correct answers to questions like these can be deduced from abstract considerations. It would also be wrong to think that they could be answered adequately by a single person engaged in interior monologue. The principle of equal concern and respect implies that no one has a right to proclaim that certain answers are correct, or to demand that others accept what they decree. These questions concern our collective lives together, and they must be answered collectively. The space of reasons is an intersubjective space.

It is of fundamental normative importance that everyone can participate in formulating questions, proposing answers, defending their answers with arguments, listening and responding to the questions, answers, and arguments of others, and so on when matters of general concern are at stake. In this context Habermas speaks of the competence that speakers develop to meet challenges to claims made in the course of everyday communication by engaging in a discourse anticipating an 'ideal speech situation'. While Rawls invites each reader to undertake the thought experiment of the original position separately, he also recognises that any disagreement about the structure of the original position, the answers that would be reached while under a veil of ignorance, or the degree to which those answers match our 'all things considered' view of what fairness demands, can only be resolved in the forum of public reason. The Scanlon/Barry precept – namely, that principles are acceptable only if no one could reasonably object to them – points in the same direction; we are not always the best judges of whether we are imposing unreasonable demands on others, just as they are not always the best judges of whether they have imposed unreason-

able demands on us. There must be a social space within which the claims we make on others, and those others make on us, can be adjudicated when a collective decision regarding the priorities of our community must be made. Insofar as all 'stand as equals' in this space, a democratic process of will-formation can take place.⁴⁰

Much more could be said regarding the dimensions of social life significant from a normative point of view within liberal egalitarianism. For present purposes, the five dimensions discussed in this section suffice. The things that matter the most include:

1. human flourishing (*well-being*), partly understood in terms of living the sorts of lives we happen to value, but mostly understood in terms of the sorts of lives we have good reason to value, based on our informed desires, preferences that are not distorted by adaptation to oppressive circumstances, and conceptions of the human good as articulated in capability and perfectionist theories;
2. the exercise of *autonomous agency* in selecting our life plans and attempting to implement those plans;
3. the background conditions that must be in place to have a fair chance of flourishing through exercises of agency, including *access to the resources* necessary for autonomous agency and human flourishing, as well as
4. the *development of the essential capabilities* required for autonomous agency and human flourishing; and, finally,
5. a social space of *democratic will-formation* in which reasons can be defended and criticised regarding matters of collective concern.⁴¹

Different institutional frameworks and their associated social practices and structural tendencies can be critically compared and contrasted in terms of these considerations. Undertaking such normative assessments presupposes at least an implicit and vague sense of what a normatively acceptable institutional framework would look like. In the following chapter I shall present what I take

40 'If the demands of justice can be assessed only with the help of public reasoning, and if public reasoning is constitutively related to the idea of democracy, then there is an intimate connection between justice and democracy, with shared discursive features' (Sen 2009, p. 326).

41 In my view, Habermas has probably come closest to balancing a concern for well-being, autonomy, resources, capabilities, and democratic will-formation in a comprehensive framework (see, for example, Habermas 1996 and the excellent comparison of Rawls and Habermas in Hedrick 2010). But there is undoubtedly no one best way of doing this.

to be the consensus liberal egalitarian view on this issue. We shall then be in a position to turn to the contrast between liberal egalitarianism and Marxian social theory, the main topic of this book.

Towards a Liberal Egalitarian Normative Theory of Institutions

What sort of institutional framework (or 'basic structure', in Rawls's terminology) should be defended by those who believe that the fulfilment of reasonable ends, autonomous agency, access to resources, development of capabilities, and participation in democratic will-formation are all of immense normative significance? Debates among liberal egalitarians regarding this question are ongoing, and no final resolution will be sought here. I shall instead concentrate on some key points of general agreement. Once again, the family resemblances among liberal egalitarian positions are more important than the differences for our purposes here.

The Household

Susan Muller Okin, Elisabeth Anderson, Martha Nussbaum and many others have presented compelling reasons for placing the household within the scope of liberal egalitarian theories of social justice.¹ First of all, the process of forming and maintaining households must rest upon the free agreement of equals to be normatively legitimate. Once adults decide that forming a household together will contribute to their mutual flourishing, they should be free to carry out that decision.² Any law that systematically discriminates by enabling some social categories of persons to form certain types of households, while prohibiting others from doing the same, is in clear tension with the principle that all individuals are of equal moral concern. It follows at once that a mutual commitment made by members of different sexes to form a household is not in

1 Okin objected that Rawls did not devote sufficient attention in *A Theory of Justice* to how gender relations in the household (and beyond) have undermined the justice of existing societies. Rawls later conceded the point, unequivocally confirming that gender relations are part of the basic structure of society and thereby fall within the scope of a theory of justice. See Okin 1989, Chapter 2, and Rawls 2001, pp. 162–8.

2 The requirement that *they* make such a decision rules out child marriages.

principle more or less legitimate than one between members of the same sex. From the normative point of view of liberal egalitarianism, it would be just as wrong to treat the latter case differently from the former as it would be to discriminate against free decisions to form households made by members of different races or classes or ethnic groups.

A corollary of the freedom to establish households is the freedom to dissolve them. But there is an important complicating asymmetry: participating in household life can generate responsibilities to other members that remain after one has left. If children are to have a fair opportunity to flourish when they mature, they must receive emotional care, form deep attachments, and be given appropriate formal and informal education. Adult members of households have an obligation to ensure that these things happen to those in their care. In many circumstances this obligation remains in force even after a divorce. Other obligations may persist as well.

In the traditional patriarchal (heterosexual) household, the allocation of care labour and other domestic tasks has allowed men to disproportionately appropriate the benefits of domestic labour, while women and girls are systematically burdened with a disproportionate share of its costs. This arrangement also generally provides men with unfair advantages outside the household, in effect denying women the time required to participate as a full equal in social and political life. Whether or not there are essential biological differences between ‘men’ and ‘women’ is not of concern here; the relevant point is that there is no good reason to think that a fundamental difference exists with respect to the potential to formulate and implement life plans, or to take part in social and political life. No household imposing systematic and avoidable restrictions on the development of normatively significant capabilities on one category of members, while freeing other members from comparable restrictions, can be said to adequately institutionalise the principle that all individuals are equally worthy of concern and respect. The traditional patriarchal family structure must therefore be rejected. Liberal egalitarians must be feminists.

A state of affairs where all adult members contribute a roughly equal share of care labour and other domestic tasks can be taken as the default baseline of a normatively legitimate household. An arrangement in which one (or more) members contributes a disproportionate share of necessary domestic labour for a period of time might still be considered fair, but only if certain conditions were fulfilled, including:

1. Egalitarian socialisation processes and ample opportunities outside the household make the choice to take on a disproportionate share of neces-

sary domestic labour free in a substantive sense, rather than a mere adaptation of preferences to external circumstances.³

2. Social arrangements (training programmes, university grants, flextime, and so on) are in place to ease the transition to labour outside the household when those who have previously chosen to contribute a disproportionate share of domestic labour no longer wish to do so.
3. Measures are also in place to protect persons primarily engaged in domestic labour from economic dependence on other members of the household, and thereby from the vulnerability to abuses of power correlated with economic dependence.⁴
4. The total amount of labour is distributed roughly equally across adult members of households, avoiding the 'double shift' that so many women have performed.

This sketch of the sort of household that would best further autonomous agency and human flourishing has been all too brief. But if we consider the household in abstraction from other features of the social world (as we must at this point in the presentation), the views of liberal egalitarian feminists and those of feminists building on Marx's legacy do not essentially diverge, as far as I can tell. This book is devoted to the Marxian challenge to liberal egalitarianism, and that challenge lies elsewhere. And so our main attention must be directed elsewhere, despite the abiding importance of households in normative social theory.

3 One sign that this is the case might be the absence of a systematic gender pattern in the choice of this option.

4 Okin suggests that if one partner stays at home performing unpaid domestic labour while the other is employed outside the household for a wage, the economic insecurity and vulnerability of the former could be avoided by having an equal share of the wage automatically deposited in the bank account of each partner. This controversial proposal could also be justified on the grounds that the domestic labour performed by one partner is a necessary condition for the employer being able to employ the other partner full-time. (In a loose – but nonetheless real – sense, then, the person engaged in domestic labour also works for the employer). Pension sharing can be justified along the same lines. Less controversial suggestions include providing extended parental leave for all adult members of households with young children, as well as affordable high quality childcare. See Okin 1989, Chapters 7–8.

Market Production and Distribution

Most of the ways in which the production and distribution of goods and services have been organised in human history are deeply problematic from the standpoint of liberal egalitarianism. Early arrangements based on kinship relationships were relatively egalitarian.⁵ But they did not allow much scope for individuals to live lives of their own choosing; few social roles were available, and most of them were narrowly fixed from birth. Later emphatically non-egalitarian social frameworks arose in which slaves, serfs, bonded labourers, or independent peasants augmented the wealth of their supposedly 'natural' superiors. These arrangements clearly transgressed the principle that all persons should be equally respected as ends in themselves. It should be no less obvious that a command economy of top-down central planning by unaccountable bureaucratic elites cannot be defended from a left liberal standpoint either. If individuals' occupations, the regions where they are allowed to live and work, the goods and services they consume, and so on, are determined by bureaucratic decree, we can hardly say that individuals and groups have an equal freedom to select their own ends, or to decide for themselves which paths they will take in pursuit of those ends. Liberal egalitarianism is a *critical* social theory when applied to tribal societies, slave societies, tribute extracting societies, feudal aristocracies, or systems of bureaucratic domination, just as it is when applied to patriarchal gender relations within households.

Of course in other respects liberal egalitarianism is an *affirmative* social theory, as shown by the defence of democratic and egalitarian household relations. We can now add a strong (if strongly qualified) normative defence of *markets* as a way of organising production and distribution. Two key elements of this defence are taken over from the classical liberal legacy of John Locke and Adam Smith.⁶

First, markets are affirmed to produce and distribute goods and services with a high degree of *efficiency*.⁷ Market prices provide effective signals communic-

5 Flannery and Marcus 2012.

6 In the United States today many of the most vociferous defenders of Locke or Smith consider themselves 'conservatives' and profess distain for 'liberals'. As long as it is kept in mind that this inverts traditional use of the terms it should be possible to refer to theorists like Locke and Smith as 'classical liberals' without confusion.

7 Taken literally, of course, talk of what 'markets' do or don't do is crass reification. Only agents act, and markets are not agents. 'They' cannot do anything, let alone do it 'efficiently'. Nonetheless, I shall use this verbiage as shorthand when referring to recurrent patterns tending to arise from the activities of social agents engaged in market activities.

ating to producers the sorts of goods and services for which there is demand, and the relative strength of that demand vis-à-vis alternative goods and services. Producers who respond to these price signals effectively tend to survive and grow; those who do not, don't. The result is a tendency for *allocative efficiency* in the use of productive resources in the given period. Market prices also provide producers with feedback regarding how the technologies and forms of social organisation they employ compare to those of other producers. This fosters *dynamic efficiency* over time, with market competition providing a spur for both process innovation (producing products in new and better ways) and product innovation (addressing wants and needs in new and better ways). The net result is a general tendency for goods and services effectively addressing human wants and needs to be produced and distributed as efficiently as feasible in the given historical context.

It is important to stress that 'efficiency' is not merely a technical category. The successful pursuit of (reasonable) ends is an essential component of human flourishing, and individuals and groups require goods and services to pursue their ends successfully. If a particular social order is characterised by the efficient production and distribution of goods and services, that is normatively significant. A social order with this special property provides its members with essential material preconditions for their well-being.

Nonetheless, the question of efficiency ultimately remains a secondary matter in the liberal egalitarian framework. The more important argument for the normative attractiveness of market societies appeals to their institutionalisation of freedom.⁸ Freedom of occupation is one obvious illustration. No one affirming the normative importance of being able to live the sort of life we have most reason to value could deny the importance of being able to choose our own occupation. The former would be close to meaningless without the latter. For most people in most of human history this profound form of freedom was either ruled out completely or extremely limited in scope. In contrast, it is incorporated within modern market societies in principle.

The freedom to select for ourselves the goods and services that best meet our wants and needs is no less valuable. Carrying out life plans generally requires the use of particular goods and services. Consumers' freedom to purchase the goods and services they believe will best contribute to the attainment of their ends is an essential component of living lives of their own choosing. When consumption is determined by rigid customs, the personal whims of supposed superiors, or bureaucratically imposed dictates, the ability to live those sorts of

8 See Sen 2009, Chapter 11.

lives is restricted in comparison to a social world where room for the exercise of this form of autonomous agency is provided by consumer markets.

If the liberal egalitarian account ended here it would not significantly diverge from libertarianism, whose defenders also view the efficiency and freedom of modern market societies as a significant normative advance over earlier ways of organising production and distribution. But the account does not end here. Left liberals also insist that there are systematic tendencies in market societies that, left unchecked, would drastically limit the very efficiency and freedom that provide the basis for their normative legitimacy. For reasons that will become clear later, I shall consider these tendencies in four groups.⁹

1. The tendencies of the price mechanism to foster efficiency and freedom exist alongside tendencies for it to undercut efficiency and freedom. First of all, liberal egalitarian theorists believe that there is ample theoretical and empirical evidence that monopolies necessarily tend to arise in market societies. When they do, they have the power to distort the price mechanism, undermining market efficiency. Also, consumer sovereignty would mean little if producers held unchecked monopoly power over consumers.

Market failures can reduce efficiency even in reasonably competitive markets. Market competition undoubtedly provides a powerful incentive for producers to minimise their *internal costs*, since this may allow them to lower prices and thereby expand market demand while simultaneously increasing their returns. The *external costs* of production and distribution, that is, costs imposed on ‘third parties’ who do not participate in the transactions between producers and consumers, are another matter. Suppose the production of a commodity involves the emission of pollutants imposing harms on persons living ‘downstream’ from a producing facility. The market price of that commodity will reflect the producers’ costs of production and, of course, the cost consumers are willing to pay to acquire it. Market competition provides producers with an incentive to minimise their production costs, and consumers with an incentive to purchase products from low cost producers. But market competition does not provide either party with an incentive to minimise environmental costs that can be externalised to others. Markets even provide a strong *disincentive* to address ‘negative externalities’ whenever measures to alleviate these harms impose additional internal costs on a producer that its competitors do

9 I shall consider a number of the following claims in greater detail in later chapters. Interested readers are urged to consult Davidson 2002 and Varoufakis et al. 2011 where problematic tendencies of markets are discussed at great length from a left liberal perspective.

not face. It follows that markets systematically tend to overproduce goods and services involving negative externalities, relative to the amount that would further human flourishing most efficiently if all costs were taken into account.

The systematic tendency to underproduce goods and services involving significant *positive* externalities (benefits to third parties) is no less strong in market societies. Basic research and long-term research and development provide paradigmatic examples. These forms of R&D are necessary if society at large is to benefit from a stream of product and process innovations. But those privately investing in basic research or long-term R&D projects are not likely to appropriate significant benefits themselves. Research pushing the scientific-technological envelope necessarily tends to be risky in a scientific-technical sense; conjectures made at the frontier have a good chance of being proven mistaken. This research is generally quite risky in a financial sense as well, requiring expensive equipment and laboratories. Even if the projects are successful in scientific-technical terms, there are no guarantees that commercialisable innovations will ever result. And if commercialisable innovations are eventually made, the positive 'spill-over effects' from the inevitable dispersal of the underlying scientific-technological knowledge means that many of the eventual benefits of the initial investment will be appropriated by others. Original investors may not even still be around. From the standpoint of individual investors, then, it is not rational to risk a vast amount of their own funds on risky R&D projects that may not ever lead to commercialisable results, and may primarily benefit others if they do. The aggregate result of individually rational investor decisions, however, is socially irrational: a systematic tendency to underinvest in basic research and long-term research and development despite their immense social benefits. Generalising from this case we can conclude that market societies systematically tend to underproduce goods and services involving significant positive externalities, relative to the amount that would further human flourishing most efficiently if all benefits were taken into account.¹⁰

2. Left liberal theorists also accept that there is a systematic tendency for serious recessions and depressions to occur in market societies. While theoretical explanations for economic downswings remain controversial, it cannot be denied that they have occurred with disturbing regularity in the history of modern market societies. Nor can it be denied that the regularity of these

10 A systematic tendency for markets to underproduce *public goods* follows from this consideration.

occurrences drastically weakens the force of any normative appeal to market 'efficiency'. In recessions and depressions, human wants and needs go unmet on a vast scale while human and non-human productive resources remain unused on a vast scale. The claim that market societies necessarily tend to further human flourishing to the greatest feasible extent could hardly sound more hollow in these circumstances.

Liberal egalitarian concerns regarding efficiency go deeper still. As Keynes argued, there are no guarantees that even in the absence of a serious recession or depression labour markets will necessarily tend to clear, let alone do so at a normatively acceptable wage rate. The high levels of involuntary unemployment so often found in 'normal' conditions also undermine the efficiency of market societies in the normatively relevant sense of the term.

The tendency for market societies to generate economic downswings and involuntary unemployment undercuts the classical liberal defence of market societies based on the institutionalisation of freedom as well. Freedom of occupation means little if jobs are not widely available. And if economic downswings and involuntary unemployment leave significant numbers of people with an inadequate level of disposable income, the formal freedom granted to consumers in market societies remains *merely* formal.

3. Liberal egalitarians detect in market societies a strong tendency for levels of income inequality and severe poverty to exceed what is compatible with the liberal egalitarian principles of fair access to resources, adequate development of essential capacities, fair equality of opportunity, and the fair worth of basic liberties. Those with higher levels of income and wealth have a far better chance of living the sorts of lives they choose than others have. Unlike more traditional liberals, freedom *from* the interference of others is not the only form of freedom that matters to liberal egalitarians. The freedom *to* do the things one has good reason to value matters as well; the moral equality principle implies that all individuals must enjoy the robust *substantive* freedom denied those whose lives are spent in seriously disadvantaged conditions.

A second, closely related problem is that autonomous agency is not only threatened by force or fraud, as libertarians hold. Suppose the only realistic prospect for those desperately requiring food, shelter, clothing, medical care, and so on, to obtain these goods is through negotiated agreements with those in secure and ample possession of monetary resources. The difference in bargaining power between the two groups would be extreme. There is surely *some* point past which asymmetry in bargaining power is inconsistent with the principle of equal moral concern, some point past which the less advantaged are

in effect forced to accept agreements that unfairly allow the more advantaged to appropriate an unfair share of the benefits of the agreements.¹¹ There are no dominant tendencies in market societies that can be relied on to prevent asymmetries of bargaining power exceeding this point from arising.

4. A final issue of great normative importance regards the inherent tendency in market societies – their ‘default setting’, so to speak – for severe inequalities in wealth to be reproduced and exacerbated over time.¹² The more this tendency operates unchecked, the less plausible it is to speak of the members of a community standing as equals in social and political life. Over the course of generations, the wealthy will tend to become in effect an independent caste, whose concentrated economic and political power make talk of equality of opportunity empty verbiage. Even if the more advantaged would not always get their way on every political issue, or even every significant political issue, they would still necessarily tend to have a disproportionate influence on the political process, making proclamations of the fair value of political liberties to all empty rhetoric as well.

Many other potential shortcomings in market societies from a normative point of view could be mentioned.¹³ But enough has been said to justify the following conclusions. The liberal egalitarian assessment of market societies is complex. Market societies can in principle further much of what matters in human life (provision of resources, development of capacities, autonomy, human flourishing) to a greater degree than any other economic order in world history.¹⁴ But market societies also have inherent and strong tendencies to undermine efficiency, to generate extensive involuntary unemployment in ‘normal’ circumstances as well as in extended economic downturns, to engender levels of severe inequality and poverty undermining fair equality of

11 As Kymlicka says, ‘justice as threat advantage’ is not a theory of justice as much as an alternative to all theories of justice (Kymlicka 2002, pp. 135–6). Brian Barry argues this point forcefully in Barry 1989.

12 As the saying goes, ‘it takes money to make money’. The truth of the cliché is documented in depressing detail in Piketty 2014, Chapters 10–12.

13 Consumers could be easily manipulated, for example, when relevant information about goods or services is not disclosed, and there are no systematic tendencies in markets ensuring full disclosure. Many other examples of *informational asymmetries* in markets could be considered here as well. The ‘short-termism’ that tends to afflict market societies could also be considered as a distinct shortcoming. However, it might be better to consider it as a dimension of all of them.

14 This point is argued strongly in Cudd’s contributions to Cudd and Holmstrom 2011.

opportunity and economic justice, and to eventually generate a de facto caste system fundamentally at odds with the principle that all individuals are of equal moral concern.

From the perspective of the present work, the heart of the liberal egalitarian position lies in the belief that the tension between these divergent dimensions of market societies can be overcome. Market societies include tendencies that, if unchecked, undermine their claim to normative justification. These tendencies are real possibilities. But there is no necessity that these possibilities are actualised. Tendencies need not operate unchecked; they can be modified, or put out of play completely. If markets were embedded within a larger institutional framework capable of correcting the problematic tendencies, they could function in a normatively acceptable manner. That, at least, is the core thesis of liberal egalitarianism.

The State

The classical liberal defence of the state appeals to the need to escape the horrific ‘state of war’ taken to emerge inevitably when individuals do not enjoy secure rights, including the right to private property. Hobbes, for example, argued that rational individuals must agree to a ‘social contract’ affirming the legitimacy of a government with extensive and unchecked coercive powers if the ‘war of all against all’ is to be avoided and the rule of law established.

Locke quickly amended Hobbes by insisting that the political regime must itself operate in a normatively acceptable fashion. The liberal principle that individuals are basic units of moral concern rules out giving the state a higher-order normative status trumping all claims of its individual citizens.¹⁵ Its legitimation primarily rests on its fostering the autonomy, well-being, and other matters of normative significance, of its citizens. Constitutional guarantees of equal civil and political rights (freedom of speech, freedom of association, and the other basic liberties listed under Rawls’s first principle of justice) are

15 ‘Nationalism’ and ‘patriotism’ are important values in the liberal egalitarian framework insofar as the flourishing of individuals is furthered through membership in a political community. Individuals may regularly be asked to sacrifice non-fundamental interests for the sake of the political community. In situations of extreme emergency they may even legitimately be called upon to sacrifice fundamental interests. Nonetheless, liberal egalitarianism rejects any reification of the state as a higher-order good in itself. See Nussbaum and Cohen 2002.

required to give substance to the freedom of individuals to determine and attempt to carry out their own (reasonable) life plans, and to ensure that state officials will not interfere in this process in normatively unacceptable ways. There is also a general consensus among them that a separation of powers is necessary for the state to operate in a normatively acceptable manner over time, with each part of the state apparatus providing effective oversight over the others.¹⁶

A different sort of argument for the normative legitimacy of states stems from the need of even well-intentioned agents for assurances that others will bear their fair share of the costs of providing public goods (like peace) and avoiding public bads (like the war of all against all) before they will do so. A state with the coercive power to collect taxes is an effective means of providing such assurances.

Justifications of the state appealing to the need to maintain the rule of law and overcome the assurance problem are part of the general liberal heritage. A third justification of the state rests on considerations more specific to liberal egalitarianism. Neither constitutional guarantees of equal civil and political rights, nor assurances that the state will collect sufficient revenues to provide public goods and avoid public bads, is sufficient to guarantee that transactions in the market are acceptable from the standpoint of the moral equality principle. As we have seen, market societies have an intrinsic tendency to generate normatively unacceptable states of affairs, including: 1) misallocations due to monopoly (and oligopoly) power and externalities;¹⁷ 2) economic downturns and involuntary unemployment; 3) severe inequality and poverty; and 4) intergenerational transmissions of wealth that over time lead to quasi-caste distinctions. Unlike more traditional forms of liberalism that favour a much shorter list of legitimate state objectives, the specifically left liberalism emphasises the state's essential responsibility to keep these tendencies in check. With the proper background conditions of market activity in place, the positive tendencies of market societies with respect to freedom and efficiency can then operate with full force.

In *A Theory of Justice* Rawls discusses four branches of government required for a just institutional order.¹⁸ The striking brevity of Rawls's account by no means reflects the absolutely crucial importance of the topic in normative

16 A good account of the reasoning behind this consensus is found in Pettit 2012, Chapter 3.

17 The effects of a few giant firms engaged in formal or informal collaboration can approximate those of a monopoly firm.

18 The grouping of the pernicious tendencies discussed in the previous section was made with these four branches in mind (see Rawls 1971, pp. 274–80).

social theory. The liberal egalitarian normative defence of market societies rests to a significant degree on whether branches of government of the sort described by Rawls are capable of fulfilling the tasks assigned to them.

1. Rawls assigns an *allocation branch* of government the task of preventing excessive concentrations of market power whenever feasible, and effectively regulating such power when it cannot be avoided. Anti-trust legislation and the suitable regulation of unavoidable 'natural' monopolies can, Rawls supposes, limit the restrictions on substantive freedom that unchecked monopoly (or oligopoly) power tends to impose, and overcome the distortions caused by monopoly (and oligopoly) prices. This branch must also correct serious instances of market failure due to externalities. Economic activities imposing significant negative externalities must be discouraged through, for example, higher taxes on the activities in question. Activities generating significant positive externalities are to be encouraged by various forms of direct and indirect subsidies, and by the direct provision of public goods.

2. Contemporary left liberals follow Keynes in holding that market economies left to themselves do not automatically provide full employment even in 'normal' circumstances.¹⁹ Matters are even worse during the extended periods of economic stagnation or decline that have afflicted market societies regularly. Those suffering from extended unemployment may still possess formal liberty rights and formal equality of opportunity. But formal freedom of occupation is of little worth when there are few available jobs, and formal equality of opportunities hardly ensures that everyone is able to stand as an equal in social and political life in economic downswings. Rawls concludes that a society based on the principle that all individuals are equally worthy of concern and respect requires a *stabilisation branch* of government charged with the task of overcoming involuntary unemployment in 'normal' circumstances, and to check market tendencies to instability, making use of fiscal and monetary policies to avoid extended recessions and depressions whenever possible and to minimise their severity and duration when they do occur.

The scope of the stabilisation branch extends to effective governmental supervision of the financial sector, since it will be a major source of economic

19 It should be noted that 'full employment' in the sense relevant to liberal egalitarian theorists is not approached when a society removes a large percentage of its working age population from the labour market through imprisonment, through vast numbers being too discouraged by poor employment prospects to continue looking, or through another large percentage forced into poorly paid part-time and temporary employment.

instability if left inadequately supervised. Rawls likely had Keynes's account of the financial sector in mind here.²⁰ For Keynes, rentiers receive returns from loans to industrial and commercial capitals as compensation for relinquishing a more reliable store of value (money) for a less reliable one (firms' securities).²¹ In the absence of the proper regulation, rentiers may discourage firms from making the investments required to bring about and maintain full employment by demanding high interest payments.

Affordable credit becomes even scarcer in the periods of financial crises that tend to occur regularly in the absence of effective regulation. Keynes traces the roots of this tendency to the radical uncertainty of the future. In generalised commodity production no one can know which sectors of industrial or commercial capital will survive in the medium- to long-term, let alone which particular units of capital will flourish. No one can even know the objective probabilities of such future events. This *strong competition* implies that the prospects of investments made in industrial and commercial sectors are uncertain. Neither individual units of capital nor entire sectors have any guarantee of receiving any returns whatsoever in the future, let alone average or superior rates of return. It follows that the prices of the financial assets associated with them simply cannot be determined by the known objective probabilities of their future value. There is, Keynes rightly insisted, an ineluctable subjective element in the formation of their prices; present prices of financial assets represent the aggregate of subjective estimations of their likely future value by investors. More precisely, present prices represent an aggregate of investors' subjective estimations of how other investors in the aggregate are likely to estimate their likely future value.

Subjective estimations can be optimistic or pessimistic. If optimistic projections are widely shared, initial increases in prices will attract further demand for the assets in question, which in itself causes a further rise in their price. Owners of the assets can then use their increased (paper) wealth as collateral for loans, use the loans to increase demand for the financial assets, and thereby lift their prices once again. Investors now have yet more collateral for yet more loans, enabling another round of increased demand and higher prices. If this process occurs on a sufficiently wide scale, a self-sustaining speculative bubble erupts.²² When a critical mass of creditors fear that it will burst (as they invariably will at some point), creditors will begin to refuse to issue new loans

20 Excellent surveys of Keynes's views are found in Davidson 2002 and 2009.

21 In this context the dividends received from investing in equities can be seen as a sort of interest payment.

22 Keynes 1973, Chapter 12.

or roll over old ones, demanding immediate repayment of previous loans as they come due. The bubble will then burst. Many borrowers possessing financial capital assets are now forced to sell them in order to remain liquid, causing the value of those assets to decline even more rapidly. Unable to obtain needed financing, many otherwise viable non-financial firms go bankrupt, while others drastically lower their rate of investment. A self-reinforcing spiral of economic decline with ever-higher rates of unemployment will result unless the government provides the liquidity financial sector is no longer able to provide the economy. Rawls's call for a stabilisation branch of government to avoid normatively unacceptable results is based on Keynesian considerations of this sort.

3. Past a certain point the systematic tendency of market societies to produce severe inequality of income and poverty undermines the ability of the least advantaged members of society to meet basic needs and develop essential capacities. It also rules out fair equality of opportunity, equality of liberty rights, and the fair value of political liberties to all. These outcomes are not compatible with the moral equality principle. Rawls accordingly calls for a *transfer branch* to address the problems of poverty and severe inequality though through some combination of direct income transfers and government support for health care, housing, nutrition programmes, education, and so on.

4. Finally, wealth inequalities across generations pose an even more serious normative issue than income inequality in a given period. Over time the inter-generational transmission of wealth tends to lead to the emergence of what is in effect an elite caste, capable of reproducing its many privileges across generations. To counter this tendency, Rawls proposes a *distribution branch* with the charge of preventing the formation of a separate and relatively closed caste of privilege through progressive inheritance taxes and related measures.

As this discussion has shown, liberal egalitarian political philosophy cannot be limited to the articulation and defence of abstract normative principles and a meta-level of reflection on competing methodological frameworks. It is not surrounded by thick walls barricading it against incursions from other disciplines.²³ The liberal egalitarian project includes a substantive normative evaluation of 'basic structures', in Rawls's sense of the term, and therefore must include an account of the systematic tendencies of market economies,

23 Readers should keep this point in mind when reading the extended discussion of Marx's critique of political economy to follow in Chapters 4 and 5. The issues raised there are not extraneous to liberal egalitarian philosophy.

a normative diagnosis of those tendencies, and an account of how states (and other political agencies) have the capacity to put pernicious tendencies out of play.²⁴ Rawls may devote only a handful of pages in *A Theory of Justice* to discussing the branches of government. But from the standpoint of the present study these few pages go to the very heart of the liberal egalitarian position.

It is noteworthy that liberal egalitarian philosophers have refused to follow the path taken by so many economists and political scientists in recent decades. They have not jumped on the neoliberal bandwagon of market triumphalism. Rawls's proposed branches of government are based on broadly Keynesian views regarding the limitations of markets and the need for the state to modify their operation. Subsequent liberal egalitarian authors have accepted this perspective as well. There is in fact less disagreement among liberal egalitarians regarding these basic claims of political economy than there is on many other matters (as the ongoing disputes among resourcists, capability theorists, and perfectionists attest). All liberal egalitarians agree that unregulated markets do *not* automatically tend to function in a manner consistent with principles of justice. All agree that market societies necessarily tend instead to generate extreme substantive inequalities of liberties, opportunities, the distribution of income and wealth, and the social bases of self-respect. On the other hand, all liberal egalitarian theorists also agree that market societies tend to foster freedom and human flourishing in important respects.

The great challenge here from a normative point of view is to restrain the negative tendencies of market societies and unleash the positive ones. There is a consensus among the vast majority of left liberal theorists that this challenge can in principle be met satisfactorily within a suitably regulated capitalist market society. For the purposes of the present study prior to Chapter 10 the following statement can be taken as the 'core thesis' of liberal egalitarianism:

*A capitalist market society is compatible with the institutionalisation of equal care and concern for all persons as ends in themselves so long as the systematic tendencies of markets to generate results incompatible with that principle are put out of play by effective political regulation.*²⁵

24 Neither Rawls nor any other left liberal theorist is committed to the strong claim that *all* normatively significant problems within contemporary national economies can be adequately addressed within these branches. As note 13 suggested, other pernicious tendencies in market societies may be discerned besides those Rawls had in mind in *A Theory of Justice*. Liberal egalitarians, however, are committed to the thesis that these tendencies can in principle be put out of play in an analogous fashion.

25 As noted in the Preface, I shall discuss in Chapter 10 two versions of liberal egalitarian-

As this thesis suggests, in the left liberal framework the state has a central role in establishing and maintaining the proper background conditions for social life. But ‘effective political regulation’ involves more than just the state in this framework. Two other elements must be considered. Before doing so, however, a brief digression on the question of the ‘neutrality’ of the state is in order, since it will introduce central themes of the present work.

The debate regarding the neutrality of the state with respect to conceptions of the good is often posed in terms of the relative priority of the ‘right’ or the ‘good’. Positions awarding priority to the latter come in a variety of forms. Advocates of a ‘confessional state’ (a Christian state, a Jewish state, an Islamic

ism that reject this strong core thesis and replace it with a modified, much more modest, defense of capitalist market societies. As we shall see in Chapter 11, the most radical variant of liberal egalitarianism defends ‘property-owning democracy’, a market society without a capitalist class possessing concentrated economic power (or at least nothing like the concentrated economic power it has today). Prior to Chapter 10 I shall be using the term ‘liberal egalitarianism’ with the strong version in mind. It would have been possible to continually add adjectives (‘strong’, ‘pure’, ‘standard’) to ‘liberal egalitarianism’ before Chapter 10. But this would have become tiresome; readers are asked to take the qualification as given in the meantime. The decision to use the term without qualification in the early chapters can also be justified by recalling that the vast majority of liberal egalitarian theorists either explicitly affirm a suitably regulated form of capitalism (Murphy and Nagel 2004, Nussbaum 1990, and Von Platz and Tomasi 2015 provide exemplary illustrations in philosophy; Stiglitz 2002 and 2012, Stiglitz and Greenwald 2014, and Davidson 2009 are representative instances in economics), or else clearly take such an affirmation for granted. The paradigmatic text of contemporary liberal egalitarianism is undoubtedly Rawls’s *A Theory of Justice*. It is therefore a bit awkward to note that Rawls apparently distanced himself in later writings from this supposed ‘core thesis’, defending ‘property-owning democracies’ over against capitalist market societies (Rawls 2001, pp. 135–40; see Schweickart 1978, 2014; O’Neill and Williamson 2014; Malleson 2014). The fact of the matter, however, is that Rawls was all but universally read for decades after the publication of *A Theory of Justice* as a defender of a welfare state capitalism building on the progressive reforms of the New Deal and Great Society and extending them beyond what even Scandinavian societies have attained. While Rawls devoted great energy to replying to what he considered misreadings of his position asserted by libertarian, utilitarian, feminist, communitarian, and fellow liberal egalitarian critics, I know of no publication in the thirty years between *A Theory of Justice* and *Justice As Fairness: A Restatement*, where he attempted to correct the all but universal (mis)reading of his position as a defence of a regulated form of capitalism. Whatever his intentions might have been, the fact is that Rawls’s arguments could be used to defend the ‘core thesis’ defined in the main text, and were in fact used towards that end for many years. (See, for example, Krugman 2011). I shall therefore refer to them in that context here, prior to considering in the final chapter the position Rawls later articulated.

state) wish to further the conception of the good articulated by beliefs associated with a particular religion on the level of society as a whole. For them, any rights conferred on individuals must contribute to, or at the least be compatible with, this general purpose. Communitarians affirm the priority of the good over the right of individuals to pursue their merely private ends by appealing to the fact that individuals only become the individuals they are as a result of being socialised within the values and traditions of their community. This, they assert, gives the community metaphysical priority over its individual members.²⁶ The community would soon dissolve without the continual renewal of the shared substantive ('thick') conception of the good found in its traditions and culture. And so for communitarians the flourishing of both individuals and the communities to which they belong requires that this conception of the good be vigorously furthered on the level of the society as a whole. Utilitarianism also grants priority to 'the good', understood in the quite different fashion of the greatest feasible aggregate (or average) level of happiness in the society as a whole. Utilitarians insist that state policies must grant priority to furthering that notion of the good.

From the liberal egalitarian standpoint none of these views is acceptable. In all modern societies, at least, there are and will no doubt continue to be a plurality of different conceptions of the good.²⁷ In the confessional or communitarian state the adherents of one particular conception of the good are able to use the coercive powers of the state to systematically privilege the interests of its adherents over the interests of other members of the society – including those who accept the dominant religion or culture, but interpret its core message differently from those controlling the state. Those who have an alien conception of the good imposed on them by the coercive powers of the state are clearly not being treated as equally worthy of concern and respect. Analogously, the methodological framework of utilitarianism in principle allows some persons' fundamental interests to be sacrificed whenever this would further the aggregate (or average) good in the society as a whole. This is in obvious tension with Nussbaum's affirmation that 'policies should not treat people as agents or supporters of other people, whose mission in the world is to execute someone else's plan of life'.²⁸

26 From the communitarian standpoint of Michael Sandel, all variants of liberalism rest on a false metaphysics of the person. Liberals treat persons as empty selves, supposedly free to choose or not choose whatever ends and values they wish. We are not beings of that sort (Sandel 1982).

27 Rawls refers simply to 'the fact of reasonable pluralism' (Rawls 1993, p. 57. See also 1999b).

28 Nussbaum 2001, p. 58.

The conclusion appears to follow that liberal egalitarians must grant priority to the right of persons to live lives of their own choosing, based on their own conception of the good. From this standpoint the only good that can properly be affirmed on the level of society as a whole is the content of a 'thin' theory of the good, limited to the means generally useful in the pursuit of different particular conceptions of the good.²⁹ A normatively acceptable state must therefore be neutral regarding the competing 'thick' conceptions of the good. No one substantive conception of the good can hold on the level of society as a whole, given the right of individuals to pursue their own (reasonable) life plans. In this sense 'the right' has priority over 'the good', as Rawls proclaims in *A Theory of Justice*.³⁰

A rather obvious complication arises from the fact that 'neutrality' on the level of the state implies a commitment to the principle of toleration, and 'toleration' is not itself a neutral principle. Any commitment to it will be based on a substantive claim that a tolerant society is a good society, and as such an end in itself. Rawls attempts to finesse this point by saying that toleration can be justified from the standpoint of numerous particular conceptions of the good, and not just the traditional liberal justification based on the right of individuals to live autonomous lives. There is a Christian argument for toleration, an Islamic argument, a Buddhist argument, a Jewish argument, and so on. If the affirmation of the principle of toleration by the state need not rest on a commitment to one or another particular conception of the good, but is instead the expression of an 'overlapping political consensus' shared by a variety of particular conceptions of the good, then it is 'neutral' in the relevant sense, according to Rawls. At the end of the day, however, the coercive powers of the state are still being used to institutionalise one conception of the good society (the tolerant society) and rule out alternatives (all forms of non-tolerant societies).

Capability theorists (Nussbaum, Sen) and perfectionists (Arneson, Raz) are as wary of utilitarianism as Rawls. No less than other liberal egalitarians, they worry that communitarianism is too accommodating to communities that seriously discriminate against certain categories of individual members, or

29 From this standpoint the debate between Rawls and Nozick ultimately concerns what counts as the normatively required 'general means' for pursuing life plans. For libertarians like Nozick, only the 'rule of law', established by a 'minimal state' restricted to protecting its citizens from force and fraud, is required. For Rawls, in contrast, the basic structure of society must ensure that all citizens have appropriate access to the entire set of 'primary social goods'.

30 Rawls 1971, pp. 446–52.

threaten significant harm against those who choose to leave.³¹ Nonetheless, they do not refrain from affirming a conception of the good holding on the level of society as a whole, defined in terms of the equal and full development of the essential human capacities enabling human flourishing. As has been noted previously, the distinction between living the lives we choose, and living the lives we have most reason to choose, is crucially important. Well-being is not a matter of satisfying uninformed preferences, or those adapted to oppressive practices. It is a matter of responding to the relevant reasons for selecting a course of life in appropriate ways. When we do this we are making a claim about what is objectively good, however implicit and fallible that claim might be. Talk of 'neutrality' with respect to different conceptions of the good is out of place here. We want to get things right.

Rawls would never say that pursuing conceptions of the good based on uninformed preferences, or preferences that have adapted to oppressive circumstances, is 'getting things right'.³² Rawls's normative theory of institutions aims at a social world of informed preferences and normatively acceptable circumstances. There is, in other words, a dynamic towards perfectionism in Rawls's position, explicitly affirmed at the conclusion of his later restatement of 'justice as fairness'.³³ Approaching matters from the other side, Raz, a prominent perfectionist, has rightly stressed that there is an ineradicable plurality of incommensurable forms that a good life manifesting essential human capabilities can take, and Raz, like Rawls, fully affirms the right of individuals to seek to discover and pursue the particular forms of the good most suited to them.³⁴

From this standpoint neither the slogan of the 'priority of the right over the good' nor its inverse can be accepted literally. The right and the good are covariant ('equiprimordial'). The liberal egalitarian state is not neutral on the question of the good life. But neither should it privilege one or another of the incommensurable forms human flourishing can take.

31 A forceful expression of this worry is found in Barry 2002. Barry is especially concerned with normative problems arising from communitarian elements in certain forms of 'multiculturalism' and identity politics that cannot be reconciled with the principle that individuals are ultimate units of moral concern.

32 Of course a pursuit of uninformed preferences can be normatively acceptable in a secondary sense if it is part of an extended (personal or social) learning process leading to more informed desires. And adaptation to oppression may be a normatively acceptable (if tragic) option for someone in inescapable unjust circumstances.

33 Rawls 2002, pp. 200–2.

34 Raz 1986, Chapters 14–15.

Civil Society: The Public Sphere and Voluntary Associations

'Democracy' is no less ambiguous a term than 'liberalism' or 'egalitarianism'. For many theorists it simply refers to a voting mechanism for aggregating individual preferences. For the theorists we are interested in here, however, voting is only one moment in a much larger process. In a truly democratic society, matters of significant public concern should be considered in extended public discussions, including discussion of the issues that should count as matters of public concern in the first place. A vote occurring after extensive social discourse does not simply aggregate pre-given preferences about an issue. Participants must be open to the possibility that their initial preferences may need to be modified to take into account the reasonable interests of others. They must also remain open to the possibility that they have presupposed an excessively narrow (or excessively broad) view on what should count as a matter of public concern. These considerations relate to the fifth matter of normative significance considered in the previous chapter, the ability to defend claims about our shared social world to others, and to request from others a defence of their claims. A public sphere must be created to provide the space for these discussions to occur. Voting will then reveal the present state of ongoing collective will-formation processes, that is, whether a general consensus has been reached, or a compromise position has proven acceptable, or a divergence of views persists, preventing a consensus or compromise on the issue at the given point in time.

For liberal egalitarians a dynamic public sphere is an essential part of a normatively acceptable institutional order, providing an important opportunity for individuals to 'stand as equals' in their communities. It also helps ensure that the government functions in a normatively acceptable manner, with effective public oversight of state activities complementing constitutional guarantees and institutional design.³⁵

As already noted, constitutional guarantees of equal rights to freedom of speech, freedom of association, and so on, are required to give substance to the freedom of individuals to determine and implement their own (reasonable) life plans. These guarantees are no less required if all individuals are to have the capacity to participate as equals in public discourse. Here too 'equality' must be substantive rather than merely formal. The moral equality principle rules out a (pseudo) public sphere dominated by the voices of a few. All members of

35 The complex relationship between democracy and justice is examined from various left liberal perspectives in Dowding, Goodin and Pateman 2004.

society must have a fair chance to propose issues for public consideration, suggest specific institutional modifications and public policies, formulate objections to the proposals of others, form or join associations with others to further their viewpoints on these matters, and so on. From the liberal egalitarian perspective the collective formation of political will must be a truly democratic will-formation process to be normatively acceptable.

The centrality of the public sphere in a normatively acceptable institutional framework has been a central theme of Jürgen Habermas's writings for many decades. To grasp its importance, Habermas thinks, we must consider the autonomous sub-systems that both function independently from the social lifeworld in complex modern societies and threaten the lifeworld in profound ways.

Habermas plausibly assumes that the capacities and time constraints of social agents would be utterly overwhelmed if every act of administrative power co-ordinating the actions of many millions of people, and every act contributing to the production and circulation of many millions (billions?) of goods and services, were made a matter of negotiation in the lifeworld ('communicative action', in Habermas's terminology).³⁶ This explains why two sub-systems of strategic action have broken off from the lifeworld in modern societies. One is devoted to political administration, with exercises of power (specifically, the power to define, enforce, and interpret law) operating as a medium for coordinating social interactions. The other makes use of money as a means of coordinating activities involved in the production and circulation of goods and services. In Habermas's view the pursuit of self-interest through strategic actions in the state apparatus and the marketplace is an unavoidable feature in complex modern societies, with administrative power and money, respectively, coordinating behaviour in these sub-systems rather than communicative action and practical discourse. However necessary this arrangement may be, it imposes the great risk on the social lifeworld of being 'colonised' by these sub-systems. This may take the form of a bureaucratisation of the lifeworld due to excessive political administration. Or it can result from a marketisation of the lifeworld, where aspects of social life that should be addressed by public discourse are instead resolved by market imperatives. Both types of colonisation invariably conflict with the liberal egalitarian project of institutionalising equal moral concern for all persons as ends in themselves.

36 In communicative actions, speaking subjects generally accept the claims made to each other. When this acceptance breaks down, claims must be defended in a practical discourse if the broken off communication is to be restored. This may be a time-consuming process.

A normatively acceptable social order must protect the lifeworld from the distortions of colonisation by the sub-systems. More specifically, laws are required that balance the demands of *social rationality* (communicative action, public discourse, democratic will-formation) and *system rationality* (efficient administration and economic efficiency). Only processes of democratic will-formation in the public sphere can generate a rational consensus (or rational compromise) in support of such laws, and maintain effective oversight and pressure on legislative and administrative bodies to ensure that this social consensus (or compromise) is adequately reflected in legislation and administration. From this standpoint the basic liberties granted constitutional protection by Rawls and other liberal egalitarians do not simply enable individuals to live the sorts of lives they have reason to choose as individuals. They are also required as background conditions necessary for a dynamic democratic public sphere of engaged citizens to emerge and be renewed.³⁷

The public sphere is only one part of ‘civil society’. Civil society also includes voluntary associations bringing together people sharing particular interests – restoring antique cars, competing in sports, expressing specific religious beliefs, and so on – that do not directly have to do with matters of general concern to the entire community. Participation in such associations plays an important role in most conceptions of the good life. In the case of religious associations in particular, for many they may even be *the* essential factor in individual identity.³⁸ Voluntary associations in civil society can also contribute to both maintaining a diversity of voices in the public sphere and monitoring the activities of state agencies. Any social order institutionalising equal moral concern for individuals must accordingly include ample space for voluntary associations that operate in a reasonable manner.³⁹ The same constitutional

37 See Habermas 1985 and 1996. Habermas’s position here is explicitly (and enthusiastically) endorsed by a leading ‘republican’ theorist in Pettit 2012, p. 253. The same position is defended in Sandel 2013.

38 The reference to ‘voluntary associations’ does not imply that an explicit choice to join ever be made. Many persons, for example, are born into a religious faith they retain throughout their entire lives, and never consider leaving their congregation as a real possibility they might pursue. Nonetheless their continued membership can be said to be ‘voluntary’ in the normatively relevant sense of the term if certain conditions are met. The capability of making an informed decision must be developed. Relevant information must be available (regarding, for example, the views of other religious communities and non-believers, and conflicts between prevailing scientific theories and literal readings of certain religious texts). And the right to exit the association must be effectively established.

39 Here, as elsewhere, ‘reasonable’ means, roughly, ‘consistent with the moral equality prin-

guarantees, government institutions, and public policies that protect a space for public discourse regarding matters of public interest must also protect a space for these voluntary associations.

The Regime of Global Governance

One of the most important debates in recent political philosophy has been between theorists continuing to place the state at the centre of their reflections and cosmopolitan theorists, who argue that globalisation has made state-centric views outmoded. Liberal egalitarians have made major contributions to both viewpoints. Before introducing some issues in the dispute, however, it is worth noting how much both sides hold in common.

Liberal egalitarians generally agree that market relations across borders in principle provide opportunities for individuals to implement their life plans more effectively than would be possible in a world without cross-border transactions. There is also a general consensus that foreign trade and investment, no less than transactions within borders, are prone to forms of market failure undermining their normative attractiveness. All agree that effective political regulation by a regime of global governance supplementing the governance of states is required to correct such tendencies. Debates within liberal egalitarianism primarily regard the nature of our normative relationship to non-nationals and the relative weight of states vis-à-vis a regime of global governance.

For Rawls, the 'basic structure' of a society consists of the state, the national economy, voluntary associations in civil society, and households. However important international trade and treaties with other states may be, states retain primary responsibility for correcting the shortcomings in national econ-

ciple, understood substantively, and not merely formally'. Associations are not reasonable when their members are required to raise children in a manner hampering their development of essential human capacities, or when members who wish to leave are subject to coercive threats. Associations attempting to eliminate other voices from the public sphere are also acting unreasonably from a liberal egalitarian point of view, as are voluntary associations that attempt to use the state apparatus to impose a particular conception of the good on others. Constitutional guarantees of rights, and public policies to implement those guarantees, are required to protect individuals, the public sphere, and the democratic nature of the state from unreasonable associations, no less than they are needed to protect associations from illegitimate attempts by state officials or groups in civil society to repress or manipulate them. See Barry 2002.

omies, including shortcomings related to foreign trade and cross-border investment flows. In his view the most pressing injustices in the global economy can be traced to shortcomings in local political communities. He holds, for example, that the severe poverty in certain regions and global inequalities are due in good measure to traditional cultural beliefs that hamper success in the world market, oppressive cultural practices, poor public policies, and corrupt political elites.⁴⁰ These problems can only be adequately addressed within those polities themselves.

Towards the end of his life Rawls extended his theory of justice to international relations by asking his readers to undertake two thought experiments. They are first to imagine themselves as representatives of liberal regimes in an 'original position' charged with selecting principles to govern relations among liberal societies without knowing the particular features of their own polities. They are then asked to imagine that they are representatives of non-liberal but 'well-ordered' regimes, facing the same task while under an analogous veil of ignorance.⁴¹ Rawls insists that the results of both thought experiments would be identical: affirmation of a 'law of peoples' that includes the following principles:

1. Peoples (as organised by their governments) are free and independent, and their freedom and independence is to be respected by other peoples.
2. Peoples are equal and parties to their own agreements.
3. Peoples have the right of self-defence but no right to war.

40 'I believe that the causes of the wealth of a people and the forms it takes lie in their political culture and in the religious, philosophical, and moral traditions that support the basic structure of their political and social institutions, as well as in the industriousness and cooperative talents of its members, all supported by their political virtues' (Rawls 1999a, p. 108). 'The great social evils in poorer societies are likely to be oppressive government and corrupt elites; the subjection of women abetted by unreasonable religion, with the resulting overpopulation relative to what the society can decently sustain' (Rawls 1999c, p. 559).

41 In non-liberal but well-ordered regimes, one particular comprehensive doctrine has official state sanction, but the powers of the state are not used to coerce those with different worldviews, either within or beyond national borders. These regimes also regularly consult the opinions of their subjects, even if the full citizenship rights enjoyed in liberal democracies are absent. Finally, non-liberal well-ordered regimes honour the basic rights of their subjects to subsistence, security, liberty, personal property, equal treatment under the law, emigration, and so on, even if these measures fall short of providing fair equality of opportunity.

4. Peoples are to observe a duty of non-intervention.
5. Peoples are to observe treaties and undertakings.
6. Peoples are to observe certain specified restrictions on the conduct of war (assumed to be in self-defence).
7. Peoples are to honour human rights.⁴²

It is important to note that the treaties referred to in #5 include those setting the terms of cross-border trade and investment. It is also worthy of mention that neither the difference principle, nor any other liberal egalitarian principle of distributive justice, appears on this list. Rawls does hold that more privileged peoples have a duty to assist ‘non-well-ordered’ regimes in which the material preconditions for a well-ordered society are lacking, based on the imperative to help a disadvantaged people become ‘a full and self-standing member of the societies of peoples, and capable of taking charge of their political life and maintaining decent political and social institutions’.⁴³ But this falls far short of being a principle of global distributive justice.

In contrast to Rawls’s state-centric framework, Brian Barry, Thomas Pogge, Martha Nussbaum, and other cosmopolitan ethicists hold that cross-border flows within economic, political, and cultural networks have become so extensive and intensive that a higher-order global ‘basic structure’ has emerged.⁴⁴ In their view many of the severe injustices in the world today cannot be adequately explained by domestic factors alone, but are deeply rooted in the rules of the established global regime. Pogge, for example, points to the ‘international lending privilege’ granting local elites the power to borrow and dispose of vast amounts of funds from global capital markets in their country’s

42 Rawls 1999c, p. 540; see Rawls 1999a, p. 37. Rawls’s ‘law of peoples’ also requires principles governing the relations between well-ordered and non-well-ordered regimes. Tyrannical and dictatorial regimes must not be tolerated, in Rawls’s view, and the same holds for otherwise acceptable states that are dedicated to imposing their particular comprehensive worldview on others by force. Such regimes should not be materially supported, and the pressure of world public opinion should be brought against them. In some cases more active forms of encouraging regime change, such as economic sanctions or humanitarian military interventions, may be justified in Rawls’s view, depending on the severity of rights violations and whether such actions are likely to be effective in the particular circumstances (Rawls 1999c, p. 562; see Rawls 1999a, pp. 89–93; for a critical account of what ‘humanitarian’ military interventions have meant in practice, see Gowan 2010).

43 Rawls 1999c, p. 559; see also Rawls 1999a, pp. 105–13.

44 Barry 1973, Pogge 1989, Nussbaum 2006.

name, despite their not being accountable to those they supposedly represent. Unaccountable elites also enjoy a pernicious ‘resource privilege’ allowing them to sell off the natural resources of the territory under their control, dividing returns among themselves and their cronies.⁴⁵

Agreeing with Pogge, Gillian Brock asks us to undertake a Rawlsian thought experiment and imagine we are in an original position under a veil of ignorance, without knowledge of our particular country or its character, territory, or population size. In these circumstances, she writes, we would undoubtedly insist that all individuals in the global economy enjoy the prospects of a decent life where they can meet basic needs, have their basic liberties protected, and enjoy fair terms of cooperation in collective endeavours.⁴⁶ In her view the principle of equal moral worth must be understood as a cosmopolitan principle, affirming universal human rights to basic liberties and to the material and social preconditions for human flourishing. To be just the global order must institutionalise these rights across the planet. Doing so requires a regime of global governance limiting national sovereignty far more than defenders of state-centric views like Rawls regard appropriate.

David Held has presented perhaps the most detailed model of a global regime that can be affirmed from the standpoint of liberal egalitarian principles. Held advocates a global ‘Charter of Rights and Obligations’ affirming a general right to autonomy and a set of specific human rights derived from it. He calls for a system of international courts to impose sanctions when particular agents – including state officials – fail to adhere to the precepts of cosmopolitan democratic law.⁴⁷ He also advocates regional parliaments on the continental level, general referenda cutting across national borders, elected supervisory boards for international organisations, and an ‘authoritarian assembly of all democratic states and agencies’. Held further proposes the creation of a permanent independent military force under the control of this global assembly to enforce laws on the regional and global levels and to provide a ‘general check on the right of states to go to war’.⁴⁸ Of special importance in the context of the present study are four proposals designed to provide a necessary condition for substantive (as opposed to merely formal) autonomy throughout the global economy:

45 Pogge 2002.

46 Brock 2009, Chapter 3.

47 Held 1995, p. 272; see Held 2004, pp. 110 ff.

48 Held 1995, pp. 272–6.

1. the right to a basic income;
2. the right to “access avenues” to the decision-making apparatus of productive and financial property; that is, to the creation of participative opportunities in firms and in other types of economic organisation’;⁴⁹
3. increased social control of global investment through ‘management of interest rates to induce capital to invest in certain areas’ and through the pooling and allocation of democratically-controlled social investment funds;⁵⁰ and
4. controls on short-term capital flows.

These proposals form the core of ‘a new “Bretton Woods” agreement – an agreement which would tie investment, production and trade to the conditions and processes of democracy’. Corporations and states would then be subject to democratic audits measuring their compliance with cosmopolitan law. If an audit reveals that they have disregarded the precepts of the global social charter, sanctions would follow.⁵¹ They would be ‘enforced by agencies which would monitor not just the rules of sound finance and market transaction, but also the rules which specified the possibility of mutual respect for autonomy and self-determination’.⁵²

The goal of cosmopolitan law is to ensure that the material preconditions for effective exercises of autonomy are provided throughout the global economy. It is important to recall that these proposals do not call for a break from global capitalist markets, merely the effective social regulation of these markets. Consider Held’s comment regarding rights to participation in workplace decision-making:

Such opportunities do not translate straightforwardly into a right to social or collective ownership. For what is centrally at issue is an opportunity for involvement in the determination of the regulative rules of work organisations, the broad allocation of resources within them, and the relations of economic enterprises to other sites of power ... At stake is a balance between the requirements of participation in management

49 Held 1995, p. 253.

50 Held 1995, p. 259.

51 ‘Restrictions could be imposed on the provision of capital for investment; for instance, the release of funds – whether public or private – to companies or governments could be linked directly to the latter respecting and satisfying the conditions of democratic autonomy’ (Held 1995, p. 255).

52 Held 1995, p. 256.

and those of economic effectiveness, that is, a balance between the discipline of democracy and the discipline of the market. *The question of the particular forms of property right is not itself the primary consideration.*⁵³

This is, of course, consistent with what I have termed the core thesis of liberal egalitarianism.

State-centric theorists argue that cosmopolitanism is incompatible with recognition of the special obligations we have to fellow citizens. But just as individuals are free to choose their own conception of the good so long as it is reasonable (that is, compatible with the fundamental interests of others, including their equal right to pursue *their* conception of the good), a cosmopolitan liberal egalitarian can affirm patriotism so long as it is consistent with recognising that non-nationals are no less intrinsically worthy of concern and respect than co-nationals. There must be room within contemporary normative reflection to include both a concern for the well-being of fellow nationals and a generalised concern for the well-being of fellow members of 'global civil society' on the basis of their positive rights to a life of human dignity.⁵⁴ In cases where we are actively participating in maintaining a global order that systematically inflicts severe harms on non-nationals, an imperfect obligation to help others must give way to the perfect obligation to refrain from inflicting injury.⁵⁵

53 Held 1995, pp. 253–4 (italics added).

54 To my knowledge the deepest reflection on the normative complications here is found in Parfit 2011. Parfit rejects the view that we must always subordinate the interests of ourselves, our children and fellow members of our communities whenever there are good reasons to think that doing so would further the greater good. When foreseeable harms to those to whom we are tied by special obligations are great enough, it is not wrong to attempt to avoid those harms, however strong the case can be made that the greater good would be furthered if we did not act this manner. On the other hand, in cases where the harms to those with whom we have special bonds are not extreme, we are normatively obliged to act on the basis of an impartial assessment, giving equal weight to harms suffered by those with whom we do not have personal ties. Parfit is surely correct that these sorts of complexities are unavoidable, and that no algorithm can automatically and reliably resolve all difficulties. These complexities reveal an inescapable tragic dimension of social life; sometimes one normatively legitimate demand must be sacrificed for the sake of another.

55 Pogge's cosmopolitan ethic appeals to 'perfect' (or 'negative') duties to not harm (Pogge 2002, 2009); Henry Shue's is based on 'imperfect' (or 'positive') duties to aid (Shue 1996). Debates within liberal egalitarianism on these and related points are surveyed in Jaggard 2010 and Beitz and Goodin 2009.

It is time to conclude this chapter. I have not attempted to present a comprehensive account of the normative principles and normative model of institutions defended by liberal egalitarians. More details will be provided in subsequent chapters. The goal has been to sketch the liberal egalitarian framework in sufficient detail to begin a critical comparison and contrast with Marxian perspectives.

Misunderstandings, False Starts, Further Questions

In the first section of this transitional chapter, I shall review a number of criticisms of liberal egalitarianism that could be proposed from a Marxian point of view. I shall argue that these criticisms are unconvincing. I shall then switch gears and consider some of the main reasons why liberal egalitarians have distanced themselves from Marxism. If these objections were based on the best ‘all things considered’ reading of Marx, they would be devastating. But they are not, as I shall attempt to show in later chapters.

Some Marxian Objections to Liberal Egalitarianism

As the term proclaims, ‘liberal egalitarianism’ is an offshoot of the liberal tradition. It seems plausible to assume that if there were compelling criticisms of liberalism in general they would apply to one of its major branches. Three powerful and closely interrelated objections to the intellectual and political foundations of liberalism proposed by Marxian theorists will be considered here.¹ They concern 1) the social atomism, 2) the ‘rights’ claims, and 3) the appeals to ‘nature’ that pervade the liberal tradition.

Social Atomism

In the classical liberalism of Hobbes and Locke, the individual is conceptualised as the basic unit of the social world, and the pursuit of private self-interest is taken to be the basis of decision-making and action. Numerous variants of contemporary liberalism, including the libertarianism of Nozick, (so-called) rational choice theory, neoliberal economics, and so on, are built on these classical liberal claims regarding the priority of satisfying individual preferences.² Contemporary liberal egalitarians generally see Kant as their main intellectual predecessor, and Kant famously calls on us to adopt a disinterested attitude towards our self-interest in his ethical writings. But his political works adopt the classical liberal position. And in his ethics, moral life is taken to be a

¹ It is, however, also possible to consider them as three versions of the same basic objection.

² Margaret Thatcher expressed her allegiance to this version of liberalism when she (in)famously proclaimed, ‘there is no such thing as society’.

matter of individual subjects privately testing the maxims underlying their actions, which in its own way also places the isolated individual subject at the centre of practical life. Rawls explicitly proposed his methodological framework as a reconstruction of the Kantian project.³ The thought experiment he constructs for selecting principles of justice is as individualistic as Kant's framework; the selection is made by an individual subject trying to rationally further his or her self-interest while under a veil of ignorance. Rawls adopts this construction to express his commitment to principle that defines liberal egalitarianism no less than other branches of liberalism: individuals are to be taken as basic units of moral concern.

Michael Sandel detects a concept of the person as an 'unencumbered self' at the heart of both Rawls's *A Theory of Justice* and the entire liberal tradition. He insists that the liberal view of persons as pure autonomous choosers exemplified in Rawls's masterwork profoundly misdescribes the human condition. Being socialised into a community is not something that happens to us from the outside. The values embodied in our culture and traditions are constitutive of who we are. In this sense the community has an ontological priority over its individual members that makes any and all versions of social atomism false.⁴

Marx made the same critique of atomistic social ontology long before contemporary communitarians.⁵ Our personal identity is inseparable from our place in a particular society at a particular time that has reached a particular historical level of material and cultural development and that reproduces itself through a particular set of social relations. Abstracting 'the individual' from this concrete social and historical context produces an empty abstraction, completely unsuited to the role of the foundation of social theory. Society is not an aggregate of separate individuals externally related to each other; individuals are 'always already' constituted through social relations within a particular social world.⁶

3 Rawls 1971, Chapter IV, Section 40.

4 Sandel 1982.

5 Others have made this point as well, of course. Wittgenstein's slogan that there are no private language games reminds us that before an individual person can even utter the word 'I', he or she must already be a member of a linguistic community. And Hegel noted a century earlier in the *Phenomenology of Spirit* that the 'We' of the linguistic community is prior to the 'I' of the individual speaker.

6 Ollman 1977 remains the classic study of this theme. See also Ollman 1993.

Rights

In the previous chapter the centrality of rights-talk in classical liberalism, contemporary libertarianism, and liberal egalitarianism was repeatedly in evidence. A familiar Marxian criticism of liberalism asserts that the appeal to rights manifests a metaphysical commitment to the same social atomism that has just been considered and rejected. In his essay 'On the Jewish Question' and elsewhere, Marx describes how the supposedly pre-political 'rights' professed by liberals are taken to define a 'space' where metaphysically separate individuals are protected from external interference.⁷ It is not difficult to find discussions of rights in the writings of classical liberals and their contemporary followers illustrating Marx's complaint.

Liberal egalitarians expand the notion of rights to include more than the merely formal rights defended by libertarians like Nozick, adding rights to resources, capabilities, opportunities, and so on. But the rights defended by liberal egalitarians also primarily apply to individuals. And so it would seem justified to conclude that liberal egalitarians place rights at the centre of normative social theory precisely because they too presuppose a social ontology in which individuals are the basic units of the social world, with society nothing more than the aggregate of their external relations to each other. If social atomism were false, as it is, then all liberal rights-talk, including that of liberal egalitarians, would appear to lose its force.

Appeals to 'Nature'

A third reason for rejecting any and all variants of liberalism (or, if you prefer, another formulation of what is ultimately the same reason) has to do with claims regarding what is 'natural'. In the classical liberal tradition, normative claims were often justified by appeal to an imagined 'state of nature'. In Locke's *Second Treatise on Government*, for example, fundamental liberal rights like 'liberty', 'equality' and 'property' are assumed to be 'natural' rights taken to be 'self-evident' in the pre-political state of nature. In certain relevant respects Rawls's 'original position' is analogous to the 'state of nature' of classical liberal thought, with individuals maximising their self-interest while in a state of mutual indifference towards others. Dworkin's desert island is a 'state of nature' in all but name. His description of the transition from an initial situation where the resources of an unoccupied and unowned island are given to survivors of a shipwreck in common to a situation of inequality due to market

7 '[T]he so-called *rights of man* ... are nothing but the rights of a *member of civil society*, i.e., the rights of egoistic man, of man separated from other men and from the community' (Marx 1975a, p. 162).

exchanges parallels Locke's account of analogous 'natural' development in his imagined state of nature.⁸

From the standpoint of Marx's historical materialism – and not only from that standpoint – these appeals to 'nature' reflect an astounding combination of ignorance and ideology. They reflect ignorance in that anthropological data has shown that the earliest human communities – that is, the ones presumably closest to 'nature' – were nothing like the fictional 'state of nature' described by Locke and others, conspicuously lacking the very private property rights whose 'naturalness' liberals are so eager to proclaim.⁹ Liberal accounts reflect ideology in that the 'natural' rights supposedly possessed by the imaginary individuals in the imaginary state of nature – the rights to freedom and equality, especially the equal freedom to own and exchange property – must be seen as projections of generalised commodity exchange. As Marx wrote,

The sphere of circulation and commodity exchange ... is in fact a very Eden of the innate rights of man. It is the exclusive realm of Freedom [and] Equality ... Freedom, because both buyer and seller of a commodity ... are determined only by their own free will. They contract as free persons, who are equal before the law ... Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent.¹⁰

These three criticisms of traditional liberalism are broadly correct, in my view. But they do not provide compelling reasons to reject liberal egalitarianism. Its leading advocates also unequivocally reject standard liberal views on these matters.

Social Atomism

Most variants of classical liberalism, and all forms of contemporary libertarianism, are committed to the metaphysics of social atomism. But the liberal egalitarian embrace of *normative* individualism – that is, the view that individuals are ultimate units of moral concern – does not imply a commitment to *metaphysical* individualism. Communitarians and others have a compelling case against the latter: society is not in fact an aggregate of separate monads in external relationships with each other.¹¹ But for liberal egalitarians, no less

8 See Dworkin 1981 and Chapter 1 note 30 above.

9 See Flannery and Marcus 2012.

10 Marx 1976a, p. 280.

11 Feminist theorists would rightly point out that such a view could only have been formu-

than for Marxists or communitarians, individuals are essentially social beings, their identity formed through socialisation into particular communities and ongoing social interactions. Further, as noted in Chapter 2, liberal egalitarians stress that all individuals have good reasons to value the associations to which they belong. Membership in associations in civil society is not conceptualised as merely a means to pursue private interests more effectively. It is affirmed as intrinsically valuable, an essential component of human flourishing to be encouraged in any normatively acceptable institutional framework.

The sharp distinction between normative individualism and metaphysical individualism is illuminated in Habermas's writings. Habermas explicitly rejects the 'monological' approaches of Kant and Rawls precisely because of the residue of social atomism clinging to them.¹² Habermas develops a discourse theory that explicitly grounds moral universalism and rights on an intersubjective basis.¹³ Thomas Scanlon similarly insists that we evaluate the normative acceptability of actions and public policies by asking whether others would have reasonable grounds for rejecting them, as do Brian Barry and Amartya Sen in their definition of justice as 'impartiality'.¹⁴ These cases show that liberal egalitarians insist that reasonable individuals must listen to the voice of 'the other' within themselves, so to speak. 'The other' is *not* to be taken as an entity with whom only external relations are possible.¹⁵

In this context we should not forget that the main purpose of Rawls's veil of ignorance is to internalise the voice of the 'other'. The veil is merely a device to affirm that principles of justice are selected that manifest grant equal moral concern to all persons. The individualism Rawls builds into the hypothetical original position represents a commitment to *methodological* individualism, rather than the metaphysical individualism embraced in other branches of the liberal heritage. There are good reasons to think that this methodological individualism is inadequate. The picture of mutually disinterested individual agents trying to secure their rational self-interest does echo the Hobbesian framework in which social life consists essentially of rational agreements for mutual benefits far too much, even if Rawls ensures that non-Hobbesian results are derived by adding the stipulation that the individuals in the original

lated by men alienated (or at least very distant) from the nurturing relationships required by all human infants. See Okin 1989, especially the critique of Nozick in Chapter 4.

12 To be fair, many elements in Kant and Rawls's writings point in a quite different direction. (An example is introduced in the following paragraph).

13 See the essays collected in Habermas 1994 and 1998, and note 19 below.

14 Scanlon 2000, Barry 1995, Sen 2009.

15 The implications of this demand are explored in great depth in Evans 2008.

position are ignorant of the particular details of their interests. As Brian Barry and Martha Nussbaum have argued forcefully, Rawls's framework is not consistent with his own deep commitment to the idea that social life ought to be governed by principles that are reasonable and fair to all, including those who cannot further our self-interest.¹⁶ But as Rawls quickly pointed out to his critics, the original position was intended from the beginning to model the insight that reasonable people with divergent beliefs, interests, and worldviews can come to fair agreements only if they put aside everything that would bias their reasoning. It was not meant to be taken as a metaphysical claim that societies are in fact nothing more than aggregates of individuals in external relationships. Further, any disagreement regarding how the original position should be designed, or the degree its results fit with our considered opinions, can only be considered and resolved through public reason.¹⁷ In other words, the original position is a subordinate moment within public discourse, not a monological alternative to it. Throughout his writings Rawls has emphasised as much as any historical materialist that individuals do not develop their identity outside a social and historical context. And Rawls, like other liberal egalitarians, understands as deeply as any communitarian that many people rightly regard membership in a particular community (and a commitment to the values of that community) as constitutive of their identity. His insistence that the principles of justice first and foremost concern the 'basic structure' of society explicitly acknowledges that the social framework within which individuals act has a certain ontological priority over individual agents and their actions.

If metaphysical individualism is simply false, and methodological individualism deeply suspect, one might wonder whether normative individualism is questionable as well. There are good reasons to think it is not. As Sen, Nussbaum, Barry, and many other liberal egalitarian theorists have forcefully pointed out, appeals to the priority of communities and their values have all too often been used to legitimate oppressive institutions and social practices. In our normative thinking we must be able to distinguish such institutions and practices from those that are not oppressive (or at least less oppressive). The communitarian focus on the constitutive role of a community and its cultural values in the identity-formation process of individual members is not sufficient for this task. The problem of adaptive preferences, mentioned in Chapter 1's critical assessment of utilitarianism, comes into play in a critical assessment of communitarianism as well. In the process of being socialised into the dom-

16 Barry 1989, Nussbaum 2006.

17 Rawls 1999d.

inant cultural beliefs of an oppressive society, individuals fortunate enough to be members of privileged groups will necessarily tend to develop preferences taking their privileges for granted. Conversely, the preference-formation processes of members of oppressed groups will tend to be distorted by adapting to deprivations to the point where they deprivations seem 'natural'. Exclusive focus on the cultural values supposedly shared by oppressors and oppressed makes these processes of adaptation invisible, despite their obvious and profound normative significance.

Normative individualism is a weapon of critique. The case for taking individuals as ultimate units of moral concern therefore remains compelling even after the full force of the criticisms of metaphysical and methodological individualism has been recognised.¹⁸ Accepting normative individualism is fully compatible with agreeing that individuals are not atoms, and that social relationships are not analogous to the external collisions of billiard balls.¹⁹

18 From this point of view Rawls's commitment to normative individualism can be accused of being too weak rather than too strong. In his version of political liberalism, the liberal principle of toleration is taken to imply that particular communities can discourage members' critical reflection on their practices and cultural beliefs. As long as these communities do not forcibly prevent people from leaving, and do not attempt to convert others by force, their behaviour is compatible with the principle as defined by Rawls. Kymlicka argues that this accommodation to cultural pluralism implicitly takes groups as the ultimate unit of normative concern, and is thereby inconsistent with the foundational liberal egalitarian commitment to normative individualism. Kymlicka plausibly insists that this commitment implies that all individuals must be provided with the opportunity to develop a capacity for critical reflection on any and all community practices and values (Kymlicka 2002, pp. 232–44). A version of the same issue comes up in Rawls's 'law of peoples'. It can be questioned whether Rawls's views on the relationship between liberal peoples and non-liberal 'decent' peoples concedes more to cultural relativism than is compatible with the normative individualism of the moral equality principle. See Tan 2006.

19 From this point of view the difference between the most defensible versions of communitarianism and liberal egalitarianism dissolves. One of the most prominent communitarian theorists, Michael Sandel, has consistently advocated liberal egalitarian policies (see, for example, Sandel 2013). The work of Jürgen Habermas provides an example of the reverse case, a liberal egalitarian who accepts the communitarian critique of metaphysical individualism and methodological individualism. Habermas agrees that the identity of individuals is constituted through socialisation processes within the lifeworld. He also accepts the importance of the *particularity* of the practices and cultural beliefs of a historically specific lifeworld, including the particularity of the conception of the good implicit in shared practices and beliefs. Nonetheless, Habermas affirms normative individualism in the strongest terms. His central point is that individuals are simultaneously members of

From this point of view, at least, Marxism is broadly compatible with both liberal egalitarianism and normatively acceptable forms of communitarianism. No communitarian has rejected atomist social ontology more vehemently than Marx. The ‘communitarian’ insights that individuals are ‘always already’ members of a social order, and that it is only in certain specific sorts of social orders that the ‘individual’ is granted special normative significance, are consistent themes in Marx’s writings.²⁰ It is no less the case that Marx fully embraced the normative individualism of liberal egalitarian thought, calling for ‘a society in which the full and free development of every individual forms the ruling principle’.²¹ For their part, liberal egalitarians agree with Marx’s adage that ‘the free development of each is the condition for the free development of all’.²²

Rights

Classical liberals and contemporary libertarians have conceptualised rights in general, and rights to property and contractual exchange in particular, as pre-political givens. But it would be a mistake to assume that every offshoot of the liberal tradition does so as well. Liberal egalitarians unequivocally *reject* the appeal to pre-political rights that provides the foundations of Nozick’s libertarianism.²³ Rawls and other liberal egalitarians deny that there is some sort of ‘natural’ (‘pre-political’) process granting the liberty to own private prop-

two distinct communities. They are members of the particular *ethical community* within which they have been socialised (‘ethical’ refers here to the ‘ethos’ of the community’s shared lifeworld). From this point of view the key normative question is how the values we are committed to as members of this particular community with its traditions and practices can best be articulated and applied as new circumstances arise. Individuals are simultaneously members of what Habermas terms the *moral community*, interpreted along Kantian lines as a cosmopolitan ‘kingdom of ends’. The latter provides a framework for critically evaluating both the ethos of particular communities and expressions of that ethos in specific practices. To put the point in different terms: liberal egalitarian positions that lack a communitarian component are merely formal, while communitarian positions that lack a liberal egalitarian component lack sufficient critical resources. The need for both perspectives is a major theme of the articles collected in Habermas 1998.

20 ‘My standpoint ... can less than any other make the individual responsible for relations whose creature he remains, socially speaking, however much he may subjectively raise himself above them’ (Marx 1976a, p. 92).

21 Marx 1976a, p. 739.

22 Marx and Engels 1976, p. 506; see also Callinicos 2000. It can also be noted in passing that the liberal egalitarian emphasis on equal concern and respect is not worlds away from the Marxian notion of solidarity.

23 The case for this is argued forcefully in Murphy and Nagel 2004.

erty the status of a moral absolute. Nor is there a compelling reason to regard contractual agreements as normatively legitimate, whatever asymmetries of bargaining power they might reflect.²⁴

For liberal egalitarians, rights are not constitutive properties possessed by individuals prior to entering into social and political relations. They are instead socio-political properties that are created to ensure the fundamental interests of all are adequately acknowledged and protected.²⁵ The heart of the liberal egalitarian argument for rights is that they are a necessary condition of the possibility of a social order based on mutual recognition of others as co-subjects equally worthy of moral concern and respect. No critique of social atomism lessens the force of this argument.

Before leaving this topic it should be pointed out that Marx's own view of rights is more complex than many of Marx's criticisms of the liberal tradition might suggest. Marx's first writings were devoted to defences of the liberal rights attacked by the ancient regime restored after the defeat of Napoleon (freedom of the press, freedom of association, and so on).²⁶ Nothing in Marx's later works provides a reason to think that he came to believe *these* rights were not worthy of defence. Marx soon realised that the merely political emancipation they promised would not bring universal human emancipation. But that does not imply they were meaningless or indefensible.

There is also conclusive evidence in his later writings that Marx did not dismiss all rights claims on the grounds that they are merely extrapolations from generalised commodity exchange. His own historical studies documented how these claims often arose in the course of social struggles by oppressed groups. His extended discussions of struggles for suffrage rights and rights to a limited working day by the British working class are two prominent examples. Marx unequivocally supported these struggles and defended the right to suffrage and the right to limits on the working day that were won. Here too the limits of what those rights can mean in a capitalist society do not imply that they are meaningless or indefensible.

In contrast to the rights discussed by classical liberals and libertarians, the rights most closely associated with liberal egalitarianism – the equal right to the fair value of political liberties, to fair equality of opportunity, and on – are also not mere extrapolations from generalised commodity production. They are in fact explicitly *opposed* to the dominant tendencies of generalised commodity

24 This is a main theme of Barry 1989.

25 Buchanan 2004.

26 For example, Marx 1975b, 1987b. See Smith 2010b.

production. These liberal egalitarian rights aim at the sort of society Marx had in mind, 'a society in which the full and free development of every individual forms the ruling principle'. Were they institutionalised they would represent the historical achievements of progressive social struggles, just as rights to suffrage and to limits to the working day were the achievements of progressive struggles in an earlier period.

Marx, in brief, did not reject the concept of rights *as understood by liberal egalitarians*. And the concept of rights he did reject has been rejected by liberal egalitarians no less vehemently.

Appeals to 'Nature'

The response to the third objection overlaps considerably with the previous two (hardly surprising, since all are versions of the same basic point). Classical liberals and contemporary libertarians regularly appeal to a 'state of nature' in an illicitly circular fashion, as Marx complained. Essential determinations of contemporary society are read back into the allegedly 'natural' condition of human life, with the resulting conception of what is 'natural' then invoked to justify those very determinations. Locke's description of the state of nature, for example, clearly reflects the rise of agrarian capitalism in early modern England, making his argument that the social relations of agrarian capitalism are 'natural' invidiously circular.²⁷ It is a relatively straightforward matter to show that the merely formal theory of rights defended by contemporary libertarians like Nozick is also nothing but an idealisation of the very market relations the theory is supposed to legitimate.

Liberal egalitarian theories of human rights cannot be rejected on these grounds. The core thesis of liberal egalitarianism may be mistaken. I believe it is. But the arguments in its support are not viciously circular. The thesis is not a conclusion reached by invoking a theory of what is 'natural' that has been extrapolated from the very social relations it is later called upon to justify. Liberal egalitarians, unlike adherents of other forms of liberalism, explicitly acknowledge the historicity of both society and social theory. The moral equality principle is not treated by liberal egalitarians as a given (pre-political, 'natural') datum. Having been vehemently rejected for almost all recorded history it can hardly be conceptualised in those terms. The principle emerged in the course of historical struggles, and its meaning and practical implications have been determined in the course of those struggles as well. In the nineteenth

²⁷ Wood 1984. (This supposition also played a crucial role in Locke's philosophical defence of England's colonisation projects in Locke 1980).

century, for example, practical struggles for universal male suffrage simultaneously enriched and were enriched by theoretical reflection on the scope of the moral equality principle. Practical struggles for the abolition of slavery and colonialism, the right of workers to organise, the extension of civil and political rights to women and minorities, and so on, were also essentially conjoined with the theoretical demand that the full implications of the moral equality principle be developed without arbitrary restrictions. The extension of theories of justice to the global level is perhaps the most significant development in contemporary normative social theory.²⁸ As all left liberal theorists of global justice acknowledge, their work has been enriched by the practical struggles of movements for global justice, and all hope to contribute to those struggles. No liberal egalitarian regards overcoming slavery, serfdom, the worst forms of patriarchal oppression, global injustices, and so on, as a return to some supposedly 'natural' state. They are instead taken to be historical advances in normativity.

From the standpoint of liberal egalitarian theorists, then, standard Marxian criticisms of liberalism simply do not apply to the version of liberalism they defend. On crucial issues regarding social ontology, the status of rights, and appeals to 'nature' liberal egalitarians are much closer to Marxian views than Marxists generally realise.

I have been discussing the 'liberal' component of liberal egalitarianism. What of the 'egalitarian' element?

The Critique of Egalitarianism

In the 'Gotha Programme', German socialists called for the fruits of social production to be distributed to workers equally. Marx vehemently rejected this demand. He pointed out how this proposal overlooked the need to set aside a social surplus for insuring, replacing, and expanding the means of production, and for the costs of social insurance, support for the elderly and infirm, infrastructure investments, and administration. More relevant to our concerns here, Marx also argued that

[O]ne man is superior to another physically or mentally and so supplies more labour in the same time, or can work for a longer time ... This *equal* right is an unequal right for unequal labour ... [I]t tacitly recognises the unequal individual endowment and thus productive capacity of the workers as natural privileges. *It is, therefore, a right of inequality, in its content, like every right* ... Besides, one worker is married, another not;

28 Representative examples are Pogge 2002, Nussbaum 2001, and Brock 2009.

one has more children than another, etc., etc. Thus, given an amount of work done, and hence an equal share in the social consumption fund, one will in fact receive more than another, one will be richer than another, etc. To avoid all these defects, right would have to be unequal, rather than equal.

Marx's point here is that 'equality' is an incoherent concept, since any distribution that is equal in one dimension will necessarily be unequal in numerous others that are no less significant. 'Equality' is for Marx an example of 'ideas which in a certain period had some meaning but have now become obsolete verbal rubbish'.²⁹

This line of thought does not provide a convincing reason to reject liberal egalitarianism. The form of equality that matters to liberal egalitarians is equal concern and respect. This notion does not logically demand an equal distribution of resources, while it does imply a concern for all the particularities of individual cases to which Marx appeals in the above passage. There are good reasons, then, to think that the standard Marxian rejection of 'equality' applies no more to liberal egalitarianism than it does to Marx's own call for equal freedom.

We must now reverse the tables and consider liberal egalitarian criticisms of Marx's thought.

Liberal Egalitarian Criticisms of Marx

Before beginning we should note that the most familiar justification for rejecting Marx's legacy is *not* endorsed by liberal egalitarians. The standard view inside and outside academia is that the manifest shortcomings and eventual implosion of the USSR and other 'Marxist' social formations provide a compelling practical refutation of Marxian thought. Most prominent liberal egalitarians recognise that an assessment of Marx's position should not be based on the fate of these supposedly 'Marxist' regimes.³⁰ The demise of the Soviet model does not establish that Marx's critique of capitalism is incorrect; the demise of bureaucratic command economies does not prove that no form of post-capitalist society could ever be normatively acceptable.

29 Marx 1989, pp. 86–7.

30 The chapter on Marx in Rawls's lectures on the history of political philosophy can serve as an example of this point (Rawls 2007, pp. 317–73).

Other reasons for rejecting Marxian social theory, however, are widely accepted among liberal egalitarians. It is generally thought that Marx was simply wrong on many essential matters. And even those liberal egalitarians most sympathetic to Marx insist that the things he got right can be formulated in a much clearer and more defensible manner within a liberal egalitarian framework.

An Outmoded and Refuted Economic Theory

David Ricardo, the most important economist of the early nineteenth century, held that the value of commodities measures the direct and indirect labour embodied in them. Marx is almost universally thought to have taken over Ricardo's labour theory of value, and then pushed its political implications in a different direction.

Few economists today take the idea that labour is the only relevant input into production seriously. Most assert that an economic theory ignoring the essential and obvious role of other factors of production (capital goods, land and other natural resources) and the immensely valuable and irreplaceable services provided by entrepreneurs, financiers, marketers, and so on, is simply unacceptable.

Interestingly, the stream of contemporary economics closest to Ricardo's thought, the 'neo-Ricardianism' associated with the work of Sraffa, is widely taken to have developed an especially devastating critique of Marxian economics. Assuming that an essential element of Marx's project was the derivation of a system of prices from a system of labour values, neo-Ricardians have constructed mathematical proofs showing that this derivation can be made only with the aid of a number of exceedingly arbitrary assumptions. And in the special cases where prices can be derived from values, the information required to determine the value system is sufficient to determine prices directly, making the consideration of labour values a completely unnecessary detour.³¹

If Marx's nineteenth-century economic theory has been thoroughly refuted by contemporary social science, this would obviously provide a compelling reason for contemporary normative social theorists to distance themselves from it. Marx could still be considered an important figure in the history of ideas and political movements. And there might be specific topics where his views remain worth considering. Numerous liberal egalitarians continue to find Marx's writings on alienation useful, for example. But, they insist, whatever Marx had to say that is still relevant is best translated into a liberal egalitarian framework. The rest can be left to historians.

³¹ See Steedman 1977, Blaug 1980.

A Set of Hasty Generalisations

Liberal egalitarians agree with many of Marx's criticisms of the social practices of his day. In their view, however, Marx illicitly jumped from a justified rejection of particular practices in a particular historical period to an unqualified condemnation of capitalist market societies in general, committing the sort of 'hasty generalisation' students in introductory logic courses are taught to avoid. Marx was wrong to not consider the possibility that the social relations and practices of capitalism could be modified in a way that would make his criticisms inapplicable, just as he was wrong to condemn 'liberalism' without considering the possibility that new forms of it might arise without the shortcomings of the old. It is understandable, perhaps, that Marx failed to discern possibilities that remained latent in the nineteenth century. Today, however, there is ample historical evidence that profound reforms are possible in capitalist market societies if sufficient political will is present. No one, the objection goes, can legitimately claim to know where the limits of further reforms might lie, or whether there are any limits at all.

Wage labour provides an important example. Marx believed that supposedly 'free' wage labourers are in fact not free at all, since if they do not work for a wage they typically will not have access to the means necessary for a socially acceptable life. The extremity of this threat in effect coerces them to accept employment where they can find it. This vulnerability often forces persons to work in unsafe or degrading conditions for low wages while suffering serious psychological stress. These exploitative conditions indisputably characterised much labour in the nineteenth century, and they continue to do so today. But there are good reasons to not accept the absolute condemnation of the wage relation that Marx extrapolated from this state of affairs.

A liberal egalitarian response to the general rejection of wage labour would first reaffirm the profound normative importance of freedom of occupation. No assessment of labour markets should overlook the fact that they institutionalise this freedom, at least in principle. We must also remember, second, that no liberal egalitarian accepts the libertarian view that capitalist acts between consenting adults are automatically legitimate. Everything depends on the background conditions in place. Third and most crucially, the fact that the proper conditions were absent in Marx's day (and our own) does not imply that it is impossible in principle to institutionalise background conditions making wage contracts normatively acceptable.

When Marx proclaims that wage labour is essentially coercive and exploitative, he seems to be asserting that the connection between wage labour, on the one hand, and coercion and exploitation, on the other, is analogous to the essential connection between H_2O and the properties of water. Such a strong

claim of essential connection can be refuted by a single counterexample, and Dworkin's desert island case, sketched in Chapter 1, can be interpreted as an effective counterexample. It purports to show that when an initial equality of resources is part of the background conditions of wage contracts, there is no reason to think the contracts need be either coercive or exploitative. It would hardly come as news to Dworkin or anyone else that the strict initial equality of resources he describes in his desert island thought experiment has not been (and probably can never be) perfectly attained in the real world. But Dworkin would assert that a sufficiently progressive tax system can approximate that state of affairs closely enough to make wage agreements normatively acceptable. The same conclusion would follow if all citizens were granted a right to a basic income sufficient to enjoy an acceptable quality of life in the given historical context. Strong evidence that measures significantly lessening the coercive elements of the wage relations are feasible has been provided by various social programmes in the US from the 'New Deal' to the Earned Income Tax Credit, the successful income assistance programmes developed in Scandinavian countries, and the striking recent successes of poverty reducing programmes in Brazil. If even more ambitious programmes of this sort were put in place, the coercive elements that have plagued wage contracts would be eliminated.³² An agreement to work for wages would then represent a truly free choice to give up some leisure in return for the means to purchase additional goods and services. If this argument is accepted, Marx's jump from the coercive and exploitative wage relations of his day to the general claim that wage labour essentially involves coercion and exploitation must be rejected. It would rest on a hasty generalisation.

Marx's critique of the private ownership of means of production defines his theoretical framework as much as the critique of wage labour does. No liberal egalitarian theorist would deny that private ownership of capital resources has generated staggering levels of economic power, or that all too often this power has been staggeringly abused in the past. Liberal egalitarians are also fully aware that contemporary capitalism continues to be characterised by excessive concentrations of economic power with normatively unacceptable results, such as the emergence of an intergenerational class hierarchy utterly incompatible with an equal right to the fair value of political liberties. They do not, however, accept Marx's general and absolute condemnation of private ownership of the means of production. In their view, such an unqualified conclusion resulted from another hasty generalisation on Marx's part.

32 Kymlicka 2002, pp. 185–6.

Rawls's call for an allocation branch of government is relevant here. This branch is charged with keeping markets reasonably competitive. When the political will to implement effective anti-trust policies has been present, they have been implemented with some success. There seems to be no good reason to assume that it will prove impossible to implement anti-trust policies even more thoroughly in the future. If the political will to do so were sufficiently strong among citizens, liberal egalitarians insist, it could be done. Marx ruled this out due to another failure to conceive political conditions in capitalism different from those of his own day.

In his discussion of the allocation branch of government, Rawls acknowledges that concentrations of market power are sometimes required by economic efficiency. So long as the firms in question are effectively regulated, they will still operate in a manner consistent with respect for autonomy and concern for the well-being of social agents. No liberal egalitarian today would claim that contemporary society has institutionalised the requisite level of oversight. Again and again regulators have been a step behind those they are attempting to regulate. Regulators have also been 'captured' (corrupted) by the industries they are supposed to regulate, whether through the 'revolving door' providing lucrative positions for compliant regulators when they leave the public sector, or by the influence of 'experts' from the sectors to be regulated granted a 'seat at the table' when the regulations are drafted. Carefully targeted campaign contributions have also bought considerable regulatory 'good will'.

All of this is very relevant to the normative assessment of past and present social practices. Liberal egalitarians, however, see no reason to jump to the conclusion that these admittedly serious difficulties can only be addressed by abolishing the private ownership of capital resources. Policies discouraging the revolving door could be developed and implemented. Measures could be taken to ensure that *all* stakeholders affected by regulatory policies have a 'seat at the table', and not just representatives of affected industries. And as Rawls repeatedly noted, the simple measure of publicly funding elections would by itself immensely reduce one of the worst abuses of concentrated economic power, the perversion of democratic processes through money.³³ Meaningful reforms in these dimensions have been made in the past in capitalist societies. Who is to say that reform efforts cannot be renewed and extended? Who could claim to know the point where such reforms reach their limit? How could anyone know a priori that there even was a limit to reach?

33 Rawls 2001, p. 149; see also Sandel 2013.

For the sake of the argument, suppose that these sorts of reforms do have a limit as long as the present distribution of capital resources remains, and that this limit would be reached before the normative problems associated with concentrations of economic power are adequately resolved. Suppose, in other words, that anti-trust policies eventually prove incapable of removing all market concentration, and that governments fail to regulate firms to ensure they operate in a normatively acceptable manner. From the standpoint of liberal egalitarians, this would still not suffice to justify the conclusion that private ownership of the means of production ought to be abolished. For the root of the problem may not be private ownership of means of production per se, but the specific shape the distribution of private ownership has taken.

Liberal egalitarians understand that when private ownership of means of production is concentrated in a fairly small percentage of the population, serious normative problems will indeed arise. Suppose, for example, the profitable actions of privately owned firms impose serious environmental harms and excessive financial risks on the society as a whole. Their owners may be negatively affected themselves to a certain extent. But they will simultaneously benefit from the profits arising from the activities in question, and when there is concentrated private ownership of the means of production, the benefits from the harmful activities are concentrated as well. Historical experience has established that those enjoying the concentrated benefits generally grant them far greater weight than their share of the harms. This gives them a strong reason to mobilise effectively to block public policies seeking to reduce environmental harms and financial risks significantly. If they cannot do this through the 'revolving door' or campaign contributions, they have the power and the motivation to search for some other effective means of blocking those policies.

Now suppose that private ownership of units of production and distribution becomes far more dispersed. Perhaps every individual receives a share in mutual funds designed to track the Standard and Poor 500 at birth, or a lump sum at reaching the age of maturity, capable of being used in whole or in part to purchase equities.³⁴ Such a policy, like basic income guarantees, would help the social world more closely approximate the fair distribution of resources and opportunities whose normative importance is so central to liberal egalitarian thinking. The more relevant point in the present context is the fact that dispersed private ownership of means of production does not have the same pernicious social consequences as concentrated ownership. The asymmetry

34 Liberal egalitarian proposals along these lines are discussed in Ackerman 1980, Ackerman and Alstott 1999, and Ackerman, Alstott, and Van Parijs 2006. (See Chapter 7 below).

between the dispersed nature of the harms and their very concentrated benefits would be eliminated. This change by itself would instantly remove what liberal egalitarians regard as perhaps the major impediment to the effective regulation of economic practices.³⁵

These considerations suggest that Marx assumed far too quickly that the abolition of private ownership of the means of production was required to overcome the deformities of nineteenth-century capitalism. He generalised from the normative shortcomings of his own day to the claim that private ownership of the means of production was always and everywhere essentially unacceptable. This generalisation was, once again, far too hasty. Marx failed to see that the dispersion of private ownership could be sufficient to overcome the normative problems associated with concentrated economic power. Or so liberal egalitarians suppose.

An Illegitimate 'Economism'

What explains why Marx committed the hasty generalisations described above? Most non-Marxists would trace the root of the problem to an 'economism' that led Marx to drastically underestimate the scope within capitalism for addressing issues of serious normative concern politically. The political realm is not reducible to economic considerations, as Marx seems to have assumed. It not only has considerable autonomy from the economy, but also considerable power to regulate economic activity. When this autonomy and power is combined with democratic political institutions, liberal egalitarians assert, a space is created in which significant reforms of capitalism are possible. Meaningful reforms have in fact been undertaken in the past that have unquestionably made capitalist market societies more normatively attractive. Liberal egalitarians insist that neither the possibility of future reforms nor their potential normative significance should be underestimated. Marx's economism must therefore be unequivocally rejected.

A Series of Failed Predictions and an Objectionable Philosophy of History

It would be extremely surprising if a theoretical framework including outmoded and refuted foundations, hasty generalisations on most crucial substantive matters, and an unacceptable reductionism, were capable of gener-

35 For good measure, the intergenerational reproduction of the gulf between the most advantaged and the least advantaged groups in society, a gulf in profound tension with liberal egalitarian values, would also be undermined, according to defenders of this proposal. See Ackerman and Alstott 1999.

ating accurate predictions. It is generally agreed that Marx made numerous predictions about the future course of historical developments that failed to occur, and that this failure reflects fundamental weaknesses in his theoretical framework. A list of Marx's most striking incorrect predictions includes the inevitable immiseration of the workers, the inevitable disappearance of small-scale independent producers (the 'petit-bourgeois'), and the inevitable fall of profit rate. His most striking failed prediction, of course, is that capitalism was bound to collapse and a socialist revolution to occur in Western Europe in the relatively near future. Marx's specific predictions are widely taken to reflect a commitment to a teleological philosophy of history. According to this reading, Marx held that there is an inner logic determining the general course of historical development.

The failure of Marx's specific predictions, and unacceptability of his supposedly teleological determinist view of history, led Eduard Bernstein and other leading members of the Social Democratic Party in Germany to move from Marxism to left liberalism at the turn of the twentieth century. Today's liberal egalitarians can be seen as Bernstein's progeny.³⁶

An Inadequate Appreciation of the Normative Significance of the Private/Public Distinction

Another major reason for liberal egalitarians to distance themselves from Marx also has to do with his call to abolish private ownership of the means of production. More specifically, it concerns what is perhaps the most profound worry about Marx's position from a liberal point of view. Stated starkly, the concern is that the abolition of private ownership of means of production abolishes the separation of economic and political power, with extremely pernicious consequences.

The striking inefficiency of centralised (politicised) planning of economic life certainly counts as a pernicious consequence. Left liberal theorists accept market societies in good part to avoid the level of inefficiency that has beset centrally planned economies. However, this is hardly the only relevant consideration. Restricting excessive political power is, if anything, even more important.

It is one thing to grant that Marx was not himself a proto-Stalinist.³⁷ It is quite another to deny that when economic power and political power are con-

36 Bernstein 2013.

37 His defence of the practices of the Paris Commune, in particular, the way all officials were elected, subject to recall, and paid only average workers' wages, should be recalled here (Marx 1986a).

joined, as he advocated, there is a great danger that the conjoined power will be abused. Whatever normative problems might arise with private ownership of the means of production, it seems reasonable to fear the union of economic and political power much more.³⁸ Private ownership of capital, for all the concerns it raises, at least operates as a check on the power of those controlling the state apparatus in principle. Preserving that check is a crucial element of the liberal heritage; it is one that liberal egalitarians have no wish to renounce.

In liberals' estimation, Marxian theorists have not sufficiently appreciated the seriousness of this issue. Marx's evaluation of rights may have been more complex than is often acknowledged, and he did call for a world where 'the full and free development of every individual forms the ruling principle'.³⁹ But the merging of political and economic power he advocated risks sacrificing the interests of individuals for the sake of what those in control of the merged power deem to be in the public interest (which not too surprisingly usually coincides with their perceived self-interest). From the liberal egalitarian standpoint, Marx did not sufficiently recognise the extent private property rights – including rights to own means of production – create a social space at least somewhat protected from the intrusion of public officials, or the way in which a denial of those rights eliminates that space, heightening the risk of intrusion by state officials with heightened coercive powers.

On its deepest level liberalism is defined not by the advocacy of free markets associated with classical liberalism, libertarianism, or contemporary neoliberalism, but by the thesis that the individual is the basic unit of normative concern. Liberal egalitarianism rejects the unqualified defence of market societies, incorporating numerous criticisms of Marx's. But Marx's position leaves individuals too vulnerable to the fusion of economic and political power that would result from abolishing private ownership of the means of production. From this standpoint, liberal egalitarianism would appear to be a far more defensible normative social theory than either the market fundamentalism of traditional liberalism or the Marxian alternative.

38 This line of thought was a crucial factor in Max Weber's rejection of socialism, along with Marx's relative neglect of the importance of cultural factors in social history (Weber 1994).

39 Marx 1976a, p. 739.

Conclusion

In the first part of this chapter I argued that a number of standard Marxian reasons for condemning liberalism simply do not apply to liberal egalitarianism. Liberal egalitarians do not accept metaphysical individualism, affirming instead the ontological priority of the social. Their affirmation of rights does not rest on an illicit individualistic metaphysics. They do not extrapolate from the formal conditions of contractual exchange to supposedly 'natural' normative principles. Nor do left liberals embrace the simplistic and incoherent demand that everyone received an equal amount of everything.

In the last part of the chapter I presented three reasons why liberal egalitarian theorists distance themselves from Marx's legacy. First, the foundation of Marx's theory, the labour theory of value, has been almost universally rejected for a variety of apparently compelling reasons. Second, Marx's absolute condemnation of wage labour and private ownership of the means of production is viewed as unwarranted. Many of Marx's objections may have been justified when directed against the wage relations and abuses of concentrated economic power of his day. Many continue to have force today. But there are good reasons to refrain from overly hasty generalisations from these cases, since there are possible forms of wage labour and private ownership of productive resources that escape these criticisms. Profound reforms have occurred before in capitalist market societies (the abolition of slavery, universal suffrage, laws limiting the length of the working day, and effective anti-trust and anti-poverty programmes, and so on). Further reforms are surely possible. Third, the basis of Marx's hasty generalisations, his 'economism', must be rejected as well. Fourth and finally, history teaches the tragic lesson that fusions of economic and political power are immensely dangerous. As long as the possibility of piecemeal reforms remains open, it does not seem reasonable to risk the severe abuses that might result from the fusion of economic and political power in the same hands.

No doubt other arguments could be added to the liberal egalitarian case against Marx. They would, I think, merely reinforce the conclusion liberal egalitarian theorists reach on the basis of the above considerations. In their view, a portion of what Marx said continues to make sense. But much of it does not, and must be considered of merely historical interest. And those parts that do continue to be valuable can be developed in a clearer and more defensible form within a liberal egalitarian framework.

Within this framework the most important roots of the normative shortcomings of contemporary market societies do not lie in wage labour or the private ownership of means of production. They are located instead in the absence of a

sufficiently strong political will to institute the background conditions required for markets to operate in a normatively acceptable manner. The theoretical project of liberal egalitarians is to show that such policies are normatively required. Their practical programme is to contribute to social struggles that aim at institutionalising necessary reforms by making the strongest possible case for these reforms in the public sphere.

Liberal egalitarians are, I believe, mistaken to consider Marx as just another figure in intellectual and political history. For all his limitations and errors, what he got right goes to the very heart of our social world. It continues to be overlooked by social theorists to the great detriment of their positions. Marx's theory will not be historically outmoded unless a historical rupture from the present social order occurs, or a new theoretical and practical framework appears incorporating Marx's key insights. The remainder of this book will attempt to defend these assertions.

The Beginning Level of Marxian Theory

When we assess a theoretical position, we should focus on the best ‘all things considered’ interpretation of its central tenets. In this chapter I shall develop what I take to be a defensible version of Marxian social theory, reasonably faithful to what we find in Marx’s texts. This interpretation, like all others, reconstructs these texts in some respects, and develops them in others. I shall not attempt the impossible task of establishing what Marx ‘really’ meant. My goal is to explore the intellectual and political challenge to liberal egalitarianism presented by what I take to be the features of Marx’s thought of greatest contemporary import. When I speak of ‘Marx’s theory’ or ‘Marxian theory’ below, these phrases should be taken as shorthand for referring to those features.

The key topic of Marx’s theory is announced in the title of his masterwork: *Capital*. Marx’s major theoretical works, however, do not begin with the relatively complex concept of capital. The aim of these works is to develop a critique of political economy through a systematic reconstruction of the essential determinations (‘social forms’) of the capitalist mode of production, and the reconstruction begins with the simplest and most abstract determinations of a capitalist social order. It then moves step-by-step to progressively more complex and concrete determinations.¹ In the first section of this chapter I shall discuss the initial level in Marx’s account, prior to the introduction of the concept of capital. The remainder of the chapter will be devoted to the normative implications of the social forms considered at this early level.

I have done my best to be as clear as possible. But it should be acknowledged that the core of Marx’s account of modern market societies is more complicated than the basic ideas at the heart of non-Marxian economics, even if elaborations of the latter reach extreme heights of mathematical complexity.

1 ‘The work I am presently concerned with is a *Critique of Economic Categories* or, if you like, a critical exposé of the system of the bourgeois economy. It is at once an exposé and, by the same token, a critique of the system’ (Marx 1983, p. 268). This project bears a strong family resemblance to the systematic dialectics of Hegel’s major works, although we should not underestimate the extent to which Marx creatively modified Hegel’s methodological framework. See Reuten and Williams 1989, Smith 1990, Backhaus 1997, Arthur 2002a, and Smith 2014, 2015a, as well as the contributions to Moseley and Smith 2014. (I should mention in passing that I do not think the debate between Marxism and liberal egalitarianism ultimately comes down to the status of systematic dialectics as a methodological framework).

The latter also has the great advantage of being deeply ingrained in the everyday common sense of most people today. Marx challenges that common sense as profoundly as radical theorists of an earlier era challenged the then common sense everyday view that kings have a divine right to rule. It is not easy to articulate this sort of challenge in terms that are immediately intelligible to people who have accepted common sense views. Every reasonably educated person today immediately understands what the proposition ‘free trade provides mutual benefits’ means; this cannot be said of the assertion ‘It is only by being exchanged that the products of labour acquire a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility’.² I understand the impatience of readers who would prefer to skip over the explication of the phrase ‘socially uniform objectivity as values’ and jump right to Marx’s challenge to left liberal social theory. If we wish to understand the nature of that challenge adequately, however, there are no shortcuts.

The Beginning Level of Theoretical Abstraction (1): The Commodity, Value, Abstract Labour

The first sentence of the first volume of *Capital* states that ‘The wealth of societies in which the capitalist mode of production prevails appears as an “immense collection of commodities”; the individual commodity appears as its elementary form’.³ From the very beginning, then, Marx invokes the crucial distinction between transhistorical and historically specific social theories, informing us that *Capital* is of the latter type. Every society has some notion of ‘wealth’; it is a transhistorical category, applicable to all societies. As such it is a relatively indeterminate, relatively empty notion. In every society wealth appears in some determinate form or other; in capitalist societies it appears in the form of commodities.⁴ This provides a provisional justification for selecting the *commodity form* as the starting point.

Marx’s initial sentence also informs us that his theory is directed towards the comprehension of ‘societies in which the capitalist mode of production prevails’, that is, with capitalist market *societies*. This should be taken as an implicit rejection of methodological individualism, with its explanatory focus on the

² Marx 1976a, p. 166.

³ Marx 1976a, p. 125.

⁴ Murray 2002.

micro level beliefs, goals, and actions of individual agents. Marx instead begins with a macro level object of investigation, the capitalist mode of production, comprehended initially as a society of *generalised* commodity production and exchange. The beliefs, goals, and actions of individuals are to be comprehended from the point of view of this historically specific mode of social organisation.

Generalised commodity production and exchange does not mean the utter absence of any other way of producing and distributing things. Marx is well aware that there never has been, and never will be, a society where each and every product is produced as a commodity to be exchanged, or where every exchanged commodity was produced by human beings. Many goods and services in modern society are produced within households for direct use within those households. Marx also would not have to be told that governments often produce goods and services directly for use (roads, other forms of infrastructure, military supplies, and so on), or that things can be sold that were found rather than made.⁵ Marx's claim is simply that in the historically specific societies he is investigating, wealth *generally* takes the form of commodities produced for sale, and so a representative product (good or service) on this beginning level of abstraction accordingly must be categorised as a product produced in the social form of a commodity for sale. Generalised commodity *exchange*, in other words, is conceptually inseparable from generalised commodity *production*; they are two sides of the same coin (when one term is used here the other should be taken as implied).

The fact that generalised commodity production and exchange is an essential feature of contemporary society is acknowledged in both Marxism and liberal egalitarianism. Liberal egalitarian theorists, however, would ask why this economic consideration should be privileged from the start over other defining features of the modern social world. Many liberal egalitarian fem-

5 The fact that found objects (most importantly, natural resources) can be commodities is irrelevant in the present theoretical context, despite the innumerable times it has been introduced to refute Marx. No mode of production operating on an extensive scale and capable of being reproduced over time could ever be based on the exchange of found objects. Found objects are therefore of no interest at a stage of the theory where we are investigating the main social forms distinguishing one historically specific mode of production from others. Marx considers 'found objects' in his brief digression in Volume 1 on products that have a price but no value and, more systematically, in the extensive discussion of rents in Volume 3. These are important topics. But Marx would insist that an adequate understanding of them *in a social world in which wealth generally takes the commodity form* can only be developed on the basis of a prior comprehension of commodity production.

inists would consider gender relations in the household and beyond as the appropriate starting point for social theory. The modern family, after all, also possesses historically specific features setting it apart from the paradigmatic family structures and processes of pre-modern societies. There are also historically specific features of modern constitutional democracies distinguishing them from pre-modern state structures and processes. If the state has primary responsibility for the justice of a society, as Rawls asserts, why not begin by investigating whether an overlapping political consensus on matters of justice can be articulated? Or if an emphasis on the state is no longer fitting in our globalised world, why not begin with an account of the emerging global order, as Pogge and Held do? Habermas rejects Marx's starting point on different grounds, insisting that the key to comprehending the social world is to comprehend the structure of 'post conventional' moral-practical consciousness attained in the modern phase of social evolution. This would make the cultural realm, where the structures of moral-practical consciousness first emerge, the appropriate place to begin. Many other liberal egalitarians would follow Walzer, refusing to grant any one sphere of social life primacy over others.⁶ There is one point on which all left liberals would agree: from the very beginning of his theory Marx assigned the economic realm far too much weight. Whether he was the economic reductionist he has so often been taken to be remains to be seen. But at the very least from the liberal egalitarian perspective there seems to be something arbitrary and problematic about Marx's starting point.

Suppose, however, for the sake of the argument we go along with Marx's choice to begin with generalised commodity production and exchange. Why begin with 'the commodity' rather than with the *agents* engaging in commodity exchange? The normative model of institutions presented in Chapter 2 includes an economic system of generalised commodity production and exchange. This system is affirmed by liberal egalitarians on the grounds that so long as the appropriate background conditions are in place market societies will both institutionalise the mutual recognition of co-subjects as free and equal and efficiently provide the material preconditions for human flourishing. From this perspective the worry arises that Marx's choice to begin with the things exchanged, rather than with the free choices and well-being of exchange-

6 The appeal to 'complexity' in Walzer's central principle of 'complex equality' echoes Weber's commitment to methodological pluralism. The appeal to 'equality' makes his position a variant of liberal egalitarianism in the broad sense of the term used here, albeit one granting considerable weight to communitarian themes. See Walzer 1983.

ing agents, rules out from the beginning a positive assessment of this manner of organising economic life. It is people who matter, not the commodities people exchange. From the liberal egalitarian standpoint, then, Marx appears to go down the wrong path.

In systematic theories like Marx's, the ultimate justification of the starting point can only be formulated at the theory's conclusion, when the starting point can be assessed from the standpoint of the account as a whole. There are three preliminary points, however, that can be mentioned quickly now to alleviate the above worries, at least to a degree.

First, in Marx's systematic ordering, as in Hegel's, the determinations introduced on later, more concrete and complex, levels of abstraction are required for full theoretical comprehension of the object of inquiry no less than the more simple and abstract determinations introduced at the beginning are. These later determinations do not refer to mere epiphenomena that can be dismissed as unimportant.

Second, the later determinations are taken to be implicit in the starting point. Marx initially intended his systematic project to include separate books on wage labour, the state, and foreign trade and the world market.⁷ Marx did not live to compose even drafts of these projected works. Nonetheless, it is implicit from the beginning of Marx's account that commodities are produced by social agents who have been nurtured within households and socialised into cultures, in processes mediated by the state and global relations, even if detailed analysis of the complications that arise from these features of social life are postponed until later, more concrete, levels of abstraction.⁸ This implies that for Marx there is no 'pure' economic sphere operating in independence from household, political, or cultural factors. (Of course this also implies that there is no 'pure' form of modern household, state, culture, or regime of global governance that can be defined adequately apart from its relationship to commodity production).

Third, Marx's methodological framework does not imply that an early determination with *systematic* priority in the ordering possesses *causal* priority in concrete historical processes. The attempt to explain every concrete development in gender relations within households, every decision by state officials, every cultural fad, every international agreement, by tracing its causal roots back to the commodity form is a madness not implied by Marx's systematic

7 Marx 1986b, pp. 160, 194–5.

8 The unwritten book on wage labour, for example, would have been the appropriate place to discuss family structures, gender roles, and the role of cultural beliefs in socialisation processes.

theory. Marx himself avoided that implausible assumption in his journalistic writings and political essays.⁹

We can, of course, still ask whether there is some non-arbitrary reason to begin with ‘the commodity’ rather than the family, the state, moral-practical consciousness, the global order, or some other alternative. In the absence of a convincing reason, Marx’s starting point will continue to appear arbitrary. At this point nothing rules out the possibility that Marx was in fact committed to a reductionist ‘economism’, unable to grant non-economic factors their appropriate weight. But the mere fact that Marx begins his account with the commodity form does not imply that an untenable reductionism is built into either his general methodological framework or his choice of beginning point.¹⁰

We are also not in a position at this very early stage of the argument to propose a full Marxian response to the worry that beginning with ‘the commodity’ rather than with the persons who freely choose to engage in commodity exchange rules out from the start a proper appreciation of the positive features of market societies. But two points can be made provisionally. First, as we shall see there is a sense in which Marx highlights, rather than overlooks, the freedom, equality, and material productivity of generalised commodity production, relative to what went before in human history. Second, however, Marx insists that this is a historically specific and quite limited form of freedom, equality, and productivity, with both the specificity and the limits crucially shaped by the fact that products generally take the form of commodities. If we do not examine the commodity form first, Marx would say, there is a great risk of making unqualified proclamations about freedom and human flourishing when extremely strong qualifications of those statements are in order.

These preliminary responses must suffice for now, as we turn to the details of Marx’s account of ‘the commodity’.

It is a tautology to say that in every possible social formation the products contributing to material reproduction possess some sort of usefulness; to contribute to material reproduction is to be useful. This obvious point holds for products produced as commodities as much as for any other type of product. In generalised commodity production, commodities are generally produced in the hope that potential buyers will consider a product with a particular set of qualities sufficiently useful to justify its purchase. The ‘use-value’ of a commodity refers to the (indeterminate) range of ways a particular product can address (or be hoped to address) one or more of an (indeterminate) range of

9 See, for example, Marx 1980.

10 This issue will be a major topic of Chapters 7 and 8.

wants and needs of an (indeterminate) range of possible purchasers, thanks to the concrete qualities it possesses due to its physical structures and the (indeterminate) range of cultural resonances associated with those qualities. At the root of use-values, then, we find the 'natural' properties of things, alongside the (socially constructed) cultural resonances associated with them.¹¹

Unlike products playing a role in the material reproduction of other social formations, in generalised commodity production products simultaneously possess a quite distinct property, *exchange-value*, defined provisionally in terms of the ratios a particular product could be traded for other commodities. In generalised commodity exchange, products are by definition produced for exchange, that is, in the hope they will have a positive exchange-value. (If they cannot be exchanged, they have an exchange-value of zero).

As his reflections deepened, Marx introduced an explicit distinction between 'exchange-value' and 'value'.¹² The meaning of the latter term can be explicated in two ways, each referring to the same special property of commodities. The first stems from the fact that in generalised commodity exchange any given commodity with exchange-value can generally be exchanged for any other commodity with exchange-value in some ratio or other, indirectly if not directly. This implies that any commodity with the (relational) property of exchange-value also has the (intrinsic) property of *universal exchangeability*, or *value*. In contrast to the qualitatively diverse concrete properties that are the basis of the use-values of commodities, value is a quantitative, homogenous, and abstract property.¹³ It obviously is not a 'natural' property that can be directly perceived or investigated with the aid of a microscope or by chemical analysis. It is, as Marx states, a 'social' property in the sense that it comes to be possessed by a product due to the role that product plays in a system of social relationships, more exactly, its role in social reproduction.

This brings us to a second explication of the meaning of the term 'value'. In the historically specific division of labour that is generalised commodity production, the production of goods and services is (generally) undertaken

11 'Natural' here refers to the sort of properties the natural sciences investigate. The most artificial ingredients placed in our meals by the food industry count as 'natural' in this sense of the term.

12 'Value' in this context is obviously quite different from the notion of normative value employed in everyday life and moral philosophy. One of the main themes of this book is to relate these different notions of value.

13 Value is inherently quantitative in that it reflects how much privately undertaken labour has been socially validated; it is homogenous and abstract in that the heterogeneous and concrete features of different forms of activity (writing software, driving a bus) are abstracted from.

privately by individual units of production. These units do not know *ex ante* if they will succeed in exchanging the products they have produced. The social necessity of the privately undertaken production can only be established *ex post*, through successful exchange. This arrangement defines a historically specific form of human sociality, appropriately termed 'dissociated sociality'.¹⁴ 'Dissociated' refers to the way production is undertaken privately by separate ('dissociated') producers, who are in turn separated ('dissociated') from potential buyers. 'Sociality' refers to the fact that products are not produced for private use, but for sale to other members of society to meet their wants and needs. When the social validation of privately undertaken production occurs through sale in the market, the product then acquires the abstract property, value, understood now as the property 'produced by privately undertaken labour whose social necessity has been socially validated'.¹⁵ This definition of value both implies, and is implied by, the definition in terms of 'universal exchangeability'.

A leading strand in the history of Marxian thought has proclaimed that 'value' is essentially a category of production. I do not believe this is the case. If we make the simplifying assumption that supply and demand are in equilibrium, all privately undertaken production is socially validated by assumption. In this very special case we may discuss value-producing production without explicitly considering exchange. This, however, is only because successful exchange has been presupposed. It is perfectly legitimate to employ this simplifying assumption in many theoretical contexts, since we can then examine specific aspects of generalised commodity production and exchange without having to refer back constantly to matters that are not salient in the given context. Marx made use of the Supply = Demand assumption in much of *Capital* for this reason.¹⁶ Nonetheless, the crucial categories of Marx's theory ('commodity',

14 Kant used the term 'asocial sociability' to describe what he took to be a transhistorical feature of the human condition: human beings simultaneously need to be with other humans, and ceaselessly come into conflict with them (Kant 1991). The modified phrase employed here ('dissociated sociality'), in contrast, applies to the historically specific social division of labour in societies incorporating generalised commodity production. See Reuten and Williams 1989, pp. 55–9. Smith 1990, pp. 75–7.

15 'Social necessity' is to be taken in the historically specific sense relevant to generalised commodity production: there is *effective* demand for a product, demand with purchasing power behind it. Socially wasted production in this sense may still be 'necessary' in other senses of the term. (Food going to waste because no one purchases it remains *necessary* for malnourished social agents who cannot afford to purchase it – in a different sense of the term).

16 See Marx 1976a, pp. 201–2, Patnaik 2009, pp. 128–9.

'value', and so on) *cannot* be adequately conceptualised under this assumption. Marx's category 'value' is primarily designed to capture the historicity of a social order in which there is a gap between purchase and sale, a risk that a unit of production may have engaged in endeavours that turn out to have been socially wasted when no purchaser can be found. It follows that 'value' is neither a category of production, nor a category of exchange, but a category of mediation between the two, expressing the unity-in-difference of privately undertaken production and the exchange that establishes its social necessity. We may still of speak of 'value' in Marx's sense of the term prior to exchange, but only if we remember that we are speaking of merely *potential* value or *anticipated* value (the term 'prevalidation' is often used in this context).¹⁷

As the second elucidation of the meaning of 'value' suggests, there are two ways of comprehending the labour that produces products in generalised commodity production, paralleling the distinction between use-value and exchange-value. The first is to see it as privately undertaken *concrete labour*, in which a range of qualitatively diverse capabilities are called into play to produce qualitatively diverse products with qualitatively diverse properties. This dimension of labour corresponds to the use-value dimension of those products. If concrete labour is not socially validated through exchange, no additional dimension of labouring emerges as a social fact. But if social validation does occur, the labouring that produced the product now acquires a new objective property paralleling the new objective property the product in question acquires ('value'). Whatever the qualitative heterogeneity of different concrete labourings might be, insofar as they are socially validated they acquire the qualitatively homogeneous property of being *value creating*. If the term 'concrete labour' is used to refer to heterogeneous activities involving heterogeneous capabilities in the production of commodities with heterogeneous properties and use-values, the term 'abstract labour' can be used to refer to the same acts of labouring insofar as they all instantiate the same abstract and homogenous property of producing commodities with value.

We saw in the previous chapter that liberal egalitarians reject the elements of Marx's legacy that cannot be directly translated into liberal egalitarian terms. A first criticism, widely shared among contemporary social theorists, is that Marx's theory of value is an outmoded idea that simply cannot be taken seriously today. But are not products still generally produced today in the hope that they will have the property of (direct or indirect) universal exchangeability? In other words, do not those involved in production and distribution expect to be

17 See Elson 1980, Rubin 1973, Smith 1990, Reuten and Williams 1989, and Backhaus 1997.

able to purchase the commodities they want or need from the proceeds from selling their products? Is it not still the case today that the production of commodities is generally undertaken privately, and must prove its social necessity in exchange? And is not the property 'value', understood in terms of universal exchangeability and the social validation of privately undertaken production, still a distinguishing feature of the historically specific form products generally take in our social world, the commodity form? If the answer to these questions is 'yes', as it surely is, then we should not be too quick to assert that Marx's theory is not relevant to contemporary circumstances.

Perhaps, a liberal egalitarian might reply. But who denies that products are produced for sale in market societies? The specifically Marxian theory of value is the labour theory of value and it is *that* aspect of the theory that supposedly faces insuperable difficulties:

1. Marx apparently holds that the 'value' of a commodity is somehow determined by the socially average labour time directly and indirectly 'embodied' in it, as somehow measured by such homogenous units of time (or units of energy per unit of time), and that this value somehow explains why the prices of commodities are what they are. This seems to presuppose that it is possible to somehow reduce complex activities in the labour process to simple physiological exertions in time. This can be doubted. Even if it were possible in principle, it would surely be next to impossible to carry out as a practical matter. And even if that could somehow be done, it would be pointless to do it. How could an understanding of the social world be deepened by ignoring the distinction between, say, the activities of writing a computer programme and driving a bus?
2. There is also the obvious problem that the production of commodities requires non-labour inputs, and it is impossible to establish that all non-labour inputs are ultimately reducible to labour inputs, since human production always depends on the gifts of nature.
3. Finally, if we ignore all these issues and recklessly just assume that the economy can be modelled by assigning all inputs and all outputs a 'value' measured in homogenous units of abstract labour (in the above sense of the term), the dreaded 'transformation problem' still looms. Some way to 'transform' the value system into the price system must be found. With sufficient assumptions this can be done, but only at the cost of limiting the application of the theory to very special cases. Nor is there any reason to think that the value equations explain anything, since the information required to formulate the value equations is also sufficient to formulate the price equations directly, without going through the unneces-

sary detour of the value system.¹⁸ Given these and other difficulties, if Marx's thought rests on this sort of labour theory of value, there would be no compelling reason to take his theoretical framework as more than of merely historical interest, however insightful this or that fragment of his thought might continue to be.

A response to these criticisms must be attempted here, even if it can only be provisional:

1. In discussion of Marx's notion of value it is crucial to distinguish 'concrete labour considered abstractly' and 'abstract value producing labour'.¹⁹ The former refers to a thought construct created by taking various instances of concrete labour and abstracting away all the heterogeneous capabilities and practices that distinguish one form of concrete labouring from another. The result of considering concrete labour abstractly in this manner is some sort of notion of exertions of homogeneous units of energy in homogeneous units of time. Marx's notion of abstract labour is not that of concrete labour taken abstractly.²⁰ Marx regularly and insistently reminds us that his object of investigation is the capitalist mode of production, understood as a historically specific social order. 'Abstract labour' understood as 'concrete labour taken abstractly' is a transhistorical notion, as is the concept of 'value' based upon it. If it were somehow possible to fix the 'value' of commodities in generalised commodity production by considering the concrete labour that produced them abstractly, it would be equally possible in principle to fix the 'value' of the products of *any* mode of production in this fashion. If Marx's position were interpreted in these terms, then, the concepts of 'abstract labour' and 'value' would not contribute to comprehending generalised commodity exchange in its full historical specificity. But Marx's theoretical project is precisely that! Surely a minimally charitable reading would ask if there is an understanding of the terms 'value' and 'abstract labour' operating in Marx's texts that would actually further his project.²¹ 'Abstract labour', understood as labour that

18 Steedman 1977.

19 This is, I believe, equivalent to the distinction between 'abstract labour' and 'practically abstract labour' made in Murray 2000.

20 This is equivalent to saying that Marx's theory of value is not Ricardo's.

21 See Backhaus 1997, Murray 2000, and Reuten 2000 for discussions of the extent to which Ricardian residues can be discerned in Marx's texts. Since I am concerned with what I take to be the best 'all things considered' reading, I do not have to take a stand on the question

produces products with 'value' in the sense of universal exchangeability (or, equivalently, in the sense of having been produced by privately undertaken labour that has proven to be socially necessary) meets this criterion. Abstract labour in Marx's sense is a 'real abstraction' generated within generalised commodity production and applicable only in modern capitalism. It is the result of a 'practical abstraction' occurring behind the backs of social agents when the social division of labour takes the form of dissociated sociality.²²

2. Further, Marx is not primarily concerned with the processes of producing and distributing products, or with the various sorts of inputs that are required for the production of outputs. His primary concern is with how social relations in generalised commodity production and exchange are mediated through commodities and value.²³ He does not claim that the contribution in use-value terms of the various inputs to the physical process of producing outputs can be satisfactorily measured by units of homogeneous units of labour time. Marx's goal is to comprehend how a society characterised by dissociated sociality can be reproduced over time, despite the fact that the production and exchange of socially necessary goods and services is undertaken privately, without *ex ante* coordination. His concept of value is meant to provide the answer to *that* question: a social division of labour capable of underlying the material reproduction of society is established through the imperative imposed on concrete heterogeneous labour to simultaneously be abstract value producing labour. The main point of Marx's theory of value, then, is to show that the 'dissociated' relationships among producers, and between producers and final consumers, are coordinated through commodities with value.²⁴ This is not at all the same as asserting that all inputs to

as to whether the blame for Ricardian (mis)readings of Marx lies more with him or with his readers.

- 22 'Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true; by equating their products to each other in exchange as values, they equate their different kinds of human labour' (Marx 1976a, p. 166).
- 23 This is, of course, the main theme of the concluding section of Chapter 1 of *Capital* on 'fetishism'.
- 24 'The production of commodities must be fully developed before the scientific conviction emerges, from experience itself, that all the different kinds of private labour (which are carried on independently of each other, and yet, as spontaneously developed branches of the social divisions of labour, are in a situation of all-round dependence on each other) are

the physical process of producing outputs can be satisfactorily reduced to units of homogeneous units of labour time.

3. If Marx's notion of value is not about an imaginary (hypothetical) system in which commodities are exchanged according to labour times embodied in them, but rather the social validation of privately undertaken labour, then the success or failure of Marx's project cannot be measured by the success or failure in 'transforming' a system of embodied labour times to a price system. His theory of value is not about embodied labour times.

Given the countless number of critics who have rejected Marx on the grounds that he failed to solve the so-called 'transformation problem', we should return to this last point again after considering the next step in Marx's presentation, where he establishes that generalised commodity exchange is generalised *monetary* exchange.

The Beginning Level of Theoretical Abstraction (2): Money

Commodity exchange cannot be successfully generalised in the absence of some socially objective measure of value. Value is a social fact; it *must* be expressed in a socially objective manner if it is to exist at all. If 'value' is defined as 'privately undertaken labour that has been socially validated through exchange', then it is measured immanently, so to speak, by the amount of socially validated labour. But while we can, perhaps, go into factories and offices with stopwatches to measure the average labour time embodied in commodities, we cannot measure socially validated labour with stopwatches in workplaces, even in principle, since we cannot assume work there will be successfully validated. The most we could hope to determine in this way would be a magnitude of heterogeneous concrete labour times somehow transformed into homogenous units of embodied labour through some more or less arbitrary algorithm.

Even if the immense (unsolvable?) theoretical and practical difficulties involved in doing that were somehow resolved, the resulting theoretical abstraction would not have any objective social force. It would merely be a measure

continually being reduced to the quantitative proportions in which society requires them. The reason for this reduction is that in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially necessary to produce them asserts itself as regulative law of nature' (Marx 1976a, p. 168).

of privately undertaken concrete labour considered abstractly. This privately undertaken labour could still be so inefficient it was all socially wasted, with no value whatsoever produced. Further, even products produced in the socially average time (or less) may still not be successfully exchanged, since other units of production may have introduced product innovations lessening or eliminating demand for the particular commodity in question. Or production in the given sector may in the aggregate exceed the aggregate demand. If so, some of the concrete labour producing those commodities was wasted and produced no value, despite the fact that the amount of direct and indirect concrete labour was no more than the social average.²⁵ If, finally, the level of labour productivity was above average, the quantity of abstractly considered privately undertaken labour mobilised in the actual production produces will be less than the labour socially necessary to a commodity with value in the given sector. If a given quantity of abstractly considered privately undertaken labour can be associated with a lesser, equal, or greater quantity of abstract value creating labour, or no value creating labour at all, the two notions of labour cannot be identified. The proper measure of value lies elsewhere.

The social validation of privately undertaken production occurs through successful exchange.²⁶ It follows that the socially objective measure of the value of commodities must be some external thing for which the commodity is exchanged. The simplest form this external thing could conceivably take is a single thing for which another single thing exchanges.²⁷ Marx terms the relationship in which the value of one commodity is expressed relative to another commodity in a certain ratio the 'simple form of value':

$$x \text{ commodity a} = y \text{ commodity b}$$

Commodity 'b' is termed the 'equivalent form' in which the value of 'a' appears. (Since the value of 'a' is expressed relatively to 'b', 'a' is termed the 'relative form').

A major difficulty arises immediately with this initial expression of the equivalent form of value. As noted above, in generalised commodity exchange a commodity with value is in principle directly or indirectly exchangeable for

25 Marx 1976a, pp. 201–2.

26 'It is only by being exchanged that the products of labour acquire a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility' (Marx 1976a, p. 166).

27 The following discussion is based on Section 3 of the first volume of *Capital* (Marx 1976a, pp. 138–53).

any other commodity with value in some ratio or other. 'Value' is accordingly defined as the property 'general exchangeability (in definite proportions)'. And so the exchange ratio between a given commodity and a particular object for which it is exchanged does not adequately manifest the value of the commodity in question. The latter essentially involves *generalised* exchangeability, and this *universal* aspect of value cannot be adequately expressed in the *particular* ratio it is exchanged for another *particular* object.²⁸

If it were possible to draw up a complete list of all the ratios in which the specific commodity could exchange with all other objects in the social division of labour, the universality of value would be manifested:

$$\begin{aligned} x \text{ commodity a} &= m \text{ commodity b} \\ &= n \text{ commodity c} \\ &= p \text{ commodity d} \\ &\dots \end{aligned}$$

Marx terms a list of this sort the 'expanded form of value'. While it is a conceptual advance over the simple form, it raises two irresolvable difficulties. Such a list can never actually be completed so long as product innovation continues, and the capitalist mode of production generates product innovations more or less continuously. No less importantly, 'value' – like the abstract labour that produces it – is qualitatively homogenous. Two commodities differing in countless ways in the use-value dimension due to their concrete qualitative properties can be nonetheless homogenous in the value dimension, since both are equally produced by privately undertaken labour that has been socially validated and both possess generalisable exchangeability in definite proportions. A list of all the diverse commodities for which a given product could be exchanged in some proportion or other would not adequately express the homogeneity of the value dimension, even if it could somehow be completed.

If we simply reverse the expanded form of value (and divide through by x), we seem to get the required result, an external thing capable of manifesting both aspects of the value dimension: universality (generalised exchange requires a measure in terms of which all commodities are in principle commensurable with and exchangeable for all others), and quantitative homogeneity:

28 It follows that there cannot be (and therefore has never been) a system of generalised commodity exchange based on the simple form of value. The ordering of value forms presented by Marx is logical, not historical. See Smith 1990, pp. 34–5.

m/x commodity b
 n/x commodity c = a
 p/x commodity d
 ...

Marx terms the form taken by 'a' here the 'general form of value'. It has the requisite universality and homogeneity to provide a socially objective measure of value. But another major problem arises: *any* commodity could take on the general form of value by simply reversing the expanded form of value that can be constructed for *any* commodity. If there is an indefinite multiplicity of possible measures, in effect there is no socially objective actual measure of value at all. Yet generalised commodity production requires one. And so it is a necessary condition of the possibility of generalised commodity exchange that some sort of social process occurs selecting a specific external thing to take on the general form of value.²⁹ If commodities are to have the immanent (abstract, homogenous, and social) property of universal exchangeability (or 'value'), there must be a particular external thing for which they can be exchanged that has the (abstract, homogenous, and social) property of universal exchangeability in a socially objective form. This thing, whatever it is, is money. Once one has obtained money from a successful sale, in principle it can be devoted to the purchase of any other commodity. Money is therefore the form in which value appears in a socially objective fashion.³⁰ As long as there is some particular thing that has these universal properties, its specific physical make-up is a secondary matter. In different historical contexts precious metals, pieces of paper, or electronic blips have served.³¹

29 Generalised commodity exchange is still possible if more than one thing takes on the general form of value, so long as each is able to maintain the required universality and homogeneity. In the first chapter of *Capital*, Volume 1, Marx abstracts from complications like this that would have to be considered on more concrete levels of analysis.

30 This provides another justification of the term 'abstract labour': in generalised commodity production, value creating labour is necessarily measured in an adequate form (that is, in a socially objective manner) by *abstract* monetary units. Money is a generalised measure of the extent the concrete direct and indirect labour that has produced the use-values in question is simultaneously abstract (value producing) labour.

31 Like most other theorists of his day, Marx supposed that money was ultimately tied to a commodity, gold or silver. It is important to note, however, that Marx also affirmed that the form of money specific to capitalism is credit money, suggesting that commodity money in his system was more a legacy from pre-capitalist periods than an essential determination. See Campbell 2002.

In generalised commodity exchange, privately undertaken labour is validated as socially necessary through successful sale for money. In this framework, prices are not a measure of embodied labour, but of the degree to which privately undertaken labour has been socially validated. The success or failure of Marx's theory, then, does *not* rest on being able to derive a system of prices from a different system of embodied labour values. In the best 'all things considered' interpretation of Marx's theory of value, there is no 'transformation' of values into prices. The best work of Marxian scholarship in recent decades has demolished the picture of Marx as a 'dual systems' theorist who asserts that units of (simple) embodied labour, measured in physiological exertion per unit of time, provides the basis for a system of values that then must be 'transformed' into a distinct second system of prices.³² That is Ricardo's framework, not Marx's.

For Marx, money prices are the *only* socially objective measure of value. I stressed before that Marx's aim is to comprehend how a society characterised by dissociated sociality can be reproduced over time, despite the fact that the production and exchange of socially necessary goods and services is undertaken privately, without *ex ante* coordination. We can now see that this is accomplished through the price system. There are, of course, other tasks the price system must fulfil.³³ But there are not a variety of systems that need to be 'transformed' from one to the next. There is only one system, considered on a number of different levels of abstraction.³⁴ And the further determinations of the price system introduced on later levels of abstraction do not affect the crucial point that any comprehension of it must begin with the way it coordin-

32 See Mattick 1991–2; Moseley 1993, Moseley 2015b. See also footnote 31 in the following chapter.

33 On the level of abstraction at the beginning of Volume 3 of *Capital*, for example, Marx discusses how the price system also adjusts to accommodate a tendency for rates of profit to equalise within and across sectors, despite different proportions of investment in means of production and labour power (i.e. differences in the 'organic composition' of capital) and differences in turnover times. On yet more concrete theoretical levels, adjustments to the price system must also be made to accommodate the effects of monopolies, advancing and declining industrial sectors, financial capital, the state, and so on.

34 On the level of the first Volume of *Capital* the key quantities are the aggregate money values on the level of society as whole. Volume 2 considers those same quantities, but now as disaggregated into two main divisions, one producing means of production goods, the other means of consumption goods. Volume 3 considers the same quantities again, disaggregated into a multiplicity of industrial and non-industrial sectors. See Moseley 2015b, an indispensable work on this topic, and the discussion in note 40 in the following Chapter.

ates the 'dissociated' relationships among producers, and between producers and final consumers, through the circulation of commodities and money. This point holds as much in our day as it did in Marx's.

In the systematic ordering of the essential determinations of the capitalist mode of production to this point Marx has moved from the commodity form of products to value, abstract labour, and the money form. A close reading of *Capital*, the *Grundrisse*, and Marx's other systematic works reveals, however, that none of the determinations in this linear progression can be adequately defined without reference to the others. They are all 'equiprimordial' in generalised commodity exchange, to use a bit of Heideggerian jargon. The commodity is a conjunction of use-value and exchange-value. This distinction both implies, and is implied by, the facts that 1) privately undertaken labour requires social validation through exchange, and 2) when such validation occurs the product requires a new property, value, thanks to which the particular commodity has universal exchangeability in definite proportions. These determinations in turn both presuppose, and are presupposed by, the distinction between concrete labour (which in generalised commodity exchange is privately undertaken and may or may not be socially validated) and abstract labour (the *same* labour considered insofar as it is socially validated in exchange, and thereby value creating). To this we need only add one further point, at once an implication and a presupposition of what has gone before: money is required as the form of value. Without a universal equivalent none of these other determinations of generalised commodity production hold. The inevitably linear nature of Marx's writings should not prevent recognition of the inherently circular relationship of mutual determinations in play here.³⁵ The diagram that follows depicts these relationships.³⁶

The patience of liberal egalitarian readers has undoubtedly been severely taxed. What, they might well ask, does Marx's convoluted account of money have to do with normative social theory? A first, negative, response to this not

35 There has been a heated debate among Marxian theorists regarding whether 'abstract labour' or 'money' is the key to Marx's theory of value. In my view, this debate is thoroughly misguided. (Privately undertaken) concrete labour produces a concrete use-value; (socially necessary) abstract labour is the same labour insofar as it produces value, an abstract property of commodities, represented in the real abstraction, money. Value can only appear in the form of money; the value that appears in the form of money represents the privately undertaken labour that has proven to be social through successful sale. It's a 'package deal', so to speak.

36 This diagram pictures a representative instance of the totality of commodities in generalised exchange.

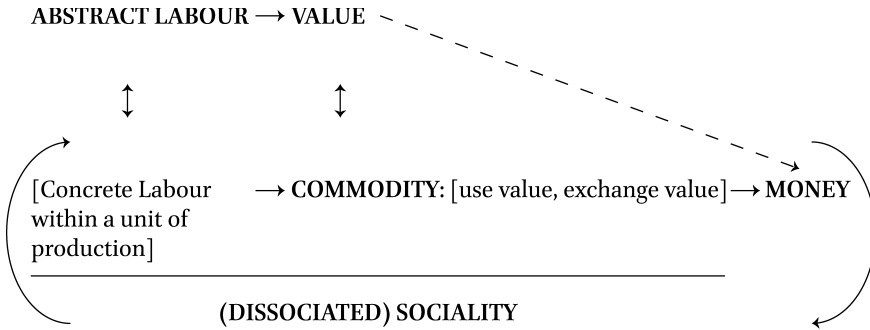


FIGURE 1 *The initial determinations of generalized commodity production and exchange*

at all inappropriate query has been provided already: Marx’s theory of value should not be dismissed as outdated from the start, and so the possibility that this theory might be relevant to contemporary normative social theory cannot be dismissed as quickly as many contemporary social theorists have dismissed it.

It is now time to make a more positive case.

Normative Considerations

Why, one might ask, is there a need to slog through Marx’s convoluted discussion of the quasi-metaphysical properties allegedly possessed by value and money? Surely there are far more straightforward ways to explain why generalised commodity production and exchange involves money, most obviously the familiar account based on the ‘double coincidence of wants’ problem.

The account can be quickly summarised. Suppose I possess some commodity a, while you have a different commodity, b. I would prefer to have b, and would be happy to give you a in return, but you, alas, have no desire for a. No exchange will occur, since there is no ‘double coincidence’ of our wants. If we were then to meet some third person who happens to possess a third commodity c that you desire, and if that person were willing to accept a in return, a three-party exchange could be organised. The need to find a suitable third party – let alone a fourth or fifth or nth – would obviously drastically restrict the number of exchanges taking place. Generalised commodity exchange would never arise, given the inconvenience and time it would take to find the necessary partners. This line of thought establishes that generalised commodity exchange requires a generalised means of exchange, money, to minimise inconvenience and time demands. Once a generalised means of exchange has been

established I can simply sell my unwanted commodity to anyone who desires it, and then use the money I receive to buy a commodity I do want from anyone who has it to sell. On this view, money is inherently a means for making exchange more convenient and efficient. Once money is established as a means of circulation two other important functions arise as well: money serves as a measure of value (with 'value' understood in this context simply as the price that balances supply and demand), and as a store of value (understood as purchasing power over time).

This account of money is accepted by liberal egalitarians, whether explicitly or (more often) implicitly.³⁷ Commodity exchanges are normatively affirmed in liberal egalitarianism on the grounds that they can in principle institutionalise autonomous agency and the material preconditions for human flourishing. Insofar as money makes exchanges more convenient, this normative defence of commodity exchange leads immediately to a normative defence of money.

Liberal egalitarians, unlike members of other currents of liberalism, acknowledge a tendency to market failures that, if left unchecked, would undermine the normative justification of markets – and therefore by implication the normative justification of money. In their view, however, this no more undermines the general justification of money than the fact that freedom can be misused undermines the general normative defence of freedom. It simply shows that the proper background conditions (laws, public policies, political regulations, etc.) must be put in place for money to operate in a normatively acceptable fashion, that is, as a generalised means to address human wants and needs through free choices respecting the equal moral worth of others.³⁸

Marx was well aware that money is indeed used instrumentally for the convenience of human agents. Why, then, did he feel compelled to go through the complicated Hegelian contortions of the quasi-dialectical progression from the

37 A few examples should suffice. For Rawls, money (income and wealth) is, like other primary social goods, a general means for pursuing particular life plans. In Dworkin's desert island story, money is introduced as a means for expressing preferences (for bundles in the original auction and for particular goods and services in the subsequently established markets). Money is even an expression of the preference for leisure, measured in terms of income foregone (Dworkin 1981). In Habermas's account, money is conceptualised as essentially a means to coordinate the production and distribution of goods and services more conveniently and efficiently than coordination through communicative action (Habermas 1985).

38 Habermas's discussion of the colonisation of the lifeworld by inappropriate monetarisation, and Sandel's insistence that there are things money should not be able to buy, provide representative examples of this line of thought (Habermas 1985; Sandel 2013).

simple form of value to the expanded form, the general form, and finally the money form? Why indulge in all the obscure talk of an occult property ('value') that, being homogeneous, somehow requires manifestation in an external thing that is itself homogenous (money)? Why not simply affirm the straightforward and indisputable fact that money eases the difficulties of commodity exchanges for persons, and thereby enables free choices to be made and mutual benefits to be won on a far greater scale than direct bartering ever could? Why not develop a theory of value that avoids all quasi-mystical references to a supposedly 'supersensuous' property of commodities, and instead describes in straightforward terms how money provides a means to balance supply and demand?

There are five main reasons why Marx opted for his admittedly convoluted and obscure account of value and money, rather than a version of the much simpler story based on the double coincidence of wants. From the perspective of the present study, the first three involve preliminary matters. The key normative issues at stake are posed in the fourth and fifth points.

1. A first issue concerns methodological individualism. Marx's critique of political economy is primarily a macro level theory, investigating the properties of generalised commodity production as a whole. Of course the macro level presupposes the activities of individual agents. But options given to those agents are profoundly shaped by the social forms on the macro level, in capitalism no less than any other social order. It follows that a macro level account of money's role in the reproduction of a society based on 'dissociated sociality' has a certain explanatory priority over accounts of individual agents using money as a convenient way to resolve the double coincidence of wants problem. The double coincidence of wants derivation of money is an intuitively plausible story on the micro level. But it leaves the background macro level context it depends upon unexamined.

2. If our account of money is derived from the historically specific form of sociality in generalised commodity production ('dissociated sociality'), then that account of money will be historically specific as well. If, in contrast, we begin with a problem besetting all forms of commodity exchange, whether generalised or not, then the concept of money we construct will apply to any and all historical forms of commodity exchange. The double coincidence of wants problem threatened trade for millennia prior to the rise of societies incorporating generalised commodity exchange. Money was no less of a solution to that problem then than it is now. To assume that this role provides the foundation for what money is today is to assume that 'money' in generalised commodity

production and exchange is identical in all important respects to 'money' in previous historical contexts, when commodity exchange was *not* generalised. This should not be assumed. The possibility should be left open that a historically specific account of money will have to go beyond simply seeing money as a solution to the 'double coincidence of wants' problem.

3. The 'double coincidence of wants' approach treats generalised commodity exchange as essentially a system of barter. Money may make this system work more effectively and conveniently, but that in itself does not change anything essential. We are simply left with a more effective and convenient barter system. In this sense money would be conceptualised as having a merely external relationship to generalised commodity production. To use the familiar metaphor, it would be a 'veil' obscuring what remain essentially barter relationships. For Marx, in contrast, generalised commodity exchange cannot be understood as a barter system that just happens to use money because of its convenience. Generalised commodity production is privately undertaken production whose social necessity can only be established *ex post* through sale for money. This manner of organising the production and distribution of goods and services essentially requires money as the mechanism of socially objective validation; it is no mere veil. The fact that the same term ('money') has been used in different historical periods does not imply that the same social form is being referred to. Theories of money that appeal to the 'convenience' of exchanging parties when faced with a 'double coincidence of wants' problem do not fully capture the social status and corresponding social power of money in the historical specific era of modern generalised commodity production, which is quite different from its status and power in other periods. A society incorporating generalised commodity production is essentially a thoroughly *monetarised* society in a manner completely unique in human history. Marx's approach accounts for this while the standard one does not.

4. Marx's theory of money stresses relations between commodities and the money through which the value of those commodities appears. Marx's ultimate theoretical goal, however, is the comprehension of the social relationships underlying this relationship of things. The necessity for value to appear in the form of money points to two necessities imposed on social agents. First, to say that money is the only socially objective measure of value is to say that producers *must* sell their products if their endeavours are not to be wasted. Producers are *compelled* to bring the product to market for sale. Similarly, second, the acquisition of money is not an optional element in processes addressing human wants and needs. In generalised commodity production

social agents *must* obtain commodities in order to meet their wants and needs, and therefore *must* acquire money, the universal equivalent, to obtain these commodities. The acquisition of money is forced on social agents if they are to live in this sort of social world.

In these two crucial respects modern *market societies* (with generalised commodity production) are fundamentally different from *societies with markets* (but without *generalised* commodity production).³⁹ In the latter, money may indeed be merely an instrument, a mere means used to further human convenience. The same cannot be said in the former case. In market societies the direct personal coercion of slave owners, feudal lords, village chiefs, and so on, is replaced with the impersonal coercion of the money imperative. This is certainly not the only form of coercion found in modern capitalist societies.⁴⁰ But it is *pervasive, profound in its effects, and historically specific*. It therefore needs to be placed at the centre of any normative assessment of the contemporary social order.

The full implications of this claim cannot be articulated at this beginning stage of Marx's argument. But Marx's derivation of money as the form of value opens up a space for investigating these implications. Thinking of money as a solution to the double coincidence of wants problem does not. From the Marxian point of view, then, a conception of money taken over uncritically from mainstream political economy profoundly limits the ability of liberal egalitarian theorists to appreciate the coercive elements of the commodity form, the value form, and the money form. Because the coercion has been rendered invisible, liberal egalitarians tend to see only the freedom of contracting agents in markets, combined with contingent restrictions that could be removed with sufficient political will. From Marx's perspective, the impersonal nature of the money imperative is hardly an excuse for neglecting its role, given how pervasive, profound, and historically specific its effects are.

5. The final point concerns the form of sociality defining generalised commodity production. From the liberal egalitarian standpoint (as well as that of many other positions in contemporary social thought), generalised commodity production has developed a deeper and more extensive form of sociality than previous social formations in three respects. First, by standard measures market societies have provided the material preconditions for human flourishing

39 The importance of this distinction is forcefully expressed in Wood 2002.

40 The emphasis on impersonal forms of coercion in modern market societies is justified relative to what has gone before in human history. It is hardly the case, however, that forms of personal domination have disappeared. See Banaji 2010.

more efficiently than any other social formation in history, and in a manner more respectful of human autonomy.⁴¹ The fact that the proper background conditions must be in place for commodities and money to fulfil their proper social role adequately does not affect their ultimate ontological status: commodities and money are essentially means to further the human good in a manner respecting autonomous agency. Second, any social division of labour essentially involves the collective mobilisation of the creative powers of those engaged in production and distribution (as well as their mobilisation of the powers of nature, past cultural achievements, technological knowledge, and so on) to meet socially defined wants and needs. Market societies have mobilised the creative powers of human sociality to an unprecedented degree. Third, unlike modes of production in which products are primarily oriented to the wants and needs of members of the households or estates that produced them (and to the wants and needs of territorially-based elites extracting rents or tribute from them), generalised commodity production is oriented to the wants and needs of social agents who are usually unknown to producers, and who may be dispersed across an wide geographical range. This allows social ties of unprecedented scale and scope to be formed.

Marx unequivocally grants that market societies have brought about more extensive interconnections than previous eras.⁴² Yet a one-sided stress on this point misses the profound 'ontological inversion' that occurs when human sociality takes the form of dissociated sociality. The social world is far more bizarre than can be comprehended within the common sense social ontology of the liberal egalitarian framework.

In generalised commodity production, social activities contributing to the fulfilment of other social agents' wants and needs require things with the objective property of value and a special thing in which this property appears in a socially objective shape, money. The process whereby social agents expend their life energies, mobilise natural powers, and so on, in the course of contributing to the satisfaction of others' wants and needs exists occurs through the

41 See Cudd's contributions to Cudd and Holmstrom 2011; Morris 2011.

42 'In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations. And as in material, so also in intellectual production; the international creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature' (Marx and Engels 1976, pp. 224–5).

process whereby commodities circulate as values and money circulates as the special thing with the special property of universal exchangeability. In other words, *dissociated sociality cannot be directly manifested as a form of sociality*. Commodities and money, which are supposed to have the subordinate ontological status of means vis-à-vis human sociality, are in this sense literally the forms in which human sociality exists. When Marx writes in one of the *Grundrisse* most striking formulations that each individual ‘carries his social power, as also his connection with society, in his pocket’, he wants us to take this statement literally.⁴³ Sociality cannot appear as what it essentially is (our ‘connection with society’), but only as what it is not (the odd particular thing in our pocket with universal exchangeability).⁴⁴ Thinking of money primarily as an instrument of ‘convenience’ for individual social agents not only misses the fact that for the first time in world history a depersonalised and monetised form of coercion operates on the level of society as a whole (point #4). It also overlooks the ontological inversion in which human sociality comes to take the form of alien things separate from human subjects.

Marx’s term for this state of affairs is *fetishism*. In the anthropology of Marx’s day it was common to refer to the artefacts of supposedly ‘primitive’ societies as fetish objects, mistakenly thought to embody the powers of nature, or the dead, or particular animals, or gods, or the tribe as a whole. Fetishism was taken to be the height of irrationality, proof of the vast gulf separating ‘primitive’ societies from the ‘rational’ societies of the modern period. No one could accuse Marx of failing to appreciate modern rationality. But Marx claims that his critique of political economy shows how modern rationality in capitalism is thoroughly intertwined with an irrational fetishism of unprecedented scale and scope.

I have noted that liberal egalitarian social theory incorporates implicitly or explicitly a broadly ‘Keynesian’ political economy. This perspective has a strong critical thrust in that it does not assume that the circulation of commodities and money in market societies will necessarily further human well-being in the absence of appropriate regulations. But commodities and money are not seen as external things manifesting human sociality in an alien form. In principle,

43 Marx 1986b, p. 94.

44 ‘The social character of the activity, as also the social form of the product and the share of the individual in production, appear here as something alien to and existing outside the individuals; not as their relationship to each other, but as their subordination to relationships existing independently of them and rising from the collision between indifferent individuals. The general exchange of activities and products, which has become the condition of life for every single individual, their mutual connection, appears to the individuals themselves alien, independent, as a thing’ (Marx 1986b, p. 94).

at least – and in actuality, if the proper background conditions are in place – commodities and money are affirmed as means to further the mutual recognition of agents and human flourishing. From a Marxian perspective, then, the liberal egalitarian framework overlooks the unprecedented ‘ontological inversion’ represented by the commodity fetishism and money fetishism no less than classical liberalism or libertarianism do.

Conclusion

The Marxian challenge to liberal egalitarianism is simply to recognise just how bizarre and irrational our social world is. Can this claim be redeemed at this early point in Marx’s account, prior the introduction of capital?

Important Marxian theorists seem to have been convinced that the beginning of Marx’s systematic theory provides a sufficient basis for a critical social theory by itself. Lukács and Adorno sometimes write as if the determinations of generalised commodity exchange developed at the start of *Capital* serve as a framework for comprehending the inevitable commodification, monetarisation, and fetishism of all dimensions of contemporary life.⁴⁵ From this standpoint it would be ludicrous to affirm that a social order where social relations take the form of relations among things could be one in which human autonomy is recognised and human well-being is furthered. To even suggest that this might be possible is to be guilty of a ‘positivist’ affirmation of the given social world. The task of theory instead is to reveal how human life is perverted ‘all the way down’ by commodification and monetarisation.

The critical accounts of social life in generalised commodity production proposed by Lukács, Adorno, and others have greatly illuminated countless social phenomena, from the most banal aspects of everyday life to the most sublime aesthetic forms. Nonetheless, I do not believe the case for Marxism and against liberal egalitarianism can be definitively resolved in the former’s favour at this point in the argument. Advocates of liberal egalitarianism would reject the claim that any of the five issues discussed in the last section provides sufficient grounds for declaring the superiority of Marxian theory, and the reasons they provide are not obviously unworthy of consideration.

1. As noted in Chapter 3, liberal egalitarianism is no more essentially tied to methodological individualism than Marxism. (It is essentially tied to *normative*

45 See Lukács 1972; Adorno 2006.

individualism, but then so is Marx's thought).⁴⁶ If liberal egalitarians invoke micro level considerations when discussing money, this is not conclusive proof that their theory cannot grant macro level considerations their proper weight. A framework in which 'justice' is first and foremost a matter of the macro level basic structure, as it is for Rawls and other liberal egalitarians, is fully capable in principle of incorporating money as first and foremost a macro level phenomenon. This can be discerned in the socially-wide trust required for something to serve as an accepted means of payment, the power of the state to insist that taxes be paid in certain units rather than others, and so on.⁴⁷

2. Commodities and money long predate the rise of generalised commodity production. While contemporary forms of them have historically specific features, they possess dimensions that hold transhistorically as well. Pointing this out is not an error. Nor is it incompatible with emphasising the historically unique features of generalised commodity production and exchange in other contexts. Habermas's terminology may not be standard, but the basic point is, I think, widely accepted among liberal egalitarian theorists: in modern societies, and only in modern societies, the production and exchange of goods and services has broken off from the social lifeworld and formed a separate sub-system in which behaviour is coordinated through the medium of money.⁴⁸ For liberal egalitarians, no less than for Marx, contemporary normative social theory must be concerned with how commodities and money function in this unprecedented modern setting.

3. In Habermas's account the separate sub-system formed by commodity production and exchange is not based on barter within the lifeworld. It is governed by monetary calculations, a form of systems rationality distinct from both the social rationality of the lifeworld and the systems rationality expressed in administrative power. Habermas's terminology here may again be idiosyncratic. But here, as elsewhere, he articulates views generally shared among liberal egalitarian theorists. There is nothing in the liberal egalitarian framework that mandates treating generalised commodity production as essentially

46 Recall Marx's demand for 'a society in which 'the full and free development of every individual forms the ruling principle' (Marx 1976a, p. 739). Of course, for Marx the individuals in question are *social* rather than atomistic individuals. But this is the case in liberal egalitarian theory as well.

47 A contemporary 'post Keynesian' macro level account of money consistent with liberal egalitarian social theory is provided in Wray 2012.

48 Habermas 1985; see Sandel 2013.

a complicated barter economy. Liberal egalitarianism can be developed and applied without any such distorting assumption.

4. Liberal egalitarians do not deny that coercion is more than a mere possibility in generalised commodity production. It is a dominant tendency that will be actualised unless there are background conditions in place to check it. Precisely this point separates liberal egalitarianism from other offshoots of the liberal legacy. The real question at issue is whether it might be possible to institute background conditions for the workings of markets reducing the coercive elements of commodity exchange to the point where they would be of no special normative significance for social theory. From a liberal egalitarian viewpoint, Marx's discussion of the commodity, value, and money does not establish that this is impossible in principle. Any claim that it does so begs all the key questions.

The critical issue here is not whether agents in generalised commodity production must use money. They must. But not all restrictions of choice restrict freedom in a normatively relevant sense. We all must breathe to stay alive, yet no one would suggest that *this* fact points to a normatively pernicious form of coercion. Nor is it a matter of normative concern that we are legally bound to drive on one side of the street rather than another. Analogously, we cannot assume that a pernicious form of coercion is an essential feature of generalised commodity exchange simply because social agents are not free to choose whether the products addressing their wants and needs generally take the form of commodities, or whether money is generally required to purchase them. The only relevant question is instead whether practices making use of commodities and money as a universal equivalent possess a rationality that social agents can rationally affirm. We know from Chapter 2 that liberal egalitarians have an argument thinking this is the case:

- Individuals have a fundamental interest in the autonomous agency and well-being of themselves and others, and the use of goods and services in carrying out life plans is a significant element of agency and well-being.
- An institutional framework providing access to these material preconditions for human agency and human flourishing to the greatest feasible extent surely warrants rational affirmation.
- When regulated by the proper background conditions, generalised commodity production and exchange has a strong claim to be part of such an institutional framework.
- *Conclusion:* Generalised commodity production and exchange can therefore be rationally affirmed.

If one accepts this argument, then the necessity imposed by money on individuals would not be inherently *coercive*, at least not in a normatively relevant sense of the term. Money and commodities would remain inherently means to help social agents attain their ends, even if the proper background conditions must be in place for them to play this role adequately.

5. This brings us to the issue of fetishism. Once again, Habermas's writings make views explicit that other liberal egalitarian theorists implicitly presuppose. The economic sub-system is indeed governed by flows of money and commodities. But, Habermas continues, this does not imply that Marx's notion of fetishism is acceptable. That notion goes beyond merely noting that social relations in modern complex societies increasingly rely on the circulation of commodities and money, and that this circulation tends to 'colonise' the social lifeworld. Marx asserted that the circulation of commodities and money necessarily absorbs social relations altogether. This 'necessarily' begs the question. There is a tendency for that to happen; it represents the limit point of the very 'colonisation of the lifeworld' that Habermas and other liberal egalitarians warn against so vehemently. But, left liberals assert, this tendency can be checked by a democratic public sphere tied to a legal system responsive to democratic will-formation in the lifeworld. Sandel makes the same point when he calls for extended public discussions among engaged citizens to determine 'what money can't buy'. If the lifeworld could never resist colonisation by money, if a clear limit to what money can buy could never be determined by citizens and legally enforced, then and only then would it be legitimate to refer to the displacement of human sociality into the circulation of things. But none of that can be assumed at this point without begging the issues in dispute.

Liberal egalitarians would also insist that it is simply not true that commodification and monetarisation are the only processes in the contemporary social world that matter. To think so is to fall into a crass and indefensible economic reductionism. Relationships between partners, and between partners and children in a household, are obviously not organised by commodity exchange. Nor do friends, fellow members of voluntary associations, or citizens participating in democratic will-formation in the political sphere, relate to each other merely as representatives of commodities and money. At least they do not think they are doing that, and would it not be the height of arrogance to dismiss their lived experience as delusional?⁴⁹ Why focus so much on the supposed 'dissociated

49 Ironically, it would raise a huge problem for Marxism if commodification and monetarisation were as powerful as Lukács and Adorno sometimes seem to suggest. It would

sociality' of commodity production at the cost of neglecting these other forms of sociality, which do not appear to fit the fetishism motif very well at all?

Marx's writings call into question the sharp line Habermas draws between the lifeworld and the sub-system of the market. For Marx the circulation of commodities and money is not something external to interactions in the 'lifeworld'; it is a pervasive framework within which each and every social interaction occurs. We need to go beyond talk of a commodified and monetarised 'sub-system' and develop categories illuminating a commodified and monetarised *society*, full stop. At this stage of the argument, however, I believe the dispute about the normative significance of the supposedly 'coercive' and 'fetishistic' dimensions of commodities and money specific to modern capitalism cannot be definitively resolved. The full force of Marx's argument cannot be appreciated until after we have discussed his concept of capital.

then be extremely difficult if not impossible to explain how social agents could ever transcend commodification and monetarisation. The more powerful commodities and money are conceived to be, the more difficult it is to leave open a space for resistance to them. Without this space, any radical social change could not be the accomplishment of social agents, but the result of some sort of implosion of generalised commodity production that occurs quasi 'naturally', behind their backs. But even if such an implosion did occur, if the subjectivity of agents has been thoroughly shaped by commodification and monetarisation, how could they even conceive of, let alone successfully implement, an alternative? It is only in the process of exercising agency, in other words, that the forms of subjectivity required for a different sort of society can be generated. As Marx insisted, the emancipation of the working class can only be achieved by working men and women themselves (Marx 1985). Finally, if there is no 'outside' of fetishism, it would be impossible to recognise anything as fetishism; to be totally 'within' fetishism is to take fetishised appearances as real. Lukács and other Marxists who claim there is no 'outside' to commodification and monetarisation therefore cannot account for their own ability to formulate that very claim.

Marx's Concept of Capital

Marx's Concept of Capital (1): Capital as a 'Dominant Subject'

In the previous chapter we began with a striking and historically specific fact about our social world: wealth generally takes the form of commodities. Each commodity playing a role in social reproduction acquires a special social property, value, as a result of having been produced by privately undertaken production subsequently socially validated in exchange. Its value is equivalent to the value of any other commodity in some ratio or other, making it exchangeable with any other in some definite proportion. These relations among commodities presuppose (and are presupposed by) the essential connection between the commodity form and the money form. As the necessary form of appearance of the value of commodities, money provides both the necessary social validation of privately undertaken production and the only form in which generalised exchangeability becomes actual (once a commodity has been sold, the money in which its value is expressed can then be used for the purchase of any other commodity). Money is a particular thing serving as a universal equivalent. It enables the universal (value) dimension of a particular concrete product, and the universal (value producing) dimension of particular concrete labour, to be actualised, making value and abstract labour 'real abstractions', rather than mere thought constructs. In brief, generalised commodity production and exchange is *monetarised* production and exchange. Accordingly, generalised commodity exchange cannot be conceived as essentially a mere sequence of barter transactions (... C-C-C-C-C-C-C-C ...). It is essentially a sequence of purchases and sales (... C-M-C-M-C-M-C-M-C ...).

As we have seen, for Marx a social world dominated by commodities and money necessarily involves an all too real, if impersonal, form of coercion. The goods and services required to address human needs *must* take the form of commodities.¹ Producers *must* exchange their output for money. Agents *must* obtain money in order to gain access to goods and services. As a result, commodities and money become things with power over human subjects, like

1 Once again, the term '*generalised* commodity production' is applicable when products *generally* take the form of commodities. It is not required that all products invariably take this form.

the fetish objects of a supposedly distant past. The circulation of these alien things becomes the mode in which human sociality (in the historically specific form of dissociated sociality) is expressed. That, at any rate, is the Marxian view.

As we have also noted, at this stage of the argument liberal egalitarians would complain that no sufficient reason has yet been given to rule out the possibility that market societies can foster autonomous agency and human flourishing if the proper background conditions are established. If this possibility were actualised, the fact that agents 'must' engage in commodity exchange may be no more significant from a normative point of view than the fact that I 'must' turn the handle on the door if I wish to leave this room.² We may not have chosen to live in a world of generalised commodity exchange. But if there are good reasons to find this social order rationally justified, then as rational beings it must be affirmed. Living the sort of lives we have most reason to value generally requires goods and services as material preconditions for exercising freedom and attaining well-being. A social order producing and distributing the material preconditions for human flourishing in a manner consistent with the mutual recognition of persons as ends in themselves warrants rational affirmation.

If generalised commodity production and exchange can meet these standards with the proper background conditions in place, it would not intrinsically involve any bizarre 'fetishism' or 'ontological inversion' of means and ends. That, at any rate, is the liberal egalitarian view. If the generalised exchange of commodities and money were essentially a way of organising production and exchange to address human wants and needs efficiently while respecting persons as ends in themselves, then the basic unit in the chain of purchases and sales would be a C-M-C circuit, in which agents sell commodities (c) they do not need or want to obtain money (M), which they then use to purchase different commodities (c) deemed more important to their life plans. The ultimate end of generalised commodity production and exchange would be the furthering of those life plans.

This understanding of generalised commodity production must take into account the obvious fact that not all activities within it aim at addressing human wants and needs. C-M transactions occur when agents obtain money to use as means of payment for previous purchases, or hoard money for some reason or other. And from a formal point of view M-C-M circuits with money as

² A normatively acceptable institutional framework could, of course, still be coercively imposed on an unwilling populace in a normatively unacceptable manner. That is a different issue.

an end point can be discerned no less than C-M-C circuits in the sequence of alternating Cs and Ms (... C-M-C-M-C ...). In generalised commodity production as a whole, however, these sorts of cases are dwarfed by profit driven activities within M-C-M' circuits, whose end point is not merely M, but a M' exceeding the M at the beginning of the circuit. In this context, however, it is crucially important to distinguish *immediate* means and ends from *ultimate* means and ends. While liberal egalitarians disagree vehemently with the free market economist Friedrich Hayek on many other issues, they implicitly accept the reasoning expressed in the following passage:

[I]n an uncertain world the individuals must mostly aim not at some ultimate ends but at procuring means which they think will help them to satisfy those ultimate ends; and their selection of the immediate ends which are merely means for their ultimate ends, but which are all that they can definitely decide upon at a particular moment, will be determined by the opportunities known to them. The immediate purpose of a man's efforts will most often be to procure means to be used for unknown future needs – in an advanced society most frequently that generalised means, money, which will serve for the procurement of most of his particular ends.³

Besides serving as a means of exchange and proximate end, in other words, money also has the property of being a *store of value* over time. Due to this property, money ultimately remains a means, even when it serves as a proximate end. From this perspective, money can serve as a proximate end only precisely because it serves so effectively as a means to human ends over time.

A second consideration is relevant here as well. No less than classical liberals or libertarians, liberal egalitarians applaud the spur to innovation provided by the profit incentive, which makes production and distribution more efficient over time within profit-driven M-C-M' circuits. The more efficient production and distribution are, the more the material preconditions of human agency and human flourishing can be provided. From this perspective too, taking money as a *proximate end ultimately* furthers human ends.

The pervasiveness of M-C-M' circuits introduces a number of tendencies overlooked by classical liberals and libertarians but which remain deeply problematic from a liberal egalitarian point of view. These tendencies must be checked, and so liberal egalitarians advocate constitutional guarantees, specific

3 Hayek 1976, pp. 8–9.

legislation, the effective oversight of state regulatory agencies, or some combination of these and whatever other political arrangements might be required. The goal of these institutions and policies is to ensure that profit driven activities serve the end of providing the material preconditions for human flourishing in a manner respecting persons as ends in themselves. Since these material preconditions generally take the form of commodities that further the satisfaction of wants and needs, the goal is in effect to ensure that that M-C-M' circuits are subordinated under C-M-C circuits where money fulfils its proper role as a means to further human ends.

The heart of Marx's critique of political economy is the thesis that this subordination of M-C-M' circuits cannot be established in generalised commodity production. There may be social orders in which money functions primarily as a means to further human ends, but ours is not one of them. In generalised commodity production, a fundamental inversion takes place; money, a supposed means, becomes an end-in-itself on the level of society as a whole. No individual agent many intend this; none may even recognise that it has happened. It occurs 'behind the backs' of individual agents, but is no less real for that. Marx's general argument for this crucial thesis can be reconstructed in three steps.

1. In generalised commodity production, units of production and distribution are forced by relentless competitive pressures to treat money as their end. The sale of commodities for money is the *only* manner in which privately undertaken production and distribution can be socially validated, and so units of production and distribution *must* generally make sale for money the *overriding* end of their endeavours in a given period. This special status of money is reinforced when we consider the pressures facing units of production and distribution over time. If they hope to survive they *must* obtain monetary resources in a given period of production and distribution to purchase the commodity inputs required for the next period. More than this, they must strive to obtain monetary returns significantly *exceeding* their initial investment. If they began a new cycle with merely the same level of investment funds as before, they would tend to be at a disadvantage vis-à-vis competitors beginning the next round with significantly higher levels of investment funds. The latter would be in a better position to expand production, invest in more advanced productive inputs, increase marketing expenditures, develop promising new lines, have greater reserves with which to meet unexpected downturns, and so on.

Units that do not systematically direct their endeavours to 'valorisation' in M-C-M' circuits, that is, to the appropriation of monetary returns (M') exceeding initial investment (M), tend to be pushed to the margins of social life, when not forced out of existence altogether. They must therefore systematically sub-

ordinate other ends to the pursuit of monetary returns. From their standpoint money is hardly merely a means to make exchanges more convenient. Marx's conclusion regarding units of production and distribution in generalised commodity production is unequivocal: 'Use-values must therefore never be treated as the immediate aim ... nor must the profit on any single transaction. [The] aim is rather the unceasing movement of profit-making'.⁴

2. Liberal egalitarians are correct to assert that in market societies money serves as an essential means for agents to obtain the goods and services they require to live out their life plans. But the question is not whether money can serve as a means to help social agents obtain their ends. No one disputes that it can. The proper question is whether this fully captures the ontological status of money in the present era. Before answering we must first ask *how* access to this necessary means is attained. 'Proximally and for the most part', as Aristotle would say, individuals obtain access to money through some sort of association with the units of production or distribution whose 'aim is ... the unceasing movement of profit-making'. Money used to purchase goods and services for consumption may come from ownership of units of production and distribution, other forms of investment (the purchase of corporate securities, for example), or from being a member of a household including an owner or investor. Or the required money might be obtained by selling one's labour power as a commodity to the owners of units of production and distribution (or by being a member of a household including one or more wage labourers who share their income with you). The returns to owners and investors directly and obviously depend on the success of 'their' units of production and distribution in M-C-M' circuits. The point holds no less for those who sell their labour capacities. Their capabilities will be hired if and only if those who own units of production and distribution (or their agents) believe that hiring them will help those enterprises appropriate greater monetary returns. In brief, the ability of both sets of social agents to pursue their (non-monetary) ends is generally dependent on the units of production and distribution with which they are associated achieving their (monetary) end.⁵

4 Marx 1976a, p. 254.

5 Anticipating later, much more concrete, theoretical levels in Marx's account, a different story must be provided for government workers, their clients, and 'independent' workers (certain doctors, lawyers, owners of family farmers and businesses, participants in the informal sector, and so on). In generalised commodity production, however, the reproduction over time of these groups is incorporated within the framework shaped by the social relationships under discussion here.

3. Purchases of consumption goods and services do more than simply address the wants and needs of social agents. They are simultaneously essential moments in M-C-M' circuits, providing social validation of the privately undertaken endeavours of units of production and distribution.⁶ In this sense C-M-C circuits are incorporated within (subordinated under) M-C-M' circuits.

Of course, there is also an important sense in which M-C-M' circuits are incorporated within (subordinated under) C-M-C circuits: the former produce and distribute the goods and services with which the latter culminate. But the symmetry is not complete in one important respect. When the sale of commodities to final consumers completes a M-C-M' circuit, consumers have given up some of their income. In a world where money is generally required to gain access to the means to satisfy wants and needs, this income must be replenished. And that process is, once again, logically and practically dependent on circuits that have money as their endpoint. C-M-C circuits thereby remain systematically subordinated under M-C-M' circuits over time.

These three considerations are meant to establish that the pursuit of commodities to serve as a means for meeting human ends by owners, other investors, wage labourers, their dependents, and so on, is systematically subordinated to the accumulation of money as an end in itself.⁷ While consumption addressing wants and needs is a moment within 'the unceasing movement of profit-making', the circulation of commodities and money is dominated by the *valorisation imperative* ('M must become M!').

This brings us to Marx's initial (provisional and incomplete) concept of capital, termed the 'general formula of capital'. For Marx, 'capital' is *value in*

6 There are two other major forms of social validation: the purchase of commodity inputs by other units of production and distribution, and government purchases.

7 There are texts where it appears Marx thought he could defend the primacy of M-C-M' circuits by simply appealing to the Hegelian point that every quantitative limit already implicitly points to a quantity beyond that limit, and so every accumulation of money already implicitly points to the accumulation of an additional sum. (For example, 'the contradiction between the quantitative limitation and the qualitative lack of limitation keeps driving the hoarder back to his Sisyphean task: accumulation' Marx 1976a, p. 231.) As the enemies of Marx (or of a Hegel-informed reading of Marx) never tire of repeating, it is illegitimate to jump from the abstract logic of quantity to a substantive claim about a historically specific social order. This argument is also ruled out by Marx's own methodological framework (Hegel's too, for that matter, although that point isn't relevant here). The dialectic of limit applies equally to any form of money in any historical context, and therefore does not have a place in a theory aiming to comprehend the historically specific forms of generalised commodity production. The best 'all things considered' presentation of Marx's argument cannot give great weight to these isolated passages.

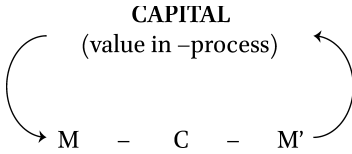


FIGURE 2 *Capital's circuit of self-valorisation*

process, as distinct from value as an internal property of a commodity or as the external manifestation of that property in money. Capital is the dynamic process of 'the self-valorisation of value', where value takes on in turn the form of money and commodities, culminating in a M' exceeding initial investment.

With this Marx affirms what has been implicit from the first sentence of *Capital*: generalised commodity production and exchange is *capitalist* production and exchange.⁸

Before concluding this section, a clarification and an elaboration should be added. First, the clarification: the concept of capital as value in process must be understood as a macro level category. We know from that same first sentence that Marx's theoretical goal is the comprehension of the capitalist mode of production as a whole. At this stage of the argument any individual $M-C-M'$ circuit is of interest only as a representative instance of the indefinite number of overlapping circuits making up generalised commodity production and exchange. All the interacting circuits together form a macro-monetary circuit that begins with the aggregate amount of money capital initially invested in the society in a given period, progresses through the aggregate production and circulation of commodities in that period, and culminates with the aggregate returns from sale of these commodities.⁹

8 For Murphy and Nagel and most other liberal egalitarians, the liberal egalitarian project is to complete and extend welfare state capitalism (Murphy and Nagel 2004; other representative illustrations include Nussbaum 1990, Davidson 2009, Krugman 2011, Stiglitz 2012, Von Platz and Tomasi 2015). Other liberal egalitarians are more circumspect, avoiding the use of the word 'capitalism'. Habermas, for example, refers to a market 'sub-system' where money replaced speech as the main form of coordinating behaviour (Habermas 1985). In his later work, Rawls even talks of 'property-owning democracy' as an alternative to capitalism (Rawls 2001, pp. 135–400). Both Habermas and Rawls, however, affirm societies incorporating generalised commodity production and exchange. If Marx's reasoning is correct, generalised commodity production and exchange is capitalist production and exchange, whether this is explicitly acknowledged or not. See Chapter 12 below.

9 Mattick 1991–2, Moseley 1993, Grazani 2002, Bellafiorie 2005, Wrey 2012, Reuten 2015, Moseley 2015b.

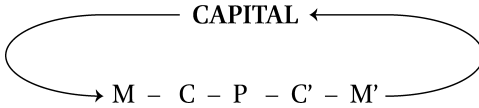


FIGURE 3 *Capital's expanded circuit of self-valorisation*

Next the general formula of capital (M-C-M') must be elaborated in more detail. Capital first takes on the form of investment capital (M), which is then used to purchase commodity capital (C).¹⁰ This is followed by a phase of capital in production (P), resulting in commodity outputs (C'; inventory capital), produced in the hope of being sold for a monetary amount exceeding the initial investment (M', realised capital, that is, capital that has realised its end of being increased or 'valorised').

Ontological and Normative Implications of the General Formula of Capital

Marx's general formula of capital is a contribution to social ontology. The social ontology accepted by most social theorists includes individuals, their motives and acts, the intended and unintended consequences of those acts, families, associations of individuals in civil society, political communities and their customs, laws and state apparatus, relations among states, national and international markets, and so on. Many entities categorised as forms of 'capital' are also granted a place, such as money, machinery, raw materials, buildings and other forms of infrastructure, the embodied skills of workers, and even certain types of relationships of social trust. *However, 'capital' in Marx's sense of the term is missing.* And that, as the cliché goes, is like Hamlet without the Prince.

The omission is not surprising, given the utter strangeness of Marx's notion of capital as value in process, which takes capital to be some sort of 'automatic subject' and 'self-moving substance':

[B]oth the money and the commodity function only as different modes of existence of value itself ... [Value] is constantly changing from one form into the other, without becoming lost in this movement; it thus becomes

¹⁰ Funds invested in the purchase of labour power as a commodity input are termed 'variable capital', while those devoted to purchasing means of production, including raw materials, machinery, factory and office buildings, and so on, are 'constant capital'. See note 31 below.

transformed into an automatic subject ... [V]alue is here the subject of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorises itself independently. For the movement in the course of which it adds surplus-value is its own movement, its valorisation is therefore self-valorisation ... [V]alue suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms.¹¹

For most mainstream social theorists, referring to capital as a 'subject' is a horrific category mistake, an illegitimate personification of things, a residue of Hegelian metaphysics that Marx failed to expunge.¹²

Marx himself was well aware of how odd it is to talk about 'capital' as a reified 'subject' or 'self-moving substance'. He himself, after all, vehemently and unequivocally rejected what he took to be Hegelian metaphysics in his early writings precisely because of the supposed reification of Hegel's concepts of subject and substance. Marx never reversed that early judgement.¹³ Marx discussed more or less every historical form of social organisation known in the mid-nineteenth century, and there is not a single other case where he refers to anything like a higher-order macro 'subject' or 'self-moving substance'. If he introduced such a bizarre ontological 'entity' in his reconstruction of the essential determinations of the capitalist mode of production, it was solely because he thought he was forced to do so by the unique nature of modern capitalism. As Postone explains:

Marx does not simply invert Hegel's concepts in a 'materialist' fashion. Rather, in an effort to grasp the peculiar nature of social relations in capitalism, Marx analyzes the social validity for capitalist society of precisely those idealist Hegelian concepts which he earlier condemned as mystified inversions ... Marx suggests that a historical Subject in the Hegelian sense does indeed exist in capitalism ... His analysis suggests that the social relations that characterised capitalism are of a very peculiar sort – they possess the attributes that Hegel accorded to *Geist* ['Spirit']. It is in

11 Marx 1976a, pp. 255–6.

12 This view is voraciously asserted in Elster 1985 and other writings of so-called 'analytical Marxism'.

13 Marx 1986b, p. 233.

this sense, then, that a historical Subject as conceived by Hegel exists in capitalism.¹⁴

In my view, both Marx and Postone provide an unacceptably uncharitable reading of Hegel. While ‘subject’ and ‘self-moving substance’ are indeed technical terms in Hegelian theory, Hegel did not mean by them what Marx, Postone, and many others assume he meant by them, as I have attempted to document elsewhere.¹⁵ That is neither here nor there in the present context. Marx’s reading of Hegel’s ‘Absolute Spirit’ may have been a misreading, but it was perhaps the most productive misreading in the history of thought. For Marx, capital is a bizarre ‘real abstraction’ with material force in the world. His interpretation of Hegel’s ‘Absolute Spirit’ provided Marx with a paradigm for comprehending capital as a perverse alien force reigning over human life.

One helpful entry point to Marx’s concept of capital is the notion of *homeostasis*.¹⁶ This term will be taken here to refer to a structured process of self-reproduction over time accomplished through internal adjustments to changes in the external environment.¹⁷ Any structured process capable of maintaining its identity over time in this manner warrants a place in our ontology. Capital, understood as value in process, fulfils this condition. Its identity is defined by the inherent drive to accumulate *surplus value*, measured by ΔM , the difference between M' and M . This identity is maintained (and expanded) over time through the unified structured process $M-C-P-C'-M'$. If there are changes in the external environment threatening its reproduction, internal adjustments necessarily tend to occur in one or more of the moments of the process – more or less money is invested than before; different commodity inputs are purchased; the production process is restructured, different commodities outputs are produced, different markets for sale are sought, and so on.¹⁸ Capital has proven able to reproduce itself and expand over time through such modifications. It follows that ‘capital’ in Marx’s sense of the term warrants a distinct place in social ontology. When Marx refers to the valorisation process as the

14 Postone 1993, pp. 74–5.

15 Initially in Smith 1990 and most recently in Smith 2014 and 2015.

16 De Angelis 2007, pp. 79–82.

17 In other contexts the term refers to processes of internal adjustments to changes in the external environment that restore an upset equilibrium. Since capitalism is a dynamic (‘grow or die!’) system, rather than a self-equilibrating system tending to a steady state, that sense of the term is not relevant here.

18 Harvey’s discussion of responses to bottlenecks in the accumulation process is very illuminating in this regard (Harvey 2011).

'self-valorisation of value', he is insisting on this, fully aware how strange the point sounds. For Marx, however, the true oddness is not found in this way of speaking, but in our social world, where capital has overwhelming ontological importance despite its invisibility in everyday experience and absence from almost all social theories. Marx's concept of capital may be a bizarre and reified concept. But if the social world we live in is bizarre and reified, this is not a shortcoming of Marx's theory, but of our world.

It is a general principle of emergent materialism that 'higher-order' regions are completely dependent on the organisation and functioning of 'lower' regions. The emergence of capital is completely dependent on the way in which social agents are socially organised through the 'dissociated sociality' of generalised commodity production and exchange. In a social world in which units of social production and distribution are separate from each other, and in which those engaged in living labour are separated from the objective pre-conditions of human life (means of subsistence and the means of producing those means of subsistence), capital will reign over social life. The functioning of capital is still completely dependent on social agents, their capabilities, motives, and acts, the intended and unintended consequences of those actions, the operation of various formal and informal associations of individuals (families, affinity groups in civil society, religious congregations, and so on), the political community and its customs, laws and state apparatus, relations among states, and so on. All of these phenomena can be comprehended in terms of human ends. Exceedingly few individual agents make the transformation of M into M' their primary life goal. As Hayek correctly asserted, most simply wish to obtain money in order to be able to use it to obtain goods and services for themselves and their families. From this perspective most of their economic activities, then, can indeed be comprehended in terms of $C-M-C$ circuits, with money acquired in order to gain access to goods or services that further non-monetary ends, rather than in terms of circuits where money is an ultimate end in itself. Nonetheless, Marx asserts, the use of money as a means to further human ends is subsumed under a higher-order structure where monetary returns have the status of ends in themselves. The pursuit of human ends by individuals and groups is subsumed under the higher-order emergent structure (better, structured processes) of capital. Once again, few individual agents may intend this to happen; none may even recognise its occurrence. It takes place 'behind the backs' of individual agents. But, once again, it is no less real for that.

'Capital' is essentially nothing but a combination of human acts (investing, labouring, selling, etc.), each of which can be understood separately in terms of a variety of intentions and causes specific to the agents involved. In an important sense then, the systematic reproduction of capital is nothing but

the systematic reproduction of a sequence of such actions, ultimately based on the properties agents have that allow them to undertake actions of that sort. The ontological dependence of capital on human agency helps explain capital's invisibility, its elusiveness in everyday life and in social theories not sufficiently critical of everyday experience. But this dependence does not imply that capital is not an alien power over men and women. Human agency today cannot be adequately comprehended in abstraction from the power of 'capital' to subordinate human ends to *its* own end, the self-valorisation of value.¹⁹ This admittedly reified way of speech is, Marx feels, justified by the impersonal mechanisms that tend to push activities not furthering the end of capital to the margins of social life. Whether visible or not, capital remains the dominant organising principle of our social world, and capital accumulation remains an end in itself on the level of society as a whole.

Normative Implications

The notion of 'self-valorisation of value' is not Marx's complete concept of capital. But it is sufficient to introduce what in many ways is the single most important issue in the Marxian challenge to liberal egalitarianism – and to every other normative social theory as well. A quick review of Chapter 2's discussion of the relative priority of the 'right' and the 'good' provides the necessary background.

A central tenet of many strands of liberalism is that respecting individuals as ends in themselves requires granting them the right to pursue their own ends, based on their own conception of the good, subject only to the condition that the right of other individuals to do the same is respected. From this standpoint any conception of 'the good' holding on the level of society as a whole must be exceedingly 'thin', limited to matters generally relevant to reasonable individual conceptions of the good (whether this is limited to the rule of law, as in Nozick, or expanded along the lines of access to the whole set of primary social goods discussed by Rawls). In this sense the 'right' of individuals to pursue their own conceptions of the good (typically in association with others sharing these conceptions) claims a certain priority over the 'good' on the level of society as a whole.

19 The technical term for this relationship is 'supervenience'. An excellent discussion of the methodological issues involved in emergent (non-reductive) materialism is found in Levine et al. 1987.

Unsurprisingly, the defence of this position called forth its dialectical 'other', communitarianism. Communitarians insist that individuals are not social atoms, but 'always already' members of communities with shared histories and cultures. The flourishing of a community requires acknowledgement of the 'thick' conception of the good embodied in its cultural traditions and practices. Insofar as personal identities are shaped by socialisation into those shared values and practices, they are internally connected to the conception of the good of their community. This internal relationship is constitutive of individuals' very identity as the individuals they are. From this standpoint the good of the community has clear priority over any 'right' of individuals to pursue merely private ends.

As stressed in the second chapter, liberal egalitarians, unlike defenders of other variants of liberalism, reject social atomism, explicitly recognising that persons are inherently social creatures whose personal good is inseparably tied to the good of their communities.²⁰ From this perspective it is noteworthy that many liberal egalitarians reject both the traditional liberal idea that a normatively acceptable social order must be neutral regarding conceptions of the good, and the communitarian insistence that the particular conception of the good of our particular society has ultimate normative priority, pointing instead to a supposedly universal conception of the good rooted in our essential human capabilities.²¹

This is not the place to develop a grand synthesis of liberalism and communitarianism.²² The point that needs to be made here is that *all* positions in the debate about the 'right' and the 'good' in contemporary normative theory are inadequate from the standpoint of Marx's concept of capital. Neither liberalism, nor communitarianism, nor liberal egalitarianism, recognises the most important matter.

Traditional liberal philosophers mistakenly assume that there has been (or ever could be) a society incorporating generalised commodity production and exchange that was truly neutral with respect to conceptions of the good. But

20 On the other hand, all liberal egalitarians also reject attempts to impose comprehensive conceptions of the good on individuals who do not accept such conceptions, and fear that a conception of the good supposedly shared by a political community as a whole may actually be a construct of privileged groups, purged of elements in the cultural traditions of a community in tension with the perceived self-interest of those groups. (Any defensible form of communitarianism must worry about such matters as well, of course, making remaining differences between the two perspectives relatively insignificant).

21 Sen, Nussbaum, Raz, and Arneson share this view.

22 In my view, that task was essentially accomplished long ago in Hegel's *Philosophy of Right*.

communitarian critics of liberalism are equally mistaken to think that once generalised commodity production has been institutionalised, the relevant conception of the good that holds on the level of society as a whole is rooted in the culture and history of the given political community. *There is indeed a conception of the good holding on the level of society as a whole, but it is the good of capital, capital accumulation as an end in itself.* The ceaseless reproduction and expansion of capital is the driving force, the inner telos, of each individual capital circuit and the ultimate end of a capitalist social order as a whole, and we humans must pursue our individual and shared conceptions of the good as best we can within that framework.

Once the reign of capital has been established, individual ends are systematically subordinated to the end of capital, and conceptions of the good embedded in the culture and history of a community are systematically subordinated to the good of capital. Human ends furthering the (inhuman) end of capital accumulation, and conceptions of the good of the community furthering the good of capital accumulation, are systematically advantaged over time. Human ends and shared conceptions of the good that do not meet this criterion are systematically disadvantaged over time. Human ends are inverted to serve the (inhuman) end of capital; the human good is inverted to serve the (inhuman) good of capital. From a Marxian perspective no normative social theory that discusses ‘the right’ or ‘the good’ while ignoring these fundamental inversions can possibly provide an adequate account of our social world.

That said, it is appropriate to highlight the ‘thin’ notion of the good on the macro level that is a crucial feature of the standard liberal notion of neutrality, even if the reasons for this are not seen by liberal theorists. Capital’s end, ΔM (the difference between M' and M), is a *pure quantity*, a pure form, compatible with an indeterminate range of contents. In this sense the good of capital is a ‘thin’ conception of the good. It is neutral with respect to all ‘thick’ conceptions of the good in that *any* particular conception of the good is in principle acceptable to capital, so long as it furthers, or is at least compatible with, the production and sale of commodities culminating in valorisation. Capital’s good is therefore far more open-ended than any substantial conception of the good that has ever contributed to social integration in the past. Just as the traditional liberal notion of neutrality encourages exploration of a wide range of conceptions of the good, so too does capital’s ‘neutrality’. At any given time, capital accumulation can go down an indeterminately large range of alternative paths. Over time, limits to accumulation in one direction set off experiments in others; new forms of activity promise the rise of new paths of accumulation. Even ends and conceptions of the good that originally appeared incompatible with capital accumulation may contribute to the discovery of new paths for capital

accumulation.²³ Different substantive conceptions of the good may predominate at different points of time, or in different regions at the same time, or in different market niches within the same region. Capital is neutral with respect to them all insofar as they are all compatible with the valorisation imperative ('M must become M!'). Capital is from the start astoundingly fluid, far more so than any other previous organising principle of social life. As it develops, its fluidity tends to increase. New institutions, social practices, and cultural beliefs arise allowing more rapid shifts to new product lines, occupations, regions of development, political forms, cultural movements, and so on.

Connected with this is the fact that 'capital' is not some sort of concrete entity capable of acting in anything like the sense in which a plant, animal, or human acts. Capital can only attain *its* ends through human beings going about the business of attempting to attain *their* ends as best they can in their given circumstances. The good of capital *requires* that individuals and groups set their own ends, based on their own conceptions of the good. Engineers must want to solve technical challenges; employees must want to provide for their families; consumers must want to adopt new styles, and so on. Further, the renewal of capital accumulation *requires* that individuals and groups are able to modify their conceptions of the good and their life plans in some manner or other. For these sorts of changes to occur with sufficient frequency, the right of individuals and groups to do new things in new ways must be institutionalised to an unprecedented degree. This is the strong element of truth in the liberal paradigm's emphasis on the right to pursue our conceptions of the good and to modify them when we wish. But these rights are not opposed to capital's right to pursue *its* good, so to speak; it is a constitutive moment of the latter.

Social agents (and associations of social agents) necessarily tend to internalise the valorisation imperative to a greater or lesser degree, consciously and unconsciously shaping their ends in a manner that takes into account predictions and hopes regarding what might further the ends of capital. This does not mean everyone always chooses to undertake what is foreseen as most

23 The classic examination of this dynamic in Marx's writing is found in his discussion of struggles to limit the length of the working day. Most representatives of capital fought voraciously against these limits. But imposing them led to a more developed and dynamic form of valorisation, as systems of machines were introduced to increase output without extending the working day. (In Marx's terminology, imposing limits to absolute surplus value led to new forms of relative surplus value). More recently, counter-culture movements of the twentieth century whose participants thought they were rejecting the reign of capital are now seen as having opened up new forms of commodification that renewed that reign. See Frank 1998.

likely to maximise capital's self-valorisation. In fact relatively few make that their personal end. But the homeostatic processes whereby capital reproduces and expands over time include strong disciplinary mechanisms of rewards and punishments.²⁴ To state the main point again: ends and conceptions of the good adopted by individuals and groups that further the ends and good of capital are systematically privileged; those that do not, tend to be pushed to the margins of social life, or eradicated altogether. In a social world where these mechanisms are in place, social agents tend to adapt their preferences to the objective force of the valorisation imperative 'voluntarily' just as much (or, rather, just as little) as women in patriarchal societies 'voluntarily' adopt their preferences to the privileges of fathers, husbands, and sons. In a capitalist market society it is simply impossible to reach a level of pure spontaneous dispositions that have not been profoundly moulded by the valorisation imperative.

Both the radical 'open-endedness' of capital and capital's dependence on human agency help explain capital's invisibility. From the standpoint of social agents pursuing their individual ends in a social world whose organising principle has such extreme indeterminacy, it does not appear that there is an organising principle built into generalised commodity production and exchange as a whole, shaping and restricting their ends. Extending the point to communitarian themes, from the standpoint of members of communities in such a social world, it appears that there are in principle no inherent restrictions on their ability to reproduce and develop their culture and traditions. These appearances are profoundly misleading.

Another factor contributing to the invisibility of capital also warrants mention, given its close connection to normative judgments in everyday life. For thousands of years social agents have been socialised into a moral universe where praise and blame is assigned to individuals and groups on their basis of their attitudes, intentions, and actions. The success of those who are more fortunate will 'naturally' tend to be explained by themselves and others as a reward for their own effort, talent, and good choices, and the effort and talent of their parents, teachers, and mentors, with some element of good luck perhaps thrown in as well. The disadvantages of those who are less fortunate will 'naturally' tend to be explained by themselves and others in terms of their mistaken choices, lack of talent, lack of effort, bad parenting, and inadequate schooling, with bad luck again thrown in for good measure (including, for liberal egalitarians, the bad luck of suffering from contingent injustices that could in principle

24 De Angelis 2007, Chapter 14.

be overcome through the proper institutions and policies). To many, this way of speaking provides an adequate vocabulary for explaining the normatively relevant dimensions of social life. The fact that capital's end, valorisation, is institutionalised as an end in itself on the level of society as a whole remains invisible, unable to be articulated in that vocabulary. It is in force nonetheless.

It is time to bring this section to a close and recall what is at stake here. Marx grants that capitalism in principle (if by no means always in actuality) institutionalises a limited form of the principle of equal moral respect by granting all agents formal freedom and equality, including the equal right under the law to hold property, make contracts, and so on, whatever their sex, age, ethnicity, religion, or class. But the principle of equal concern and respect demands far more than this. It demands an institutional order providing substantive freedom and equality. It demands an institutional order designed to further the flourishing of human subjects, that is, their ability to select the ends they have most reason to pursue, with a reasonable chance to fulfil their reasonable ends. Is this possible when human flourishing is systematically subordinated to the flourishing of capital? Marx clearly does not believe it is.

Liberal egalitarians do not deny that 'really existing' capitalism has had tremendous shortcomings from a normative point of view. The 'core thesis' of liberal egalitarianism introduced in Chapter 1, however, holds that these are contingent matters that in principle could be corrected with sufficient political will. The great challenge Marx's concept of capital poses to liberal egalitarianism (and to other positions in normative social theory as well) is that it provides reasons to include capitalism among the social orders that are inherently flawed from a normative point of view. No less than slavery, no less than feudalism, no less than patriarchy, the systematic subordination of human ends under the end of capital is not, and can never be, consistent with equal concern and respect for persons as ends in themselves.

Liberal egalitarians – and many other social theorists as well – find the arguments for this provocative conclusion far too general and abstract to be persuasive. While they may hold for some variants of capitalism in some periods of time, far more specificity and empirical support is needed before it would be justified to conclude that it holds across dozens of countries over centuries, let alone that it holds for all future possible states of all future variants of capitalist societies. Given the immense legal, political, and cultural differences that have distinguished different social formations in the past, all the differences that could emerge in the future, and all the different ways in which economic life can be affected by all those differences, stark generalisations based on abstract considerations simply are not convincing. From a Marxian perspective, this response reflects an inability to recognise that any and all variants of capit-

alism will include some strange sort of 'thing' inseparable yet distinct from us that preserves its identity over time:

Capital, as self-valorizing value ... is a movement, a circulatory process through different stages ... Hence it can only be grasped as a movement, and not as a static thing. Those who consider the autonomization of value as a mere abstraction forget that the movement of industrial capital is this abstraction in action. Here value passes through different forms, different movements in which it is both preserved and valorized.²⁵

On the other hand, however, it is correct to think that the general and abstract considerations discussed thus far are not sufficient to make Marx's case fully. Subsequent chapters will turn to more specific and empirical levels of discussion. The immediate task is to complete the presentation of Marx's concept of capital.

Marx's Concept of Capital (2): Capital as a 'Pseudo-Subject'

We have already noted that for Marx capital is not a type of thing (a quantity of investment money, a machine, an embodied skill).²⁶ It is a process, value-in-motion, with ΔM (the difference between M' and M) as its immanent goal. We must now add that each moment in the macro-monetary circuit of capital ($M-C-P-C'-M'$) is a moment in the systematic reproduction of the social relation between those who control capital and those who do not.²⁷

The capital circuit begins with the relationship between those who own or control sufficient investment capital (M) to purchase the commodity inputs required for production and distribution in the given context, and those who do not possess the requisite money capital. The normative significance of the difference is reinforced when we move to the second phase of the capital circuit, in which the initial investment capital (M) is used to purchase commodity inputs (C). Some of these commodities are means of production, including raw materials, tools and machinery, plants and offices, and so on. The social rela-

25 Marx 1992, p. 185.

26 Could any linguistic usage be more anachronistic than calling the bows hunters used 200,000 years ago, or the skills they developed using these bows, 'capital'?

27 Marx is fully aware that this is a drastically simplified picture of capitalist market societies. He insists that considering other relationships at later, more concrete, theoretical levels will supplement, rather than contradict, the account presented here.

tions relevant here are inter-capital relationships, with some units of capital producing goods and services purchased by others. Of more interest here is another sort of social relation: those lacking both investment capital and the money required to purchase necessary means of subsistence for themselves and their families must sell their labour power as a commodity to those who have the requisite critical mass of investment capital. In this manner the capacities of living labour are transformed into a particular form of commodity capital.

In principle, at least, the latter have the freedom to decide what sort of employment they will seek and whose offer of employment they will accept. This is a normatively significant form of autonomy in comparison to the direct political domination underlying slavery, serfdom, and command economies. But for Marx the absence of direct political compulsion is not to be taken as the absence of coercion in labour markets. As stressed in the previous chapter, economies based on generalised commodity exchange are *monetarised* economies.²⁸ Gaining access to money is not an option to be taken at one's convenience. It is an absolute necessity. Individuals are forced by social forms in place to obtain money if they hope to obtain the goods and services required for them and their dependents to live even minimally acceptable lives. The implicit class dimension of this point must now be noted explicitly: in a monetised economy, those lacking sufficient money capital are forced to sell their labour power to some unit of capital or other. It is proper to speak of social *coercion* here, since the particular set of social forms in place (the commodity form, the money form, the capital form) are responsible for this forcing. It is not the 'natural' condition of human beings on this planet.²⁹ Nor is simply a means to ensure a social surplus is produced.

Prima facie, at least, precisely the same reasons that lead liberal egalitarians to reject social orders based on direct political coercion should lead them to condemn institutional arrangements based on impersonal (structural) coercion. The latter is as incompatible with equal concern and respect for autonomy as the former; the formal 'equality' of the latter is in effect equal subjection to the alien coercive power of the valorisation imperative. It is striking how relatively little attention normative social theorists have paid to the even more striking fact that our social world is one in which the capacities of most human beings are reified, treated as commodities to be bought and sold, and

28 De Brunhoff 1976, Bellofiore 2005.

29 Those who own and control units of capital are also subjected to the valorisation imperative but, needless to say, not in the same way as those lacking ownership and control. They do not face the same structural coercion.

become one form of capital investment among others. On the face of it this seems blatantly incompatible with the principle of equal concern and respect for persons as ends in themselves. After all, ownership of commodities gives owners use rights over the things that are owned, and so ownership by some of the capacity of others to act gives the former the right to systematically use the latter as a means. *Prima facie*, at least, the capital/wage labour relation must be seen as a serious challenge to central tenants of liberal egalitarianism.³⁰

In the next moment of the circuit, p , the living labour of those whose labour power has been purchased is set to work, engaged in new privately undertaken labour to produce a new set of commodity outputs, c' . Those who have purchased commodity inputs (and their representatives) have the right to decide how they will be used in the production process. This holds for the special commodity, labour power, no less than for other inputs, with the sole difference that they are told what to do and how to do it, and are expected to obey those commands. The labour process in capitalism can therefore be described as a form of social *domination*.

The living labour mobilised in the production process is in need of social validation. Labour power will be purchased if and only if those who own and control money capital foresee that its use will contribute to valorisation, the immanent end of capital. They must expect, in other words, that the mobilised labour will produce an output c' that can be sold for a M' exceeding the initial M invested.³¹ Since capitalism is established as the dominant mode of production,

30 As we shall see in Chapter 7, this is a challenge left liberals believe can be met. In their view there are a host of policies that can effectively remove any coercive dimension of the relationship between employers and employees.

31 As explained in the previous chapter, the value of commodities is the social property they acquire when produced by privately undertaken production that has been socially validated. The monetary expression of the value of the means production that have been purchased is determined at the time they are purchased as inputs. The privately undertaken labour that produced purchased means of production has *already* been socially validated; the labour that produced them does not have to be socially validated again. In other words, the means of production *already* have a given value, expressed in the prices for which they were sold. If we assume that there are no major changes in socially necessary abstract labour required to produce them, their money value remains *constant* in the capital circuit, with these prices carried over in the final prices of the commodities to whose production they contribute. (In the case of fixed capital whose contribution extends over a number of production periods, a fraction of their value is carried over, determined by the rate of depreciation). If their value does change as a result of changed social conditions (the emergence of more efficient producers or substitute products), then *that* value remains constant in the remaining stages of the capital circuit. Marx accord-

we can assume that new labour is socially validated through sale of c' on the level of society as a whole, even if not in every individual case. The question is how the difference between M' and M can be explained.

It is absolutely crucial here to recognise the confusion of categories underlying any attempt to explain a *social* and *historically specific* phenomenon like capitalist 'profit' (the main form in which surplus value appears on a more concrete level of abstraction) by reference to the *physical* contribution of raw materials, tools, machines, and so on, to the production of outputs. Means of production contributed to the production of outputs throughout pre-capitalist history without generating capitalist profits. 'Profits' is a historically specific social form, and so can only be explained by historically specific social considerations.

It also begs the question to trace the source (or the normative justification) of profits to acts of investors, such as the risks they take, the 'abstinence' from present consumption required to undertake those risks, their entrepreneurial endeavours, and so on. All those acts *presuppose* a social order in which holders of money capital are able to appropriate returns through activities that those who do not hold money capital are *not* able to undertake, such as investing money capital, saving what remains after what is (typically extensive) consumption, and commercialising innovations. That social order is precisely what needs to be comprehended (and justified). Any account supposed to explain (and justify) it cannot legitimately presuppose that very social order. An argument by analogy should reinforce this crucial point. No defender of capitalist market societies would accept the argument that slave holders created (and therefore deserved to appropriate) the wealth produced by slaves simply because they provided those slaves with raw materials and tools, or that

ingly terms the funds invested in means of production 'constant' capital. The key point is that means of production do not themselves engage in privately undertaken labour that, if socially validated, would create new value. When labour power is purchased as a commodity input and set to use, in sharp contrast, there *is* new privately undertaken labour that creates new value in a new labour process when the production is socially validated through sale of the products it has produced. This new living labour makes the amount of value flowing through the circuit *variable*. And so Marx terms funds invested in labour power 'variable' capital. The point to stress, once again, is that Marx's value theory is not concerned with calculating the contribution of all inputs to the physical process of producing outputs by reducing both inputs and outputs to homogeneous units of labour time. Marx's value theory is a social theory whose goal is to comprehend how societies characterised by dissociated sociality are reproduced, despite the fact that the production and exchange of goods and services is undertaken privately, without *ex ante* coordination.

feudal lords created (and deserved to appropriate) wealth produced by serfs because they provided them with land to work on, or that bureaucratic planners created (and deserved to appropriate) wealth produced by workers in state factories and farms because they constructed and implemented a bureaucratically imposed plan. In all cases the social forms in need of comprehension and justification are supposed to be understood and legitimated by reference to activities that presuppose the very social forms in question. The question is clearly begged in these cases, and defences of capitalist profits that appeal to risk, abstinence, entrepreneurial initiative, and so on, are analogous in all relevant respects.³²

In contrast, Marx's explanation is historically and socially specific: surplus value (profits) is the fetishised form of the surplus labour performed by wage labourers in the production process. This explanation does imply that the capital/wage labour relationship is similar to the master/slave relationship and the lord/serf relationship in one fundamental respect: all three are based on *exploitation* in the Marxian sense of the term. In all three, one group of social agents engages in surplus labour to produce social wealth that is then appropriated by another group. Nonetheless, it is a historically specific and social explanation, which sets it apart from non-Marxian accounts. For one thing, wage labourers are in a quite different position from that of slaves, serfs, and peasants forced to provide tribute to their rulers, or those subjected to the dictates of an unelected bureaucracy. They are (in principle, at least) formally free to transact where, when, and with whom they wish, a formal freedom whose normative significance Marx has no wish to reject.³³ For another, the surplus wealth produced by surplus labour takes the historically specific social form of surplus value. And rather than being subject to the direct political authority of masters and lords, the exploitation of wage labourers is ultimately due to their subordination under the impersonal valorisation imperative.³⁴ Wage labourers lack substantive freedom, that is, the ability to live the sort of lives they have most reason to value, for the historically specific reason that access to productive resources and means of subsistence is granted only on

32 Schweickart 1993, Chapter 1, provides a devastating critique of neoclassical economics from this perspective.

33 '[The worker] is not restricted to particular objects, nor to a particular kind of satisfaction. The range of his enjoyments is not limited qualitatively ... This distinguishes him from the slave, serf, etc.' (Marx 1986b, p. 213). (Marx was well aware, of course, that capitalism has often denied the formal freedom to large categories of workers, as his discussion of the role of US slavery in producing the cotton for British factories shows. Marx 1976a, p. 345).

34 Specific aspects of this general subordination will be explored in the following chapter.

the condition that most of their adult waking life is in effect directed towards fulfilment of the valorisation imperative.³⁵

Opponents of Marxism commonly make the mistake of thinking that Marx's conception of exploitation is meant to apply whenever a surplus produced by one group is appropriated by another. Since any acceptable form of society has to generate such a surplus, they conclude that this makes Marx's category nonsense. For example Blaug, a leading economic historian writes, "They [Marxian theorists, t.s.] cannot infer "exploitation" simply from the coercive social power of capitalists because this is exercised to prevent wages from rising sufficiently to eat up the entire product, and some such mechanism is required even in a socialist economy to secure further growth."³⁶ Blaug's 'some such mechanism' blithely and dogmatically presupposes any and all production of a social surplus must involve the sort of structural coercion characterising the capital/wage labour relationship. He simply rules out by fiat the possibility that a social surplus could be produced and allocated under the democratic oversight of those producing and using it. This justification of coercive social forms is dogmatic ideology masquerading as social science. (I return to this theme in Chapters 8 and 12.)

Turning now to C' , the commodity outputs that are sold fall into three broad categories at this level of analysis: wage goods, goods for the consumption of the owners and controllers of capital, and means of production to be used in future production and distribution. After wage goods have been purchased, wage labourers have spent their income on the goods and services required to reproduce themselves and their families, with perhaps a small amount set aside for savings. The owners and controllers of capital, in contrast, have as a group (even if not in every individual case) obtained a monetary return enabling them to reinvest in the next circuit, even after the funds devoted to their own personal consumption (and that of their dependents) have been deducted. The capital/wage labour relationship has thereby been reproduced; the next circuit begins once again with one group owning and controlling investment capital and another lacking it. Wage labourers, having spent their income on means of subsistence, must once again sell their labour power to holders of capital, and must once again subordinate their living labour to the 'augmentation of value'.³⁷ And so the dimensions of the capital/wage labour relationship that are deeply problematic from a normative point of

35 Time spent traveling to, preparing for, and recovering from the workplace should be included in the final tally, along with time devoted to formal and informal training.

36 Blaug 2000, p. 31.

37 "This form of mediation ... perpetuates the relation between capital as the buyer and

view – structural coercion, the commodification of human capacities to act, the systematic and massive use of persons as means (domination in the labour process), class exploitation – are reproduced over time as well.³⁸ The price system is not merely a system for validating privately undertaken labour. It is simultaneously the system through which the capital/wage labour relation is reproduced.³⁹ Each phase of the capital circuit is a phase of the capital/wage labour relationship; the valorisation process is a process of purchasing labour power, setting living labour to work, and selling the products of that living labour.⁴⁰

the worker as the seller of labour. Through the mediation of this sale and purchase it *disguises* the real transaction, and the perpetual dependence which is constantly renewed, by presenting it as no more than a financial relationship ... The constant renewal of the relationship of *sale and purchase* merely ensures the perpetuation of the specific relationship of dependency, endowing it with the deceptive *illusion* of a transaction, of a contract between equally free and equally matched *commodity owners*' (Marx 1976b, pp. 1063–4).

- 38 'It is [not] a mere accident that capitalist and worker confront each other in the market as buyer and seller. It is the alternating rhythm of the process itself which throws the worker back onto the market again and again as a seller of his labour-power and continually transforms his own product into a means by which another can purchase him. In reality, the worker belongs to capital before he has sold himself to the capitalist. His economic bondage is at once mediated through, and concealed by, the periodic renewal of the act by which he sells himself, his change of masters, and the oscillations in the market-price of his labour' (Marx 1976a, p. 724).
- 39 See Mattick 1991–2. On other levels of abstraction, other dimensions of the price system must be considered. The price system also mediates relations among units of capital with different levels of productivity (leading to an above average rate of profit for some, a lower rate for others), sectors employing constant and variable capital in different proportions; sectors with different turnover times, sectors with fundamentally different tasks (industrial capital vis-à-vis merchant capital and financial capital), and so on. These complications do not affect the fundamental point made here: the circulation of commodities and money in capital's valorisation process simultaneously reproduces the social relationship between capital and wage labour.
- 40 As noted earlier in this work, Marx's supposed inability to solve the 'transformation problem' has been one of the main reasons given to justify rejecting his critique of political economy (see Blaug 2000). The root of the problem has been taken to be his alleged failure to 'transform' the inputs of production, taking the labour values from Volume 1 and using them in Volume 3, where all inputs should be given in prices of production. Once the inputs are properly transformed, the criticism continues, the crucial identities Marx posited between the sum total of values and the sum total of prices, and between the total surplus value and total profits, do not simultaneously hold in the general case. In the previous chapter I rejected the 'dual systems' interpretation presupposed in these

Two dimensions of Marx's concept of capital have been distinguished. Capital is a simultaneously structured process circulating things (commodities, money) and reproducing class relations. In many respects taking the second dimension into account simply reinforces and develops the normative issues raised by the first. Capital's reign as a 'dominant subject', a 'self-moving substance', an all-powerful essence governing the valorisation process, continues to hold. It remains the case that human ends and flourishing are systematically subordinated to the ends and flourishing of capital. But the second dimension of Marx's concept of capital greatly deepens and complicates our comprehension of capital's ontological status. We can now see that capital, the all-powerful 'Dominant Subject' of market societies, utterly lacks the power to generate M' out of itself. It has in fact *no* powers in and of itself. We can – we must – continue to speak of the 'self-valorisation of value', since that reified speech captures our reified world. But capital's 'self-valorisation' is nothing but the reproduction of the capital/wage labour relation, in which living labour is forced to put its creative powers at capital's disposal: 'capital ... valorises itself through the *appropriation of alien labour*'.⁴¹ As a result of being incorporated in the capital circuit, the creative powers and achievements of living labour appear in the alien form of powers and achievements of capital, directed towards capital's end.⁴² Further, the powers living labour mobilises in

criticisms of Marx. We must add to this the recognition that Volume 1 is essentially concerned with how the coercive and exploitative relationship between capital and wage labour is reproduced on the level of society as a whole in the course of the macro-monetary circuit. The M with which this circuit begins is the aggregate money capital for investment in the economy as a whole. The next stage in the circuit, c , represents the aggregate prices for constant capital and variable capital in the economy as a whole. These are the *actual* prices invested in purchasing means of production and labour power in the aggregate. In Volume 1 Marx takes these aggregate prices as given. In Volume 3 he explains that they are aggregate sums of prices of production that in general are not proportional to the socially necessary labour times required to produce means of production and wage goods. This divergence is not explained in Volume 1. But that does not mean that the aggregate prices of constant capital and variable capital in Volume 1 are to be taken as hypothetical and imaginary units of labour time. The input prices of Volume 1 and Volume 3 are the *same* prices, taken in the aggregate in the former and disaggregated in the latter into different sectors with different compositions of capital and different turnover times. There was, in brief, no 'failure' to transform input prices since no transformation was needed. Once this is comprehended, establishing that Marx's two identities hold is relatively straightforward. See Moseley 1993 and, especially, 2015b for the details.

41 Marx 1986, p. 233.

42 'All the powers of labour project themselves as powers of capital' (Marx 1976a, pp. 755–

the course of capital circuits are now also powers of capital in a literal and socially objective sense. These include the powers of nature,⁴³ the heritage of pre-capitalist societies,⁴⁴ the powers of scientific and technological knowledge,⁴⁵ and so on.⁴⁶

If we ask why the social powers of living labour necessarily appear in the alien form of powers of capital, a clue lies in the notion of dissociated sociality. Previously in this work the term has referred to the manner in which production is undertaken by separate units of production, who do not know ex ante whether or not their privately undertaken production is socially necessary. A second aspect of dissociated sociality must now be noted: in generalised commodity production, in contrast to all previous social systems, living labour is separated from the objective preconditions of human life. The means of subsistence required for human life confront workers as commodities owned by others. The means of production (machines, tools, raw materials, etc.) required for production of means of subsistence (and all other goods and services) generally are also commodities owned by others. However exploitative and oppressive they indubitably were, we do not find this separation of living labour from its objective material preconditions in slavery or feudalism or tribute extracting regimes. Slaves were fed and given tools and materials; serfs and peasants could feed themselves and owned their own tools and land. It is because of this historically specific form of (dis)sociality that capital emerges

6). 'The development of the *social* productive forces of labour and the conditions of that development come to appear as the *achievement of capital*' (Marx 1976b, p. 1055).

43 Marx 1976a, p. 757.

44 '[T]he capital-relation arises out of an economic soil that is the product of a long process of development. The existing productivity of labour, from which it proceeds as its basis, is a gift, not of nature, but of a history embracing thousands of centuries' (Marx 1976a, p. 647).

45 'Once discovered, the law of the deflection of a magnetic needle in the field of an electric current, or the law of the magnetization of iron, cost absolutely nothing ... Science, generally speaking, costs the capitalist nothing, a fact that by no means prevents him from exploiting it ... [I]t is clear at first glance that large-scale industry raises the productivity of labour to an extraordinary degree by incorporating into the production process both the immense forces of nature and the results arrived at by natural science' (Marx 1976a, pp. 508–9).

46 Unpaid care labour in households also provides a free service for capital insofar as it contributes to the production and reproduction of capital's most important commodity, labour power. The 'free gifts' to capital provided by nature, history, scientific-technical knowledge, and care labour fall within the scope of Marx's value theory, since the valorisation process would come to an immediate halt were it not for these 'gifts'.

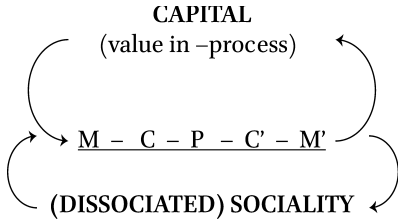


FIGURE 4 *Capital: an alien form of (dissociated) sociality*

as a 'real abstraction', able to appropriate the powers of social labour as its own powers, along with and various powers social labour mobilises.

Taking the two dimensions of Marx's concept of capital together, the complex and contradictory ontology of capital can be comprehended as the inseparable conjunction of two dimensions involving two antagonistic, irreconcilable, and compelling claims to be the essential matter in the capitalist mode of production. On the one side, there is capital as the dominant subject, on the other, human sociality (in the form of dissociated sociality).

The ontology of capital is even more bizarre and paradoxical than that of subatomic entities, somehow simultaneously particles and waves. Capital is Everything, an Absolute Subject subsuming every nook and cranny of social life to the imperatives of commodification, monetarisation, and valorisation. But capital is equally Nothing in and of itself, a mere Pseudo-subject, a parasite, a ghost, a 'vampire', whose self-valorisation turns out to be nothing but a forced appropriation of the creative powers of living labour (and the powers of science, machinery, nature, pre-capitalist cultural achievements, and so on, that living labour mobilises). In one sense these capacities are capacities of capital. But in another sense capital, as pure form, has *no* capacities on its own. Once created and mobilised, the capacities of living labour remain capacities of living labour, even after they have been incorporated within capital circuits as moments of capital's self-valorisation. In this sense these capacities remain ontologically 'other' than capital.⁴⁷

Comprehending this complexity is a matter of great importance practically as well as theoretically. With too much emphasis on the collective powers of living labour, capital's continuing power to impose its measure (valorisation)

47 Today a growing portion of capabilities of living labour are created and mobilised outside the capital form in what some call a new mode of production ('commons-based peer production'). Discussion of this trend and its import will be postponed until Chapters 10 and 11.

on the social world is lost.⁴⁸ On the other hand, the more emphasis given to capital's power, the more difficult it is to leave open a space for resistance to capital's domination (recall the discussion in note 49 of the previous chapter). If capital can only attain its end through humans pursuing their ends, and if the so-called powers and capacities of capital remain the collective human powers and capacities of living labour (despite taking on the alien form of powers and capacities of capital), then there is a space to conceptualise the pursuit of human ends and the development of human capacities as something more than merely moments of capital's self-valorisation. There is then an objective potential for these capacities to be actualised in ways that are not subordinate to capital, and a reason to not assume that resistance to capital can never be anything more than a means for capital's self-renewal.

Marx's theory of exploitation demolishes capital's pretensions theoretically. Nonetheless, capital continues to function as an Absolute Subject standing over the social world so long as the social forms of dissociated sociality remain in place, that is, so long as the individual in capitalism is 'naked', cut off from access to the material preconditions of human life, dependent on capital's permission to gain access to these preconditions. If, however, that particular form of social organisation were to dissipate, capital, despite all its supposed powers, would dissipate immediately:

The recognition of the product as its [labour's] own, and its awareness that its separation from the conditions of its realisation is an injustice – *a relationship imposed by force* – is an enormous consciousness, *itself the product* of the capitalist mode of production and just as much the KNELL TO ITS DOOM as the consciousness of the slave that he *could not be the property of the another* reduced slavery to an artificial, lingering existence, and made it impossible for it to continue to provide the basis of production.⁴⁹

Normative social theorists committed to the construction of a social world allowing everyone a fair chance to live the sort of lives they have most reason to value should consider this passage closely.

48 This error pervades the writings of Hardt and Negri, who somehow believe that living labour now operates autonomously from capital's measure, which they suppose is now merely imposed externally, in contrast to the factories of an earlier age. See Hardt and Negri 2009, p. 141.

49 Marx 1986b, pp. 390–1.

Human Flourishing and the Structural Tendencies of Capitalism

As we have seen, for Marx the social ontology of capitalism is more complex, and more perverse, than mainstream social theorists suspect. From the standpoint of units of capital, 'Use values must ... never be treated as [their] immediate aim ... nor must the profit on any single transaction. [The] aim is rather the unceasing movement of profit-making ... [t]he ceaseless augmentation of value'.¹ The 'ceaseless augmentation of value' is the ruling principle of total social capital as well, the higher-order whole incorporating the intertwined M-C-M' circuits of individual units of capital (and the various C-M-C circuits subordinated under them). Within this social order money is not merely a proximate goal, subordinate to the ultimate end of producing and distributing the goods and services required to meet human wants and needs. A profound ontological inversion of means and ends occurs. Human ends are now subordinate to the accumulation of money capital as an end in itself; human flourishing is now subordinate to the flourishing of capital. Liberal egalitarianism, no less than classical liberalism or libertarianism, overlooks the fundamental inversion of ends and means lying at the very heart of capitalism. That, at least, is the heart of the Marxian challenge to the core thesis of liberal egalitarianism.

In the two previous chapters this Marxian challenge has been developed on a very abstract level devoted to examining the key social forms of a capitalist market society (the commodity, value, money, capital, and wage labour forms). The present chapter develops this challenge more concretely, examining essential structural tendencies that necessarily arise in capitalist societies when these social forms are in place. The structural tendencies of interest concern the capital/wage labour relationship, the accumulation process, financial operations, the environment, and the global economy.

Each tendency considered below is a particular case of the general tendency for the pursuit of the end of capital to come at the cost of human flourishing. In this sense the present chapter develops the main theme of the previous one. From another perspective, however, the present perspective provides a transition to the two that follow. The main question at stake in the debate

1 Marx 1976a, p. 254.

between Marxism and liberal egalitarianism does not have to do with whether these sorts of tendencies can be discerned in capitalism. Adherents of the former recognise that they can be. The key issue is whether these sorts of tendencies can be put out of play, the topic of Chapters 7 and 8.

The Capital/Wage Labour Relationship

The major tendencies associated with the social form of wage labour were introduced briefly in the previous chapter: coercion, domination, and exploitation. There may be individual instances of capital/wage labour relations where these phenomena are lacking. There may be particular regions where these tendencies are attenuated for particular periods. Some people may truly choose freely to give up leisure for extra income; some capitalist workplaces may be based on truly free cooperation; some units of production and distribution may be non-profits in a true sense.² Nonetheless, Marx asserts, in modern capitalism matters necessarily tend to be quite different. And as Aristotle teaches us, social theory should focus primarily on what is the case 'proximally and for the most part'.

Coercion

Wage labourers will agree to work in factories and offices whenever accepting the offered pay and job conditions is a superior alternative to their other options. But, Marx insists, an honest examination of these 'other options' confirms that wage offers necessarily tend to be 'coercive offers'. When a relatively small set of social agents privately own a critical mass of the non-human productive resources of the society, as well as the goods and services required to meet human needs, while the vast majority own hardly more than their capacity to act, the latter are in effect forced to sell their labour power as a commodity to the former. The coercive element is imposed impersonally, and it includes a dimension of formal (legal) freedom; this complicates matters. But it neither removes the coercive dimension nor diminishes the normative significance of that dimension. Formal freedom in labour markets is not substantive freedom.

² A 'non-profit' firm is not truly non-profit if over-inflated salaries of top executives are best seen as in effect a form of distributing profits.

Domination

A second normative issue concerns social relations in the workplace. In capitalism, decisions regarding the introduction of new technologies in the labour process and the transformation of forms of social organisation within which those technologies are employed are treated as fundamentally 'private' matters to be taken by owners of units of capital in the pursuit of their self-interest, or (more typically) by the managers they appoint as their agents. Managers have a clear legal obligation to put the interests of investors first and foremost. They can also be expected to pursue their own private interest in appropriating a share of the firm's profits in the disguised form of salary, bonuses, and perks (such as expense accounts), with the power of Boards of Directors to replace them a means to keep their agenda within bounds consistent with the interests of investors. Lip service may be given to a vague moral duty to take into account the interests of workers and other 'stakeholders'. But this does not affect the essential matter: decision-making in workplaces is treated as fundamentally disanalogous to the decisions of public officials.

Advocates of capitalism of all stripes grant that decisions by state officials should be seen as exercises of public authority, and that those in positions of authority should be ultimately accountable to those over whom their authority is exercised.³ Workplace relationships, in contrast, are taken as free agreements to join a type of voluntary association (e.g. a church) where to join is equivalent to accepting a hierarchical structure in which those in positions of authority are not accountable to those below them.⁴ Individual rights are retained within voluntary associations, notably including a right to exit. But the right to hold those exercising authority democratically accountable need not be on the list.

From a Marxian point of view the supposed analogy between accepting employment by a unit of capital and joining a voluntary association breaks

3 The qualification ('ultimately') is required to take into account the fact that liberal egalitarians generally share the common view that granting discretionary power to officials with special expertise in cases where expertise is of special importance is often normatively acceptable, and may sometimes be normatively required. Direct accountability is not appropriate in every sphere, or in every particular case. But there must always be a clear chain ensuring *ultimate* accountability (as, for instance, when unelected state officials are appointed by and answerable to elected official directly accountable to citizens).

4 Typically, of course, people are born into religious communities rather than choosing to join them. But as long as members have developed the intellectual and emotional capacities to make informed and free decisions (including especially the decision to exit), remaining a member can be categorised as a free choice. See Nussbaum 2001, Chapter 3.

down in two key places. No adherent of any branch of contemporary liberalism would characterise a situation where one has to join some authoritarian church or other in order to enjoy a minimally acceptable life as one of adequate freedom. Freedom of religion implies not merely a right to join a religious association of one's choice; it also implies a right to *not* join any religious association. But the 'nakedness' of individuals in capitalism – that is, their socially imposed separation from the essential objective preconditions of human life (means of subsistence and the means of production necessary to produce them) – generally forces individuals to sell their labour power to some unit or capital or other in order to enjoy a minimally acceptable life. This feature of the capital/wage labour relation is far more analogous to the way in which individuals are forced to live under some political authority or other in a world where all (or nearly all) territories are distributed among political regimes than it is to an option to join or remain within a truly voluntary association in civil society.⁵

Second, putting 'mom and pop' operations and other small-scale businesses to the side, decisions to introduce new technologies and new forms of social organisation in the workplace clearly affects the well-being of others on a significant scale. Most people spend most of their waking adult lives in workplaces and travelling to and from them. Of course decisions made by authorities in voluntary associations may also have a profound impact on daily lives, as religious communities attest. But when combined with the coercive element discussed in the last paragraph, the parallel with the scale and significance of decisions made by 'political' authorities appears far closer.

As argued in Chapter 2, the principle of democracy – exercises of authority are legitimate if and only if those exercising authority are accountable to those over whom the authority is exercised; legitimate government rests on the consent of the governed – is a corollary of the moral equality principle, required for institutionalising equal concern and respect. Given the strength of the analogy between political authority and authority in the workplace, it would seem to follow that the principle ought to be applied to the latter as well as the former. If the capital/wage labour relation rules out normatively required accountability as a matter of principle, then the capital/wage labour relation is in principle incompatible with the principle of equal moral worth. Liberal egalitarians, however, do not draw this conclusion. They restrict the political dimension of the workplace relations to the 'background conditions' of work-

5 In Chapter 8 I argue that exercises of concentrated economic power are every bit as 'political' as exercises of power by state officials.

place practices, and accept the standard principal/agent relationship between investors (the 'principal' in the relationship) and managers (the 'agents' of that principal), simply adding that the interests of other 'stakeholders' should be taken into account as well. But no liberal egalitarian would affirm that political despotism becomes normatively acceptable by simply adding a proviso that the despot ought to take the interests of all subjects into account. The despotism of the capitalist workplace does not become normatively acceptable with the addition of an analogous proviso. A central element of the Marxian challenge to liberal egalitarianism, then, is the demand that liberal egalitarians explicitly acknowledge that their normative values demand a democratisation of the workplace inherently incompatible with the capital/wage labour relationship.

The exercise of unaccountable authority in capitalist workplaces would be normatively problematic even if decisions made by the agents of capital somehow generally coincided with those that would have been taken had they had been accountable. (Despotic rule in states would remain normatively problematic even when the despot's decisions somehow coincided with those a representative government would have made, as Pettit convincingly argues in his analysis of domination).⁶ But, as it happens, there are no good reasons to think that decisions regarding the technologies and forms of social organisations taken by representatives of capital will tend to coincide with the decisions that would have been taken had those exercising authority been accountable to those over whom their authority was exercised. It is reasonable to expect instead a systematic bias in the distribution of the benefits and costs of technological change that would not tend to occur in democratic workplaces. As Marx notes,

John Stuart Mill says ... 'It is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being'. That is, however, by no means the aim of the application of machinery under capitalism. Like every other instrument for increasing the productivity of labour, machinery is intended to cheapen commodities and, by shortening the part of the working day in which the worker works for himself, to lengthen the other part, the part he gives to the capitalist for nothing. The machine is a means for producing surplus-value.⁷

6 Pettit 2012.

7 Marx 1976a, p. 492.

The inherently political nature of work relations here appears in the form of what may be termed ‘the politics of time’. When productivity gains occur as a result of technological change, those gains could in principle reduce the time that must be spent in wage labour, while maintaining the same level of output. Or they could be used to increase the level of output, while keeping the time devoted to wage labour constant.⁸ Increasing output can in principle contribute to human flourishing; most conceptions of the good life have material preconditions. But there is some point past which human flourishing would be furthered much more by having more time to spend with family and friends, more time for projects of one’s own choosing, more time to pursue general intellectual and cultural development, and more time to participate in the collective self-management of communities and workplaces.⁹

Increasing the production and sale of commodities promises to contribute directly to the accumulation of capital; increasing the temporal freedom of human beings does not. When decisions regarding the introduction and use of technologies are made within the capital/wage labour relationship, the latter path is systematically privileged; advances in productivity will necessarily tend to be used to further output (and therefore sales and profits), rather than expand the time members of the workforce can spend outside formal employment (at the same or greater standard of living). This bias is due to the capital form, which treats decisions determining the social consequences of productivity advances as private decisions made by owners, or by managers who are the agents of those ‘principals’. It is not a ‘natural’ occurrence or determined by the technology.

By any relevant measure the effects of this bias are profound and pervasive in the long run. The development of human capacities has been systematically restricted by the quenchless thirst for surplus value: ‘Since all *free time* is time for free development, the capitalist usurps the *free time* created by workers for society’.¹⁰ Not only do productivity advances fail to further human flourishing to the greatest feasible degree; severe physical harm and psychological stress

8 Many intermediate options are possible as well, of course. This does not affect the point made in the main text.

9 ‘Just as the savage must wrestle with nature to satisfy his needs, to maintain and reproduce his life, so must civilized man, and he must do so in all forms of society and under all possible modes of production ... [T]his always remains a realm of necessity. The true realm of freedom, the development of human powers as an end in itself, begins beyond it, though it can only flourish with this realm of necessity as its basis. The reduction of the working day is the basic prerequisite’ (Marx 1981, p. 959).

10 Marx 1987a, p. 22.

are inflicted on workers in offices and factories from increases in productivity introduced without any decline (and often with an increase) in the length of the workday, today no less than Marx's era.¹¹

When one set of social agents has the power to impose its will more or less unilaterally on the members of another set in the labour process, the category of social domination is appropriate.

Exploitation

The structural coercion of labour markets is not their only normatively significant dimension. It is also crucial to note that labour power will only be purchased if it can be foreseen that living labour is likely to create more value than what workers receive back in the form of wages ('surplus value', in Marxian parlance). Domination in the labour process is also directed to the production of surplus value. The capital/wage labour relation is characterised by *exploitation* no less than structural coercion and domination.

If exploitation is a matter of the labour force creating more monetary value than its members receive back in the form of wages (with the difference then appropriated and controlled by a different class than the direct producers), then the rate of exploitation can be increased by increasing the length of the working day so that even more of it is devoted to surplus labour producing surplus value (the result is 'absolute surplus value', in Marx's terminology). When limits to the length of the working day are imposed by nature or law, the imperative to appropriate surplus value can be furthered through productivity gains reducing unit costs, although the story is more complicated here. If the decline is sufficiently large – if, in other words, the *individual value* of produced commodities is sufficiently below their *social value* – output can be sold at a price that both undercuts competitors (and so allows market share to expand) and allows above-average profits to be appropriated.¹² In effect, more productive (value producing) labour is then paid as if it were labour of average productivity, raising the rate of surplus value for the given unit of production. Eventually the above average profits dissipate, as other capitals duplicate the productivity-enhancing innovations. But when productivity advances occur in the sectors producing wage goods (or inputs employed in the production of wage goods), a decline in the prices of these wage goods remains after above-average profits have dissipated. Taking the level of real wages and the length of the working day as given, the time devoted to producing a value equivalent to

11 Smith 2000, Chapter 3, Smith 2012a, Head 2003, Crary 2014.

12 Marx 1976a, p. 434.

wages would thereby be reduced, increasing surplus labour time and producing what Marx terms '*relative surplus value*'.

Marx makes note of many contingencies in the historical development of the industrial revolution in England. But that the instruments of production were revolutionised in systems of machinery was not contingent, due to machinery's role in improving productivity (and thereby the production of relative surplus value):

Once included into the production process of capital ... the means of labour passes through a series of metamorphoses until it ends up as the *machine*, or rather as an *automatic system of machinery* ... In the machine, and to an even greater degree in machine[ry] as an automatic system, the means of labour is transformed, with respect to its use value, i.e. to its material character, into a form adequate to fixed capital and to capital in general.¹³

No machine or system of machinery will remain 'adequate ... to capital in general' indefinitely; 'every degree of the development of the social productive forces, of intercourse, of knowledge, etc., appears to [capital] as a barrier which it strives to overcome'.¹⁴ Striving to overcome this barrier results in the increasing subsumption of scientific-technological knowledge under capital:

[A]ll the sciences have been forced into the service of capital ... invention becomes a business, and the application of science to immediate production itself becomes a factor determining and soliciting science.¹⁵

In this account of relative surplus value, Marx takes the value of labour power as given, relating it to the value of the items in a fixed wage basket. Given these assumptions, productivity gains in sectors producing wage goods (or inputs to the production of wage goods) automatically lead to a decline in the value of labour power and a corresponding increase in the rate of surplus value (that

13 Marx, 1987a, p. 82.

14 Marx 1986b, p. 465.

15 Marx 1987a, pp. 89–90. Contemporary economists who proclaim that technological change is endogenous to capitalism, and that capitalism evolves into a 'knowledge economy', may be breaking new ground in neoclassical economics. But they are merely echoing what Marx wrote long ago. See the discussion of so-called new growth theory in Smith 2007.

is, the ratio between surplus value produced by living labour and the cost of labour power). Since the goal of this stage of Marx's exposition is to explore what surplus value is, these assumptions are methodologically legitimate. But it is important to keep in mind that they are merely methodological assumptions, relevant only in a restricted theoretical context. They are not theoretical axioms to which Marx is irredeemably committed. The general claim to which Marx *is* committed is that the value of labour power has a 'historical and moral component'; both the items in the wage basket and the value of those items will differ in different social and historical contexts. This is due in good part to the fact that the social consequences of a given advance in productivity are indeterminate.

If the wage basket remains fixed, a 'maximal' increase in the rate of surplus value results, everything else equal, due to the decline in the value of labour power following on from the decline in the value of items in the wage basket. But a given increase in productivity could in principle also result in a proportional increase in the items in the wage basket, leaving the value of labour power, surplus value, and the rate of exploitation constant, while the living standards of workers increased. Or the value of labour power might decline and the rate of exploitation increase, while the living standards of working households (measured by the items in the wage basket) nonetheless increased. Or the value of labour power and the rate of exploitation could both increase simultaneously. An indefinite number of results is possible in principle. Marx recognises this. Nonetheless, he asserts that whatever the particular results, the general tendency for the capital/wage labour relationship to be exploitative remains. This conclusion is partially based on the fact that productivity gains are not sought by units of capital for their own sake, or to increase the living standards of working men and women. They are sought in the hope of attaining surplus value, a M' exceeding the initial money invested. But the subjective intentions of the representatives of capital cannot be the entire story, of course. There must be social mechanisms ensuring that these intentions necessarily tend to be fulfilled. And there are.

Higher real wages and other significant benefits are rarely awarded to workers by representatives of capital voluntarily. They generally must be demanded and struggled for. An important precondition for workers undertaking such struggles is a strong sense of their own agency. This sense of agency tends to be undermined when technology and scientific-technological knowledge in the capitalist workplace are experienced as alien powers over them:

In no respect does the machine appear as the means of labour of the individual worker ... [T]he machine, which possesses skill and power in

contrast to the worker, is itself the virtuoso. It possesses a soul of its own in the laws of mechanics which determine its operation ... The activity of the worker, restricted to a mere abstraction of activity, is determined and governed in every respect by the movement of the machinery, not vice versa. Science, which compels the inanimate members of the machinery, by means of their design, to operate purposefully as an automaton, does not exist in the worker's consciousness, but acts upon him through the machine as an alien force, as the force of the machine itself.¹⁶

In these circumstances the lived experience of those engaged in labour processes is one of powerlessness. The more this feeling pervades their lives, the less they are able to see themselves as agents capable of struggling successfully for higher real wages. And so they refrain.

Collective organisation can overcome a sense of individual powerlessness, and collective action has proven to be the most effective way to win a share of the benefits of productivity advances. By definition, however, collective organisation is undermined by divisions within the workforce, and technological change can foster such divisions in a variety of ways:

- Technologically-induced unemployment typically sets those desperate for work against those desperate to retain their jobs.¹⁷
- Technologies may make the threat of shifting investment from one group of workers to another more effective.¹⁸
- Technologies that 'deskill' those enjoying relatively high levels of remuneration and control over their labour process tend to shift the balance of power between capital and labour in favour of the former.¹⁹

16 Marx 1987a, pp. 82–3.

17 Marx 1976a, Chapter 25.

18 In *Capital* Marx paid particular attention to the use of the technologies of the industrial revolution in 'divide and conquer' strategies along gender lines (Marx 1976a, p. 601). In more recent decades, information technologies have enabled cross-border production chains to be established, making it much easier for workers in one region of the globe to be played off against those in other regions (a topic to which I shall return in subsequent chapters; see Moody 1997, Huws 2007, 2008). The complex relationship between capitalism and racial divisions also needs to be considered in this context (see Davis 1986, pp. 26–9, Roediger 1999).

19 Marx 1976a, p. 549. Scare quotes are required because 'deskilling' is often misleadingly used to describe a *generalisation* of previously above-average skills, and because qualitatively new skills may be developing as old ones are eroded.

- Technologies that undercut the effectiveness of strikes should also be included in any consideration of how technological change in capitalism affects the distribution of the benefits and burdens of productivity advances.²⁰

Labour history shows that the very technologies introduced to divide the workforce deskill certain categories of workers, or break strikes, in certain contexts may contribute to worker unity, enhance the skills of different workers, and contribute to the success of labour struggles. The social consequences of technological innovation are indeterminate; unintended consequences may emerge. The strategies of the representatives of capital may meet resistance, and this resistance may be successful in particular cases in certain respects. But a normative assessment of the general tendencies associated with technological change in capitalism must focus primarily on what happens ‘proximately and for the most part’, as Aristotle would say. Ownership and control of capital grants an ‘operational autonomy’ to initiate and direct innovation in the workplace.²¹ As long as this power is in place, ‘the dice are loaded’, and productivity gains will continue to generally serve the ultimate end of increasing surplus value.²²

‘So what?’, many would ask. Every modern economic system must have some way of generating a social surplus.²³ And when all is said and done, capitalism has generated the greatest expansion of living standards in human history, measured both in material terms and in extension of the social beneficiaries. Both points are true enough. Marx unambiguously asserted the need for a surplus.²⁴ And while he made the provisional assumption that the level of the real wage is fixed in much of Volume 1, Marx explicitly recognised from the start that the value of labour power varies in different historical circumstances.²⁵ In specific, once again, living standards for workers may rise as productivity

20 ‘[M]achinery does not just act as a superior competitor to the worker, always on the point of making him superfluous. It is a power inimical to him ... It is the most powerful weapon for suppressing strikes, those periodic revolts of the working class against the autocracy of capital ... It would be possible to write a whole history of the inventions made since 1830 for the sole purpose of providing capital with weapons against working-class revolt’ (Marx 1976a, pp. 562–3). This history has not yet concluded.

21 Feenberg 2010.

22 Marx 1976a, p. 793.

23 See again the passage from the prominent economic historian Mark Blaug, quoted on p. 125 above.

24 For example, Marx 1981, p. 958.

25 Marx 1976a, p. 275.

improves and the unit costs of wage goods decline. When one recalls the conditions under which most human beings have spent their lives, this gain in living standards over time is hardly insignificant.²⁶

Exploitation in the Marxian sense of the term, however, is not simply a matter of a social surplus being created and those producing it being compensated. *How* the surplus is created, and the ultimate purpose its creation serves, are what matter. In the case at hand, the answer to the 'how' question must include reference to structural coercion in labour markets, and domination in labour processes. And the answer to the ultimate purpose question is that there is *no* ultimate purpose beyond the endless drive to valorisation as an end in itself. Technological change in capitalism in general, and the process innovations that bring productivity gains in particular, cannot be simply defined as a generalised means to further human flourishing as in standard accounts of technology.²⁷ In the macro-monetary circuit of capital governed by the valorisation imperative, means and ends are fundamentally inverted. 'M must become M!'; money, a supposed means, becomes an end in itself. Technological change is not unaffected by this inversion, to say the least. In a capitalist society, technology essentially becomes a means furthering valorisation, serving human ends to the extent the end of capital is served, and contributing to the sacrifice of

26 '[B]y the eve of industrialization, some 80–90 per cent of the world's population consisted of hard toiling, disease-infested, malnourished peasants, suffering high mortality rates and struggling to extract meagre subsistence from small, intensively cultivated agricultural lots' (Gat 2006, p. 161). Then: '[G]lobal per capita income increased by a factor of more than 10 between 1700 and 2012 ... and by a factor of more than 20 in the wealthiest countries' (Piketty 2014, pp. 92–3). Marx himself writes that 'the conditions of production based on capital' include: '[t]he all-round exploration of the earth to discover both new useful objects and new uses for old objects, such as their use as raw materials, etc.; hence the development of the natural sciences to their highest point; the discovery, creation, and satisfaction of new needs arising from society itself; [and] cultivating all the qualities of social man and producing him in a form as rich as possible in needs because rich in qualities and relations – producing man as the most total and universal social product possible (for in order to enjoy many different kinds of things he must be capable of enjoyment, that is he must be cultivated to a high degree)' (Marx 1986b, p. 336).

27 For example: 'technology refers to the equipment, techniques, and expertise that can be applied to produce a good or service (including new knowledge and technology)' (Galama and Hosek 2008, p. 6). Since the efficient production of goods and services is taken to generally further autonomous agency and well-being, capitalism's unprecedented technological dynamism is taken to further autonomous agency and well-being to an unprecedented degree. This point is argued strongly in Cudd's contributions to Cudd and Homstrom 2011. See also Baumol 2003.

human ends when this is demanded for the good of capital.²⁸ It follows that any gains enjoyed by working men and women are inherently and profoundly precarious and partial.²⁹

The gains are precarious in that their continuation depends on the (contingent) absence of new technologies and forms of social organisation generating unemployment, deskilling, opportunities for capital to implement effective 'divide and conquer' strategies, and so on. They are in addition precarious because they depend on the contingent presence of organisations, strategies, tactics, and leadership capable of unifying diverse groups of working men and women and representing their interests effectively, as well as workers' confidence in their own agency. Any gains that are won will be partial in a number of important respects as well. They will not extend to a democratisation of exercises of authority in the workplace enabling workers to 'stand as equals' in that community. They will not make the technological changes and restructurings of the labour process that tend to occur approximate those that would tend to occur if those making decisions on these crucial matters were accountable to those directly affected by their exercises of authority. They will not extend to a 'politics of time' furthering human flourishing to the greatest feasible degree. And, finally, they will not extend to the removal of the precariousness of those gains that are enjoyed. The gains from the technological dynamism of capitalism are not partial and precarious for those who own and control capital in comparably significant ways, at least not when we compare that class as a whole with the class lacking ownership and control of capital as a whole. We may conclude that the owners of capital and their agents necessarily tend to appropriate a disproportionate share of the benefits of technological change in the workplace, while a disproportionate share of its burdens is inflicted on working men and women. The normative implications should be reasonably clear: there is at least a strong *prima facie* reason to regard this arrangement as incompatible with the principle of equal respect and concern.

From the Marxian point of view we do not need the normative social theories of liberal egalitarians to know that a social relationship characterised by

28 Of course there is no logical necessity that investment in technological change will lead to the appropriation of surplus value on the micro level of individual investments. But if it did not accomplish this on the macro level of capitalism as a whole, capitalism could not have expanded over time, as it has over the course of the last centuries.

29 The working class is much broader than the set of full-time wage labourers. The former includes the unemployed, participants in the informal economy, those employed only part-time or temporarily, unpaid household workers, and so on (De Angelis 2007, Chapter 5). The gains capitalism provides to these groups are even more precarious and partial, needless to say.

structural coercion, domination, and exploitation should be criticised, or to affirm that moving to a social relationship lacking these sorts of tendencies counts as an advance in world history, assuming no regressions in other areas of comparable significance. Nonetheless, these points can be considered within the framework of liberal egalitarian normative theory. If, for example, we were behind a veil of ignorance, would we accept a social relationship involving structural coercion in labour markets, domination in labour processes, and a production and allocation of social surplus analogous in relevant respects to the exploitation in slave, serf, and tribute extracting systems? Would a capital/wage labour relationship with these features be defensible in a practical discourse anticipating an ideal speech situation? Would all those participating within this social order accept it as reasonable in the absence of any normative unacceptable adaptation of preferences? Is accepting such a relationship compatible with affirming the equal right of all to develop their most essential capabilities? From a Marxian standpoint the answer to all these questions must clearly be 'no'. Workplace relations in capitalism must therefore be evaluated critically from the standpoint of the deepest normative commitments of liberal egalitarianism.

That conclusion by itself is sufficient to justify a rejection of what I have termed the core thesis of left liberalism, and makes the relative infrequency of a sustained critical evaluation of the capital/wage labour relationship in the writings of liberal egalitarians as indefensible as it is striking. The consideration of other structural tendencies that follows – overaccumulation crises, financial crises, environmental crises, and uneven development – will only strengthen this conclusion.

Overaccumulation Crises

Marx held that the very investments in technological change introduced to further capital accumulation (by increasing the rate of relative surplus value) tend to undercut the accumulation process (by lowering the rate of profit). Marx's argument for the tendency for the rate of profit to fall is notoriously obscure and disputed. This is not the place to explore its convolutions and gaps. Contemporary Marxian economists have developed a partial reconstruction and partial extension of Marx's discussion that is much more straightforward, no less powerful, and fully adequate for our purposes.³⁰

30 The following discussion is based on Reuten 1991 and Brenner 2006.

The hope of obtaining above-average profits provides a powerful incentive for new plants and firms to enter a given sector, employing more advanced technologies with a higher level of productivity. Technological dynamism is not an accidental or exogenous feature of capitalism; it is deeply rooted in the relentless pressure imposed on units of capital by the valorisation imperative. Each unit fears that its privately undertaken production may prove to be socially wasted; each hopes to appropriate above-average returns from some competitive advantage. Product and process innovations lessen the fear that a unit's endeavours will have been wasted, and further the hope that there will be a gap between the *individual value* and the *social value* of its products enabling it to appropriate high profits.³¹ After they have been attained, however, competitive advantages erode with diffusion of the innovations, motivating a renewed search for new commercialisable scientific-technical advances.

With the entry of new, more productive firms and plants into a sector, the weakest of the incumbent firms are likely to go under. But after the entry of the new, more productive competitors, other units of production do not automatically withdraw at a rate leaving the previous level of productive capacity in the sector unchanged.³² It is rational from the individual standpoint of established firms to remain in operation if they can, even as their rate of profit declines to a point below their previous rate and well below the rate of the most efficient producers. The established units of production have already invested in fixed capital (machinery, buildings, and so on). That money has already been spent. If production is shut down now, there will be nothing to show for those past investments. If the firms continue in operation, however, with the necessary fixed capital already in place they may be able to win at least the average rate of profit on any new investment in circulating capital (raw materials, wages, transportation costs, etc.).

It is also the case that the management and workforce of these firms have sector-specific skills that would be difficult to duplicate in any reasonable time period were they to shift operations to a different sector. Further, it is likely that the units of capital in question have established relationships with suppliers and distributors, relationships that would likely be difficult and costly to establish in other sectors within a reasonable timeframe. And local governments and universities may be providing the firms in question with important

31 Marx 1976a, p. 530.

32 This key point is simply ignored in the equilibrium models of neoclassical economics. Equilibrium models employing the notion of a 'representative firm' treat all units of capital in a sector as identical, thereby rendering invisible the dynamic described in the main text by methodological fiat.

support (infrastructure, research, etc.) that would be withdrawn were they to cease operating in the sector. There is, finally, always the hope that if they can just hold on long enough, they may be able to introduce innovations allowing them to leap-frog over their competitors.

None of these factors by itself may be sufficient to justify continuing in operation. But when a number of them operate in conjunction, it often makes sense for firms with a reasonable hope of obtaining at least an average rate of profit on their circulating capital to attempt to do so. What is rational from their individual standpoints, however, tends to generate a collectively irrational result: the rate of profit in the sector as a whole tends to decline. Despite the higher rate of profit enjoyed by a relatively few newcomers, the greater number of established firms with lower rates of profit tends to bring down the average rate of profit in the sector, due to excess productive capacity in the sector as a whole. (In more standard Marxian language, a higher proportion of the concrete privately undertaken labour proves to not be abstract socially necessary (value producing) labour). This decline can be checked if market demand for the output of the sector increases at a faster rate than productive capacity increases due to the entry of more productive plants and the continued operation of incumbents. The technological dynamism of capitalism limits the likelihood of this state of affairs occurring, and limits its persistence when it does occur. The dominant tendency is instead for productive capacity to increase at a faster rate than the increase in demand for the products of the given sector.³³

There are contexts where excess capacity can be dealt with relatively quickly through business failure, cartelisation, or some other means. This will be the case when incumbent firms suffer a flight of investment with the entry of new more productive capitals, begin to lose significant numbers of skilled managers and workers, are unable to appropriate satisfactory profits on even circulating capital, lack access to funding enabling them to leap-frog over competitors, lack the scientific-technological competency to catch up with the most productive units, and so on. Units of capital operating in the most dynamic sectors, however, will generally tend to suffer from these sorts of difficulties significantly less than those operating in other sectors. As a result, excess capacity ('overproduction') will tend to build up over the course of an extended upswing

33 In a recession or depression it will always appear that the main problem is a shortage of effective demand, and insufficient demand will in fact always be part of a comprehensive account of economic downswings. But it cannot form the heart of an adequate account. It does not explain why capitalism is compelled to expand productive capacity beyond *any* given level of demand.

in precisely the sectors at the heart of the centre of the upswing, due to an *overaccumulation* of invested capital. When this dynamic unfolds simultaneously in a sufficient number of leading industries we may speak of an 'overaccumulation crisis' in the economy, manifested in an economy-wide fall in profit rates for an extended period. When this dynamic unfolds simultaneously in a number of key sectors of the global economy, we may speak of an overaccumulation crisis on the level of the world market.

In the history of capitalism, overaccumulation crises have led to extensive physical destruction and devaluation of excess productive capacity in severe recessions, depressions or war.³⁴ When sufficient productive capacity had been destroyed or devalued, counter-tendencies to the fall of the rate of profit begin to operate, establishing necessary preconditions for an eventual renewal of capitalist expansion. Chief among these counter-tendencies is an increase in the rate of surplus value, as the massive unemployment brought on by a crisis forces a decline in the value of labour power.

If capitalist market economies are prone to overaccumulation crises, that is a matter of tremendous normative significance. When overaccumulation crises occur, units of capital desperately attempt to maintain profits through layoffs, lower wages, intensified and extended working days, and other measures that deepen the structural coercion, domination, and exploitation of wage labour. It thereby deepens as well the difficulties of maintaining the liberal egalitarian claim that wage labourers can in principle 'stand as equals' in societies incorporating generalised commodity production.

To his great credit, Rawls recognised that the immense and unfairly distributed social harms generated by extended economic downswings in a commodified and monetarised economy are not compatible with liberal egalitarian principles of justice. This is why he insisted that a just social order must include a stabilisation branch of government capable of checking crisis tendencies in market societies. Despite this, however, to my knowledge neither Rawls nor any other leading liberal egalitarian has attempted to establish that something like a stabilisation branch could in fact fulfil the tasks assigned it. The Marxian thesis of the tendency of the rate of profit to fall due to overaccumulation crises challenges the assumption.³⁵

34 'Destruction' refers here to the physical eradication of the production apparatus, whether due to dismantling or allowing it to rot; 'devaluation' refers to a significant mark down in the market value of an apparatus still capable of functioning.

35 The capitalist state, after all, lacks the capacity to prevent new firms from entering a sector and the capacity to force incumbents to withdraw.

If justice requires a stabilisation branch fulfilling the tasks Rawls's assigns it, and if such a branch of government cannot fulfil those tasks in a capitalist market society, then no capitalist market society can meet the liberal egalitarian normative standards of justice.

Financial Crises

Financial capital is able to appropriate a share of surplus value because its specialisation allows it to perform functions necessary for capital accumulation more cost-effectively than industrial or commercial capitals could perform them.³⁶ As a result, the surplus value retained by non-financial capitals is higher than it would be if they had to undertake those tasks themselves. One main function of financial capital is oversight of the monetary hoards that arise in the ordinary course of capital circuits. Management of the credit system is even more important.

If potential purchasers of commodities had to delay purchases until they completed their own sales to third parties, the circulation of commodities would continually be breaking down. In Volume 3 Marx discusses how units of industrial and commercial capital granted each other credit (bills of exchange) in response to this problem, thereby significantly decreasing the turnover time of their capital circuits. The expenses of the credit system, now part of the *faux frais* (incidental costs) of the circulation of capital, are significantly lowered when banks take over the settlement of bills of exchange. Specialised staffs process these bills more efficiently, and far more bills of exchange will cancel each other out in the ledgers of financial firms, minimising the money transfers required to settle accounts.

Other advantages arise if banks offer credit directly themselves. In general, banks are able to estimate the soundness of potential borrowers more effectively than individual investors operating on a smaller scale with fewer resources. Insofar as banks are able to mobilise savings dispersed throughout a region, a national economy, or the globe, the pace of capitalist development quickens. Promising new units of capital, and even entirely new sectors, have a far better chance of growing if a financial sector is in place to provide credit for initial finance, whether from bank loans, the sale of securities to financial investors, sales of equity in stock markets, or the risk taking of venture capit-

36 Marx 1989, Part Five. See Itoh and Lapavistas 1998, Campbell 1997, 2002.

alists. Access to bank credit also enables the centralisation and concentration of capital to proceed far more rapidly than would otherwise be the case. In addition, credit allocation enables capital investments to shift from one sector to another more swiftly, strengthening the tendency for profit rates to equalise. This is an important contribution to capitalist development, since sectors requiring massive fixed investments would atrophy if they were systematically condemned to below average rates of profit.

When banks decide whether or not to accept a bill of exchange, or assign different discount rates to different bills, or fix varying rates of interests to loans in different cases, or allocate credit to this sector or firm rather than that, they are in effect acting as the embodiment of total social capital. When bond and stock markets set the worth of particular securities and equity offerings, they also operate as representatives of total social capital. From this perspective financial capital represents the 'universality' of capital vis-à-vis the 'particularity' of different branches of industrial and commercial capital, different units of capitals within those branches, and different regions.³⁷

No less than other forms of capital, financial capital is part of a totalising system in which valorisation is an end in itself on the level of society as a whole. In the Marxian view no system of this sort can plausibly claim to have human flourishing as its end. This general point applies to the financial sector in a number of specific ways.

1. The fetishism that has been associated with the social forms of commodity, value, money, and capital in generalised commodity exchange obtains its highest expression with financial capital. The circuit of financial capital has the simple form $M-M'$, generating the illusion that financial investment in and of itself has the creative power to generate surplus value. It does not. The $M-M'$ circuit of financial capital cannot be adequately comprehended apart from its connection with circuits in which commodities are produced and sold.

Fetishism reigns even when the connection of the two circuits is noted. Money capital provided to firms by loans and the sale of debt instruments and equity appears to be a distinct 'factor' of production, with the potential to make its own special 'contribution' to production. The interest paid to lenders

37 Marx 1981, Chapters 19, 21, Arthur 2002b. See also Bryan and Rafferty 2006, who argue that the development of financial derivatives moves capital closer to its ideal of the universal commensurability of all commodities across time and space.



FIGURE 5

$M - C - P - C' - M'$ *Financial capital inseparable from productive capital*

and the purchasers of debt instruments, and the dividends received by stock owners, is ‘naturally’ seen as the appropriate reward for that ‘contribution’ and the associated risk of loss. The essential connection between profits in the financial sphere and the exploitation of living labour is thereby rendered invisible, despite the fact that the surplus value appropriated in the financial sector stems from the exploitation of wage labour no less than the surplus value appropriated by units of capital directly overseeing the labour process.³⁸ Loan agreements, debt securities, and stock certificates are all species of *fictitious capital*, anticipations of future appropriations of surplus value that intensify the pressure to extract surplus value from living labour in order to fulfil those anticipations.³⁹

2. The health of the financial sector vitally depends on money’s function as a store of value in a world of uncertainty. Patnaik convincingly argues that the relative stability of the value of money in the world market has crucially depended upon the ability of the hegemonic power to maintain geopolitical control over vast reserves of relatively cheap labour in lesser developed regions of the globe, capable of being mobilised when wage labourers threaten to appropriate too high a share of social wealth and released when that threat

38 The texts on financial capital in Volume 3 of *Capital* are a jumble of notes on wildly different levels of abstraction (Reuten 2002, Moseley 2015a). It is impossible to say what a text thoroughly revised by Marx before publication might have looked like. We can, however, be fairly confident that one of the main themes would have remained financial capital’s role as one of the ‘hostile brothers’ among whom surplus value produced by the exploitation of wage labour is distributed (see Moseley 2002, 2015b).

39 Of course money loans do not need have to take the form of money capital. They can be lent to governments. They can also be lent to wage labourers, leading to what Marx termed ‘secondary exploitation’ outside the labour process. This form of expropriation plays an important role in contemporary neoliberalism (see Chapter 9).

recedes.⁴⁰ No liberal egalitarian theory of global justice is consistent with an affirmation of this state of affairs.

3. The connection between financial capital and the systematic tendency to overaccumulation crisis is a third issue of great normative import. Extending credit for purchases enables demand for output to increase as productive capacity expands. Commodities can now be purchased that would otherwise go unsold, justifying further expansions of productive capacity that would not otherwise be justified. It is logically possible for growth to be 'balanced' indefinitely as long as credit is extended to the customers of a given sector at a rate corresponding to the increase in productive capacity in that sector. Needless to say, the odds of the proper balance continuing indefinitely are exceedingly slim. Decisions regarding the expansion of productive capacity, and those concerning the expansion of credit devoted to the absorption of that expanded capacity, are made independently of each other. Nothing guarantees they will adequately correspond at any given point in time, let alone indefinitely. The danger of market saturation is relevant as well; as markets for particular commodities approach saturation, requests for new loans to purchase them can decline rapidly and unexpectedly. Finally and most crucially, if credit is expanded to households and firms at a higher rate than the growth of income of those households or firms, sooner or later the limits of further credit expansion to them must be reached. At some point or other the mere fear that those limits are approaching will cause credit to cease being allocated in the quantities and places needed to maintain expansion. Extensions of credit by financial capitals can defer overaccumulation crises. Whether they can do so indefinitely is another matter entirely.

An irony must be noted: the longer the extension of credit is successful in avoiding overaccumulation problems, the worse the problems are when the moment of truth arrives. Productive capacity has grown far greater than it was at the beginning of the credit expansion process. When credit no longer expands and past loans are called in rather than being rolled over, much more capacity is now in excess of effective market demand. The harms inflicted on social agents have an additional ferocity when a deferred overaccumulation crisis can no longer be deferred; even more accumulated capital now faces destruction or devaluation in an even more extended and intensive recession or depression. To speak of 'the freedom to live the lives we have most reason to

40 Patnaik 2009. It should go without saying that 'too high' is defined here from the standpoint of capital.

choose' in such a situation is hollow rhetoric. While life plans are thwarted up and down the social hierarchy, those who lack monetary reserves are vulnerable far more than those who have a store of money capital.

4. The tendency for the operation of financial capital to exacerbate overaccumulation crises must be distinguished from the systematic tendency for specifically financial crises to arise, even if the two are often intertwined.⁴¹ In Chapter 1 I noted that Rawls's call for a stabilisation branch of government echoes Keynes's thesis that without proper regulation the financial sector will betray its essential role as a means to allocate investment funds efficiently to the industrial and commercial firms that promise to address human wants and needs most effectively. It will instead usurp the role of an end in itself, sacrificing other economic interests for the sake of its own profits. In Keynes's view, the high payments demanded by rentiers prevent corporations from making investments at the level required to bring about and maintain full employment. Affordable credit becomes even scarcer in periods of economic downswing, including especially periods after the collapse of speculative financial bubbles, when worries about the uncertain future grow tremendously. In the absence of effective government measures to prevent serious financial bubbles from arising and to provide sufficient liquidity at the first sign of economic downturns, a self-reinforcing spiral of decline in investment and employment will tend to result, with ever-lower levels of investment and ever-higher rates of unemployment and bankruptcies.

A number of salient points can be made regarding this Keynesian view presupposed in *A Theory of Justice* and other seminal works of liberal egalitarianism:

- It is ludicrous to speak of any faction of capital *betraying* its essential nature or anything of that sort when it makes its own profits an end in itself. This behaviour *manifests* its essential nature as a form of capital.
- The root of the tendency to financial crises for Keynes ultimately lies in the radical uncertainty of the future. But radical uncertainty is a transhistorical (ontological) feature of human existence. We are concerned here with historically specific forms of radical uncertainty associated with the social forms of commodity, money, and capital.
- The main ideological justification for the financial system is false. Financial capital simply does not play the role in financing major new investments in

⁴¹ The discussion of this fourth point has relied heavily on Toporowski 2005.

fixed capital almost universally claimed as its reason for being, for reasons that have nothing to do with the (in)adequacy of political oversight. Industrial and commercial firms are well aware of the riskiness of their large-scale investments. It will generally not be in their self-interest to fund these investments through borrowings from the financial sector that would bankrupt them should they prove to be less profitable than hoped. As a result there is a systematic tendency in capitalism for large firms to fund long-term fixed investment internally out of retained earnings.⁴²

- As the Marxian economist Kalecki argued, Keynes was mistaken to put so much weight on difficulties industrial and commercial capitals have in obtaining credit. When banks extend credit en sync, the loans of one become the deposits of another, keeping the expanded reserves of the banking system as a whole in balance with the expanded lending. If this balance is disrupted, banks can seek needed reserves from the Central Bank, which must accommodate the requests or risk severe disruption of the national economy, or from money markets. If the financial sphere causes pernicious effects on non-financial sectors, it is not because of a systematic tendency for industrial and commercial capitals to be unable to obtain desired levels of credit. The reasons are deeper.
- From this perspective Minsky's focus on the vulnerabilities of creditors due to excessive credit was more on the mark. Minsky traces the root of problems in the financial sphere to lenders who accommodate demand for loans from non-financial capitals, shifting the focus away from Keynes's focus on the liquidity preferences of savers. Periods of prosperity lead units of commercial and industrial capital to forget that there are no guarantees that their past level of sales and profits will continue. As a result, as an upswing nears its high point they tend to increase borrowing to fund purchases of the securities of other companies, buy-backs of their own stock, or mergers and acquisitions.⁴³ The liabilities side of their ledgers tends to increase at

42 Toporowski 2000, p. 25. High tech start-ups cannot fund investment through retained earnings. Nonetheless, the general point holds for them too, despite widespread myths of the role of venture capital. Venture capitalists generally invest their own funds only *after* the development of those technologies has been nurtured for a considerable period by public funding. See Block and Keller 2011, Mazzucato 2013, Alperovitz and Daly 2008, and the discussion of national innovation systems below.

43 With investments in fixed capital funded by retained earnings, non-financial capitals eventually need to replenish the internal liquidity depleted by self-financed investments in order to meet financial obligations and prepare for future investments. If returns from purchasing the securities of other firms exceed interest received on bank deposits, the

a faster rate than the revenues side, placing non-financial firms at significantly greater risk of becoming insolvent in an economic downturn. It may be possible to put off the day of reckoning for a bit by 'Ponzi' financing, borrowing in order to meet interest payments due on previous debt. Sooner or later, however, the game is up. Industrial and commercial firms now find that their revenues are not sufficient to cover debt obligations. Financial firms, which have extensive monetary obligations to each other, begin to struggle madly to retain/obtain as much high-powered money as they can in order to meet debt payments. They will start to dump securities and shareholdings, causing a collapse of prices in these markets. They will also drastically cut new loans to non-financial firms, setting off a 'credit crunch' that lowers rates of investment while increasing unemployment and bankruptcies in the 'real' economy.⁴⁴

- Minsky emphasised one specific type of financial obligation, debt. As Toporowski argues, the scope of a critical theory of finance should be more general. Kalecki's 'Principle of Increasing Risk' states that the greater the financial obligations of non-financial firms, the greater the risk of severe disruption of their activities or even bankruptcy. This principle has the required generality, since it treats equity as a source of external financial obligation similar to debt obligations. But it does not modify Minsky's main conclusion: the tendency to financial crises is far more intrinsic to capitalist market societies than Keynes (or Rawls, or any other liberal egalitarian

former will generally be preferred as a means of building liquidity. If returns promise to exceed borrowing costs, funds will be borrowed to purchase the securities of other firms. In some cases, M&A activities are undertaken in order to expand the acquiring firm's market share. In other cases, however, the aim is to profit from continued capital asset inflation by selling off the newly acquired company at a gain. This too increases internal liquidity.

- 44 Minsky 2008. '[F]inancing by stock issues means granting an explicit (in the case of bondholders) or implicit (in the case of equity finance) indemnity against loss to the financiers who put up the money, effective as a claim against the assets of the company. In the event of an inability to pay the resulting cash obligations, the company can be ruined. The likelihood of such an eventuality is made greater because capital markets switch between over-capitalising and under-capitalising their quoted companies, alongside trade cycles which create fluctuations in companies' sales revenue, and hence oscillations in the value of their productive assets. Such variations are most extreme in the case of capital intensive industries which account for the bulk of fixed capital assets ... If fixed capital investment is financed out of reserves, then the greatest peril that threatens the company is the loss of the reserves that it has committed in this way' (Toporowski 2000, p. 25).

theorist) has recognised. This conclusion echoes that reached by Marx in his discussion of financial capital in Volume 3.⁴⁵

5. The fifth and final observation connects the financial sector's role in overaccumulation crises (#3) with the financial crises proper (#4): periods of financialisation, characterised by 'capital asset inflation' and speculative bubbles, tend to be extended in time and scale during periods of overaccumulation in the so-called 'real' economy.⁴⁶ Declining profit rates in non-financial sectors due to overaccumulation set off a search for more attractive investment outlets. Financial assets can promise greater and more secure returns than investments increasing productive capacity in sectors already suffering from an excess of productive capacity. The increased flows of investments into the financial sector, diverted from non-financial sectors, initiates an inflation of financial assets that continued inflows reinforce. This dynamic makes 'normal' Keynesian attempts to avoid speculative bubbles extremely difficult.⁴⁷ It also makes the 'normal' Keynesian response to the collapse of speculative bubbles problematic as well. When a Central Bank (or some future institution closer to Rawls's stabilisation branch of government) responds to a burst bubble with increased liquidity, the newly created credit money will not flow significantly to non-financial sectors if they continue to be plagued with excess capacity. Funds will tend to remain instead within the financial sector, contributing to the rise of new speculative bubbles. In this manner the very 'stabilisation branch' required by liberal egalitarian principles becomes a force for instability.

The goal of this subsection has not been to present a comprehensive account of the financial sector and the systematic tendency to financial crises. It has simply been to highlight the degree to which financial capital exacerbates upswings and downswings in economic cycles. Liberal egalitarians recognise that the wealthy necessarily tend to benefit disproportionately from the former, while the less well-off suffer disproportionately from the latter. However, the problem is misdiagnosed when it is interpreted as a contingent failure of the

45 For instance, Marx 1981, pp. 706–8.

46 This connection is a major theme of the account of systematic cycles of accumulation developed in Arrighi 1994.

47 It would be unreasonable, for example, not to foresee that in a period of 'financialisation' 'the best and the brightest' of capital's intellectual hired guns will compete to come up with stories about why 'this time it's different' in a way that makes the collective madness of a financial bubble disappear from sight ... for a while.

financial sector to fulfil its role as a means to further human well-being. From the perspective of Marxian theory, that is not the financial sector's essential aim. In capitalism the valorisation imperative is a totalising principle on the level of society as a whole; M' , and not the satisfaction of human needs, is the end of social life. It would be ludicrous to assert that industrial circuits ($M-C-P-C'-M'$) exhibit a 'proper' relation of ends and means, while financial circuits ($M-M'$) manifest a perverse inversion of ends and means. *They both have the same end.* If there are historical contexts in which $M-M'$ circuits play a dominant role, this is not a betrayal of the means/ends relationships proper to a capitalist social order. It simply reflects the fact that the same end can be pursued in different ways in different circumstances. The problem, in other words, is rooted in the deep structure of capital.

Environmental Crises

Throughout *Capital* Marx remarks in passing on the threat capitalism poses to the environment. The fundamental problem stems from what may be termed the discordant temporalities of capitalism and the planetary processes of which human life is but a part.

The valorisation imperative necessarily tends to a compression of time, rooted in the drive to appropriate above average profits. This drive motivates systematic innovations in technologies and forms of social organisation that increase productivity. As noted previously, the social consequences of productivity advances are in principle indeterminate. An advance of, say, twenty percent could be used to produce the same level of output in a workday reduced by twenty percent, or it could be used to produce twenty percent more output in the same workday. (Results between these extremes are obviously possible as well). In capitalism, however, the indeterminacy is severely restricted. Competition among units of capital imposes the imperative to accumulate as much capital as possible as fast as possible, and this generally means producing and selling as many commodities as possible as fast as possible. The 'default setting', so to speak, is to use productivity gains to increase output. The physical and psychological stress placed on wage labourers by this dynamic was emphasised earlier. A parallel point can now be made regarding stresses imposed on the ecosystems human life unfolds within.

All modes of production – all life – necessarily involve the use of natural resources and the generation of wastes. Over time ecosystems replenish resources and process wastes. But the hyper-accelerated temporality of capitalism invariably comes into conflict with the temporality of ecosystems: *the*

capitalist economy necessarily tends to deplete natural resources at a faster rate than ecosystems can replenish them, and to engender wastes at a faster rate than ecosystems can absorb them. Capitalism is by no means the first social formation to prove incompatible with its surrounding ecosystem.⁴⁸ But in capitalism the incompatibility has an unprecedented intensity and global scale. This state of affairs may continue for an extended period of time with difficulties relatively confined to specific regions. Technological fixes can extend this period, with the discovery of substitutes for depleted resources and new technical processes that use fewer natural resources, generate less waste, or process wastes into non-harmful or even useable substances. Nonetheless, the underlying tension remains. Eventually, Marx predicted, a tipping point will be reached beyond which the degeneration of natural conditions and the proliferation of wastes affects the ecosystem in a manner that profoundly threatens human flourishing.⁴⁹

Environmental crises are crises of *capitalism*, and not of ‘technological society’ or ‘industrial society’. They are rooted in the valorisation imperative, ‘Ceaselessly augment value!’ or, more succinctly, ‘Grow or die!’⁵⁰ They provide yet another specific illustration of the general thesis that the pursuit of capital’s end on the level of society as a whole comes at the cost of human well-being.

Severe Global Inequality and Poverty

Marx did not write the books on ‘International Trade’ and ‘The World Market and Crisis’ originally projected as the culmination of his systematic reconstruction of the essential determinations of capitalism. But it is quite clear that he took the world market as the basic unit of capitalism:

If surplus labour or surplus-value were represented only in the national surplus product, then the increase of value for the sake of value and there-

48 Diamond 2011.

49 For example: ‘[A]ll progress in capitalistic agriculture is a progress in the art, not only of robbing the worker, but of robbing the soil; all progress in increasing the fertility of the soil for a given time is a progress towards ruining the more long-lasting sources of that fertility ... Capitalist production, therefore, only develops the techniques and the degree of combination of the social process of production by simultaneously undermining the original sources of all wealth – the soil and the worker’ (Marx 1976a, p. 638).

50 Marx 1976a, pp. 637–8, Burkett 1999, Harvey 1996, Part Two, Foster 1999, Foster, Clark and York 2010.

fore the extraction of surplus labour would be restricted by the limited, narrow circle of use values in which the value of the [national] labour would be represented. But it is foreign trade which develops its [the surplus product's] real nature as value by developing the labour embodied in it as social labour which manifests itself in an unlimited range of different use values, and this in fact gives meaning to abstract wealth ... [I]t is only foreign trade, the development of the market to a world market, which cause money to develop into world money and *abstract labour* into social labour. Abstract wealth, value, money, hence *abstract labour*, develop in the measure that concrete labour becomes a totality of different modes of labour embracing the world market. Capitalist production rests on the *value* or the transformation of the labour embodied in the product into social labour. But this is only [possible] on the basis of foreign trade and of the world market. This is at once the pre-condition and the result of capitalist production.⁵¹

Recognition that capital's ruling principle, '[t]he ceaseless augmentation of value', ultimately rules on the level of the world market does not imply a denial of distinct 'national economies'. Nor does it imply that we must dismiss the importance of states or political struggles to affect state policies. But it does mean that the world market is the ultimate site where the capital/wage labour relationship and the systematic tendencies to overaccumulation crises, financial crises, and environmental crises are played out. Another systematic tendency must also be considered on this level, the tendency to *uneven development* in the world market.⁵²

Uneven development is an extremely complex and multidimensional process. I shall concentrate here on just one aspect of it, the role of technology as a weapon in inter-capital competition on the level of the world market. Once again the technological dynamism so praised by advocates of capitalist market societies raises issues of serious normative concern.

We can begin by simply noting that state of the art research and development tends to be extremely costly. It follows that research at the scientific-technological frontier is most likely to take place in wealthy regions of the global economy, funded by some combination of state expenditures (basic research), 'private' capital investment (R&D commercialisable in the short-term) and 'public-private partnerships' (medium-to-long-term R&D, high tech

51 Marx, 1971, p. 253. See Smith 2005, Chapter 5.

52 Marx and Engels 1976, p. 488.

start-ups, and so on).⁵³ Units of capital based in those regions therefore tend to have privileged access to advanced research and development, relative to units based in other regions. This enables a virtuous circle to be established and maintained over time: access to advanced R&D provides the basis for successful innovations in the world market; successful innovations tend to generate high returns; and high returns (with their large positive multiplier effects) provide the revenues to fund the next generation of research at the scientific-technological frontier, setting the stage for innovations, success in the world market, and high returns in the next round.⁵⁴ It is certainly not the case that every unit of capital based in wealthy regions is guaranteed to maintain a leading position in the world market over time. But there are nonetheless compelling reasons to assert that wealthy regions of the global economy are in a privileged position to establish a virtuous circle of R&D, innovation, and success in the world market enabling them to reproduce and even exacerbate their relative advantages over time.

In contrast, there is a strong tendency for a vicious circle to be established in the least advantaged regions of the world economy, trapping them in a relatively disadvantageous position over time. An initial inability to fund R&D at the scientific-technological envelope makes it unlikely firms in those regions will be able to introduce significant innovations. This generally condemns them to low returns. Relatively low returns to their firms, and the correspondingly small positive multiplier effects in the domestic economy, then restrict the ability of poorer regions to participate in advanced R&D in the succeeding period. This in turn limits the ability of firms based in those regions to commercialise innovations in the future, limiting their future profit opportunities.⁵⁵

53 This correlation of funding sources and type of research is a generalisation from the contemporary national innovation system of the US. See Mazzucato 2013, Block and Keller 2011. Individual exceptions to the general pattern in the US today, and the modifications required to account for national innovation systems in different times and places, do not affect the main point: effective national innovation systems are extremely expensive to establish and maintain.

54 Nelson 1993. In Marxian terminology, successful innovations tend to enable the production and accumulation of relative surplus value to be increased in given region.

55 At the turn of the century more than 95 percent of all research and development was undertaken in the wealthy regions of the global economy, granting units of capital based in these regions with tremendous advantages in the world market (Helpman 2004, p. 64). Since then a higher proportion of global R&D has been subcontracted by multinationals to labs in poorer regions of the world economy, where scientific-technical labour is cheaper. This has reinforced, rather than limited, the advantages of multinationals from wealthy regions.

The causes of inequality and poverty in the global economy are varied and complex. Many are no doubt contingent. But the virtuous and vicious circles just described are not contingent in the capitalist world market. It is necessarily the case that wealthy regions tend to reproduce their relative advantages over time. The persistence of severe global inequality and poverty is an essential determination of global capitalism, as essential as the technological dynamism so lauded by its defenders.

Here too the normative significance of a dominant tendency in capitalist market societies can hardly be overstated. When the social forms of capital are in place, children born in different regions of the global economy with roughly equal capacities will not have anything approaching an equal access to resources, a comparable chance to develop their basic capabilities, or a fair opportunity to flourish by living the sort of lives they have most reason to choose. From the standpoint of the moral equality principle, the normative significance of this systematic pattern is undeniable.

Conclusion

Marx acknowledges the great benefits capitalism's unprecedented dynamism has brought to humanity, agreeing with liberals that it has furthered the provision of the material preconditions for autonomous agency and human flourishing more than any previous form of social organisation. But he does not agree that technological change within so-called free markets and relatively 'minimal' states allows individuals the greatest opportunities to live lives of their own choosing, as libertarians hold. Nor does he accept the liberal egalitarian assertion that all individuals could stand as equals in capitalist societies if only the proper political regulations were put in place. When technological development is subsumed under the valorisation imperative, technological changes in the workplace will tend to reinforce coercion in labour markets, domination in labour processes, and exploitation as the defining important feature of the capital/wage labour relation. Capitalism's dynamism also tends to generate overaccumulation, financial, and environmental crises, as well as severe global inequality and poverty. None of these tendencies is due to the inherent nature of technology. They are due instead to the historically specific nature of technological change when subordinated under the social forms of capital. The ontological perversity of capital, its inversion of ends and means, does not leave technological development unaffected. In our historical epoch technologies are not first and foremost means to further human flourishing; they are first and foremost means to the flourishing of capital, and they

will contribute to the sacrifice of human good whenever the good of capital demands it.

In Chapters 4 and 5, the Marxian challenge to liberal egalitarianism on an abstract level of social theory was presented. The present chapter has been devoted to developing this challenge on the more concrete level of the structural tendencies associated with the social forms of capitalism. Structural tendencies shape concrete historical developments, mediating the causality of individual agents and the properties of social structures.⁵⁶ It must be kept in mind, however, that specific historical developments cannot be logically deduced from structural tendencies. In concrete historical circumstances a variety of tendencies always operate simultaneously. Some tendencies modify others in a given set of circumstances. Some are modified by others. Some are modified as they modify. And some are neutralised altogether. In different circumstances the same systematic tendencies will play out quite differently.⁵⁷

This complexity opens the possibility that the sorts of tendencies discussed in this chapter could be modified in normatively significant ways. Perhaps they could even be put out of play entirely. As we shall see in the chapter that follows, this line of thought provides a way for liberal egalitarians to respond to the challenge posed by the Marxian theory critique of political economy.

56 Callinicos 2006, Chapter 6.

57 For a discussion of the complexities resulting from the simultaneous operation of a multiplicity of tendencies, see Smith 2005, Chapter 6.

A Liberal Egalitarian Response to the Marxian Challenge

If the 'core thesis' of liberal egalitarianism is that capitalist market societies can further human agency and flourishing when the proper background conditions are in place, the Marxian counter-thesis is that capitalist market societies necessarily tend to subordinate the good of human subjects to the good of capital. In the previous chapter this counter-thesis was illustrated by systematic tendencies to coercion, domination, and exploitation in the capital/wage labour relationship, economic slowdowns, financial crises, environmental harms, and severe inequality and poverty in the global economy.

In contrast to other perspectives in social theory, liberal egalitarianism recognises that capitalist market societies do indeed necessarily tend to generate normatively unacceptable states of affairs in normatively unacceptable ways. But its adherents do not see this as a refutation of their core thesis. Tendencies are just that, mere possibilities that need not ever be actualised. At this point in the argument, left liberals would insist, it remains open whether pernicious tendencies in generalised commodity production can be effectively neutralised and positive ones strengthened. The only relevant question here is whether a capitalist market society would function in a normatively acceptable manner if the proper background conditions were put in place. As we saw in Chapter 3, one of the main criticisms of Marx proposed by liberal egalitarian theorists is that he arbitrarily rules out this possibility. Marx jumped from the shortcomings in the capitalism of his day to the conclusion that no acceptable form of capitalism was possible in principle. This was an illicit 'hasty generalisation', a fatal error rooted in an indefensible *economism*, defined as an overweighing of economic matters in social life and a corresponding underestimation of the potential effectiveness of political reforms.

The first part of this chapter presents a critique of economism. The remainder considers specific liberal egalitarian proposals for putting the pernicious tendencies discussed in the previous chapter out of play.¹

¹ In other words, I shall not always be speaking in my own voice in this chapter.

The Critique of Economism

Most non-Marxists agree that Marx's embrace of 'economism' led him to drastically underestimate the scope within capitalism to address issues of serious normative concern. 'Economism' comes in a variety of forms. The least plausible holds that the political sphere is a mere 'epiphenomenon', mirroring developments in the economy while lacking distinct causal powers of its own.² One variant of this view is the 'instrumental' theory of the state, holding that the state apparatus is a mere tool used by the capitalist class to further its perceived interests.³ This simplistic view does not withstand scrutiny. For one thing, the capitalist class is not homogenous in its views; different members have different interests and different understandings of their interests. Modifying the position so that only the dominant faction of the capitalist class uses the state as its instrument will not do either; there are simply too many historical counter-examples, too many occasions when state policy diverged from what dominant factions of capital most wanted. In modern regimes with the democratic accountability of state officials, the presence of a reasonably open and dynamic public sphere, a system of checks and balances within the state apparatus, constitutional protections of fundamental political rights, and similar measures, the interests of other classes and non-class-based groups come into play. Political leaders must now worry about being elected and re-elected, and this requires mediating among divergent economic interests. This mediating role creates a space for autonomous action by state officials to pursue their own agendas, further complicating matters.

We must also recall that the state is a coercive apparatus. Legislation and regulations in tension with the perceived self-interests of the owners and controllers of capital may generate resistance from them. But we can assume that those who control the state's coercive apparatus have ample power to

2 An important debate within liberal egalitarianism today concerns the relative weight of states and a regime of global governance within a normatively acceptable institutional framework (see Chapter 2 above and Smith 2005, Chapter 4). The issues at stake in this chapter are not affected by the answer. For the sake of convenience I shall mostly focus on the state here, although it must not be forgotten that states are incorporated within a higher order unity, the capitalist world market (see Marx 1971, p. 253, Smith 2005).

3 The most notorious expression of this position is probably found in the *Communist Manifesto*: 'The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie' (Marx and Engels 1976, p. 486).

overcome this resistance.⁴ If there is sufficient political will to pass laws and formulate regulations, there should be sufficient power to enforce them.

Some interpretations of Marx's theory of the state focus on a claim that the content of state policies is determined by what is functional in the long run for capital in general.⁵ This position conceptualises the state as independent from the direct control of particular capitalists. Nonetheless, it clearly counts as a form of economism. Here too other interests besides those of capital are excluded. Here too that is a serious omission; once democratic mechanisms are in place, state officials cannot simply act as agents of capital in general, any more than they can see themselves as simply agents of particular factions of capital. Successful political coalitions will generally include a variety of factions from a variety of classes, alongside a variety of other interest groups not organised on a class basis at all (e.g. religious associations). There is a strong element of contingency with respect to what specific coalitions are successfully formed, the specific content of the policies those coalitions pursue, and the effectiveness with which they pursue their objectives in particular contexts, all of which implies an ineradicable element of contingency in the content of state policies. The claim that policies are always reducible to what is functional for capital as a whole seems absurd in the face of this contingency. Further, as already noted, state officials have interests of their own, not least their interest in being re-elected. If there were a sufficiently strong political will among the citizens of a democratic state for certain policies, it would be in the interests of state officials to respond to that sentiment, whether or not those policies were functional for the long-term interest of capital in general.

The most serious difficulties for a functionalist economism remains to be considered. Suppose state officials were solely dedicated to the long-term interest of capital. How could they possibly know what it was? The inherent uncertainty of the future rules out such knowledge in principle. Even worse, there is not a long-term interest of capital to know. Capital is radically open-ended. There are an indeterminate number of possible paths it could take, each with its own long-term requirements.

If neither instrumentalism nor functionalism provides an adequate account of the state, liberal egalitarians conclude, 'economism' must be rejected. The political realm must be seen as a separate sphere, with considerable autonomy from the economy and considerable power to regulate economic activity. If this autonomy and power is combined with democratic political institutions,

4 I abstract from the special case of 'failed states'.

5 The classic reading of Marx's theory in terms of functionalist explanations is Cohen 1978.

a space is created for reforming capitalism. Meaningful reforms have been implemented in the past, making capitalist market societies more normatively attractive from the standpoint of the normative commitments shared by liberal egalitarians and Marxists alike.⁶ Further reforms are not inevitable. But if they have occurred before, they can occur again. No one can determine their limits a priori. If normative advances can be continued and deepened, liberal egalitarians assert, surely there must be some point past which the normative adequacy of an institutional framework incorporating capitalism can be affirmed.

A Reform Agenda

An adequate defence of the core thesis of liberal egalitarianism requires more than a critique of economism. Specific proposals must be made suggesting how restrictions on autonomous agency and human flourishing in contemporary capitalism might be overcome. Examples of the sort of suggestions made by liberal egalitarians to check tendencies that would otherwise undermine its normative acceptability will be considered for each of the five tendencies discussed in the previous chapter.

The Capital/Wage Labour Relation

Marx's account of the capital/wage labour relation concentrates on three aspects that appear incompatible with equal concern and respect: coercion, domination, and exploitation. When one set of social agents privately owns a critical mass of both the non-human productive resources of the society and the goods and services required to meet human needs, while another set of social agents owns hardly more than a capacity to act, the members of the latter group are in effect *coerced* to sell their labour power as a commodity to members of the former set. How, Marx would ask, could we possibly speak of equal concern and respect when some are forced to serve as a means to the ends of others for most of their waking adult life? Similarly, when one set of social

6 A very incomplete list would include institutionalisation of the principle that all are equal under the law (as opposed, for example, to one law for the aristocracy and a different law for commoners), universal male suffrage, the extension of suffrage to women, the dismantling of 'Jim Crow' laws, the provision of unemployment insurance, the granting of rights to organise in workplaces, social security legislation that effectively ended poverty among the elderly, universal healthcare provisions, the extension of public education, legislation against domestic violence, and respect for civil and political rights regardless of sexual preferences.

agents has the power to impose its will unilaterally on the members of another set in the labour process, this *domination* in the workplace appears thoroughly incompatible with equal concern and respect. Labour power, finally, will only be purchased when those with money capital foresee that living labour will create more value in the labour process than what workers receive back in the form of wages ('surplus value', in Marxian parlance). If capitalism is functioning normally, this expectation is generally fulfilled. For Marx, then, structural coercion in labour markets and domination in labour processes culminate in *exploitation*.

The liberal egalitarian response is that coercion, domination, and exploitation would not be associated with the capital/wage labour relation if the proper background conditions were in place, neutralising the sorts of tendencies Marx discerned.

Coercion. According to the standard liberal view, institutionalising workers' right to form labour organisations is sufficient to eliminate the worst abuses in labour relations. Left liberals, in contrast, hold that eliminating the coercive element in wage contracts requires in addition a much more equitable distribution of resources than markets tend to generate.

Different theorists have proposed different rules for this distribution. Rawls, assuming that inequalities provide incentives furthering economic growth, insists that economic inequalities are normatively acceptable if members of the least advantaged groups share in the benefits of any resulting economic growth (with the additional condition that inequality cannot undermine an equal claim to basic liberties, fair value of political liberties to all, or fair equality of opportunity).⁷ Ronald Dworkin calls for a distribution of resources to compensate for bad brute luck (as opposed to the bad 'option luck' that can result from choices we have made).⁸ For Nussbaum and Anderson the equality that matters is being able to stand as an equal in social and political life, from which they deduce a universal right to be above that baseline.⁹ Ackerman recommends that all individuals receive upon reaching maturity a 'stakeholder grant' (in the range of \$80,000) that could be used for advanced education or for investment. Philippe Van Parijs has proposed granting a basic level of guaranteed income sufficient to enjoy an acceptable quality of life, providing 'real freedom for all'.¹⁰ Many other liberal egalitarians agree with Murphy and

7 Rawls 2001, Part II.

8 Dworkin 1981.

9 Anderson 1999; Nussbaum 2001.

10 See Ackerman 1980, Van Parijs 1998, Ackerman and Alsott 1999, and Ackerman and Van Parijs 2006.

Nagel that a progressive tax system could roughly approximate the normatively required distribution of resources.¹¹

These proposals may refer to an ideal that will never be fully attained in capitalism. But New Deal programmes and the Earned Income Tax Credit in the US, the successful income assistance programmes of Scandinavian countries, the effectiveness of the *Bolsa Familia* programme in reducing poverty in Brazil, among other examples, have already proven that it is possible to make the distribution of income more equal in capitalist market societies. There is no reason to think these programmes could not be extended further and new, even more effective, programmes added.

Policies establishing and maintaining full employment must also be mentioned in this context. The higher the employment rate, the more the labour market is a sellers' market, reducing the element of coercion in wage contracts. Rawls's theory of justice accordingly includes the demand for a 'stabilization branch of government' with the task of maintaining full employment.¹²

The technical details of these programmes are less important in the present context than the claim that a capitalist economy with, say, a sufficiently high basic income guarantee and full employment would eliminate coercion in labour markets resulting from an extreme asymmetry in bargaining power. Liberal egalitarians argue that if the political will were present to establish and maintain a sufficiently egalitarian distribution of resources and effective full employment, wage offers would not be coercive offers. With the proper background conditions in place, wage agreements would then tend to actually be what they otherwise cannot be: truly free choices to give up some leisure in return for the means to purchase additional goods and services.

Domination. Liberal egalitarians agree with Marx that when managers function exclusively as agents of investors, there is a strong tendency for members of the workforce to be treated as mere means to further the ends of others. New technologies and forms of social organisation tend to be introduced without adequately taking into account the fundamental interests of the workforce. Workers tend to feel alienated from their own activities, and to suffer normatively unacceptable levels of physical and psychological stress in labour processes.

The right to organise can at best somewhat mitigate these problems. Overcoming them, liberal egalitarians assert, demands a 'stakeholder' society where managers have a legal obligation to take into account the interests of subordin-

11 Murphy and Nagel 2004. See the discussion in Kymlicka 2002, pp. 79–87.

12 Rawls 1971, p. 276.

ates in the workplace (as well as communities, customers, and the public at large). Further, members of the workforce must possess enforceable rights to partnership in management. This could take the form of workers' councils with whom managers must consult whenever major decisions are taken. The extensive worker representation on a firm's Board of Directors along the lines of the German system of co-determination provides a model (49 percent of the members of the Boards of Directors of the largest firms represent the workforce). If workers have substantive rights of co-determination in the workplace, liberal egalitarians ask, how could the category of 'domination' still be applicable to labour processes?

Exploitation. If coercion stemming from asymmetrical bargaining power in labour markets were eliminated, and co-determination removed domination in labour processes, would not the systematic tendency to exploit wage labour immediately dissipate? Left liberals insist that exploitation in capitalism is not due to private ownership of the means of production per se, but rather to the excessive concentration of private property. If capital ownership and its benefits were widely and fairly dispersed, the category 'exploitation' would lose any normative force. The establishment of pension funds already complicates the issue of exploitation greatly by dispersing capital ownership and its benefits. 'Neoliberal' policies may have reversed this dispersal in recent decades, but the future is not foreordained. Reversals can be reversed. If sufficient political will were present, the dispersal of the benefits of capital ownership could be renewed and expanded. The 'stakeholder grant' proposed by Ackerman, for example, would provide a substantive fund to all young adults that they could invest in capital assets. Of course even with these reforms a social surplus beyond the returns flowing to workers would still have to be produced. But the appropriation by some of a surplus produced by others is not necessarily wrong. The very young and the very old do not 'exploit' working adults when they are cared for, nor do the infirm 'exploit' the healthy, at least not in any normatively relevant sense of the term.

No liberal egalitarian believes it is inevitable that coercion, domination, and exploitation will be abolished, making the capital/wage labour relationship normatively acceptable. The difficulties of implementing significant reforms are immense. Unfortunately, even cautious optimism regarding the prospects of meaningful reforms may not be justified in the short-term. When evaluating the 'core thesis' of left liberalism, however, that is not the issue. The question is whether a normatively acceptable variant of capitalism is possible in principle. If we reject economism it would seem to follow that some combination of constitutional rulings, legislation, and regulatory policies could in principle establish background conditions eliminating the coercion, domination, and

exploitation that would otherwise afflict the capital/wage labour relationship. The fact that significant normative advances have been made before, including advances that had at one time seemed utterly unimaginable, should make us hesitate before pronouncing the impossibility of further positive transformations. If slavery can be abolished and equal citizenship rights granted to women, then it would seem foolhardy to dogmatically insist that the injustices besetting capitalism today must inevitably beset it tomorrow. In democratic societies a civil society is in place, providing space for individuals and associations to advocate reforms. Cultural values endorsing fair opportunities are present too, along with democratic political mechanisms capable of bringing state officials to account. Last but not least, public policies based on the assumption that markets always and everywhere generate maximally optimal results have quite obviously and spectacularly failed. The capitalism of today need not be the capitalism of tomorrow.¹³

Overaccumulation Crises

The liberal egalitarian framework does not assume that there is a dominant tendency to equilibrium in capitalist markets, with supply and demand in balance and all markets clearing. Rawls obviously calls for a stabilisation branch of government because he discerns a strong (and normatively unacceptable) tendency to economic instability in market societies. The introduction of new technologies and forms of social organisation necessarily tends to have negative effects on firms associated with outmoded technologies and forms of social organisation. Some incumbent firms go under or are taken over; those able to continue operating are not as prosperous. From a left liberal standpoint the term 'overaccumulation' is a somewhat obscure way to refer to the fact that the prospects of still operating but no longer competitive firms tend to decline, as do the regions where they are concentrated. The employees of these firms (and other members of their households) tend to suffer normatively significant harms. If a number of key sectors are affected at once these phenomena can snowball into an extended economic downswing, harming things that matter greatly from a normative point of view: access to the resources needed to carry

13 Marxists should not be too quick to proclaim that significant reforms are impossible on the grounds that capitalism necessarily socialises individuals 'all the way down' to ensure compliance with the good of capital. It would then be impossible to explain significant progressive reforms of the past, most of which were strongly opposed by representatives of capital at the time. Even worse, it would be impossible to give a plausible account of how agents can arise with the capacity and motivation to undertake a world historical break from capitalism in the future.

out life plans; the development of essential human capabilities; a social space for the exercise of autonomous agency; and well-being, understood as living the sorts of lives we have most reason to choose.

Rawls's stabilisation branch is charged with effectively implementing polices to avoid extended economic downturns, and to minimise the damages caused by less serious slowdowns. Marx's economism dogmatically rules out the possibility that something like Rawls's proposed branch of government could accomplish this task. But there are policies that would minimise the social harms of economic crises without dismantling the role of market prices and profits as signals to investors to shift investment from declining sectors to more promising ones:

- A spiral of decline can commence when the lost purchasing power of uncompetitive firms and their employees is not sufficiently compensated by the gains of new enterprises and their workforces. This spiral can be avoided by increased government spending during the transition to new technologies and forms of social organisation are adopted. Rawls's discussion of the 'stabilisation branch' alludes to this measure to compensate for demand shortcomings in the private economy and thereby avoid a vicious circle where lower investment and real wages leads to loss of aggregate demand, causing bankruptcies and unemployment, setting off a further loss of aggregate demand and another wave of bankruptcies and layoffs. There is considerable evidence that this sort of policy is indeed effective.¹⁴
- Even if counter-cyclical state spending is able to maintain stability on the macro level, older technologies and practices must still often be abandoned in a dynamic economy. Intelligent public policies can minimise the costs of this transition, stabilising lives on the micro level. Many of the measures modifying the capital/wage labour relation suggested in the previous section would also automatically tend to minimise the harms inflicted by economic slowdowns. The more the workforce was a partner in workplace relations, for example, the more new technologies could be introduced in ways that did not disrupt workers' lives in avoidable ways in regions in transition. Basic income guarantees, distribution to all citizens of a share in equities, and so on, could help ensure that those suffering from technologically induced unemployment would be able to maintain an acceptable standard of living. A state committed to full employment would minimise the length of time

14 Regions with governments that instituted such polices in response to the Great Recession of 2008 did far better than those that did not, as Paul Krugman has shown (Krugman 2013).

spent in unemployment by providing re-training programmes emphasising new skills required by the new technologies, and by providing jobs directly as a last resort. Programmes subsidising the costs of workers moving to regions where firms and sectors employing new technologies were prospering would also limit the harm from technological change, although the need for this type of programme would be greatly lessened by effective public policies in regions that had fallen behind.

- Referring to John Stuart Mill's discussion of the 'stationary state', Rawls claims that the members of advanced capitalist economies are free to decide at some point that they are wealthy enough, and that further growth is not necessary, and may even be harmful.¹⁵ The closer a society is to the stationary state, the easier it will be for the stabilisation branch to stabilise the economy and avoid the normatively significant harms associated with severe economic downswings.

Liberal egalitarians do not have to argue that measures such as these would magically make capitalist markets approximate the neoclassical fantasy of perfect equilibrium. Nothing can ensure that all markets automatically clear all the time. But liberal egalitarians do believe it is reasonable to think that these sorts of measures could in principle ensure that the social consequences of disequilibrium would remain within normatively acceptable limits. And that is what matters here.

Financial Crises

Left liberals insist that capitalism works best when the financial sector allocates investment efficiently to the firms and sectors promising to meet social wants and needs effectively. Financial capital then fulfils its essential role as an important means to the end of human flourishing. Unfortunately, the very factors that enable the financial sector to play this role also enable financial investors to invert the proper relationship between means and ends, with profit from financial speculation treated as an end in itself. When this occurs, paroxysms of 'irrational exuberance' are capable of generating unsustainable speculative bubbles, debt levels exceeding rational bounds, and recurrent financial crises, all of which undermine human flourishing in profound ways.

The mispricing of financial assets in speculative bubbles and the corresponding excessive returns from speculative investments are conspicuous cases of market failure. Here as elsewhere, the liberal egalitarian answer to

15 Rawls 1999a, pp. 106–7.

systematic market failure is systematic market correction; if market failures persist, that is due to a persistent political failure to regulate the financial sector adequately. According to liberal egalitarian theorists this failure of political will is not inevitable. After all, there have been extended periods in the history of capitalism that were not beset by massive speculative bubbles, debt imbalances, or financial crises. Liberal egalitarians conclude that these phenomena are not necessary features of capitalist societies. They are tendencies that can be put out of play. Here too hasty generalisations must be avoided.

It is not difficult to formulate proposals to check the tendency for financial capitals to exceed its proper role. One regulation by itself might well remove most of the normative problems associated with financial capital: the simple requirement that banks and other financial institutions hold more of their assets in the form of equity.¹⁶ When little equity is required, banks and bank-like institutions can obtain tremendous returns by leveraging their investments with borrowed funds. Under this arrangement it is rational from the standpoint of the owners and managers of financial institutions to take risks that are unquestionably irrational from the standpoint of society as a whole. When bets pay off, vast fortunes can be won; when they don't, small amounts of the unit's own funds are lost. Needless to say, this diagnosis is strengthened when extensive losses from mistaken investments are socialised through deposit insurance and government led bailouts, compounding a sin of omission (the failure to regulate adequately) with a sin of commission, so to speak. Requiring a higher level of equity on the asset side of balance sheets would automatically change the calculations of financial institutions. Individual and social assessments of risks and benefits would tend to converge.

There is no shortage of other proposals that, if implemented, promise to return financial capital to its proper, more limited, social role.¹⁷ It seems reasonable to conclude that there is nothing in principle condemning capitalism to recurrent financial crises. They could be avoided, if the political will to impose adequate regulations were present.

16 This proposal is forcefully defended in Admati and Hellwig 2014. It is a bit shocking to realise that in 2014 the largest US banks were still 95 percent debt-financed (Johnson 2014).

17 A comprehensive summary is found in Blinder 2013. Increased 'transparency' is high on all lists of reforms. According to the Financial Stability Board, an international body of regulators, the shadow banking system actually *grew* after the Great Recession, from \$62 trillion in worldwide assets (2007) to \$67t four years later (Coy 2012, p. 54).

Environmental Crises

Here too the root problem is a systematic tendency to market failure. And here too the left liberal answer to systematic market failure is systematic market correction by responsible political authorities.

In the case of environmental harms, the market failure is rooted in the fact that parties to economic transactions generally do not internalise the costs of environmental harms, making them negative 'externalities' of production and exchange. While market competition operates as a strong mechanism leading economic agents to minimise their internal costs, there is no comparable mechanism leading them to minimise external costs such as pollution and the depletion of resources. The result is environmental crisis, considered by increasing numbers of mainstream economists as the single greatest example of market failure in world history.¹⁸

A powerful tendency to market failure does not imply that market failure is inevitable. In capitalist societies under the rule of law, legitimate economic activities must remain within legal parameters. These parameters can be adjusted if there is a political will to do so. Refrigerators and other appliances once made use of chlorofluorocarbons that eroded the ozone layer when released, increasing the solar rays reaching the earth's surface and thereby causing rates of skin cancer to explode. Gasoline once included lead, seriously hampering the cognitive development of children living in areas with concentrated gasoline fumes. Laws were passed and regulations imposed in response to the growing awareness of the causes of these harms. Today the environmental harms from the use of chlorofluorocarbons and leaded gasoline have been tremendously reduced. It would be foolish to think that legislation and regulation effectively addressing environmental challenges are automatically implemented. But it would be no less foolish, liberal egalitarians insist, to deny that states have the legitimacy and the coercive power to provide the required legislation and regulation. In democratic societies there is a public space where a collective will can be formed in favour of such policies, and there are electoral mechanisms to translate social demands of this sort into politically effective demands. Hasty generalisations rooted in economic assumptions do not provide good reason to assume *ex ante* that democratic institutions will inevitably fail to respond adequately to a public consensus that environmental catastrophe be avoided when that consensus is strong. The task now, left liberals conclude, is to win the debate in the public sphere.

18 This is the view of Nicholas Stern, the former chief economist of the World Bank (Stern 2007).

Global Injustice

By this point in the argument the general form of the liberal egalitarian response to specific Marxian criticisms of capitalist market societies should be clear enough. Unlike libertarians, liberal egalitarians do not dispute that capitalist market societies necessarily tend to generate normatively unacceptable results. But, they assert, effective regulation can put the pernicious tendencies out of play. As we have seen in previous cases, they appeal to both theoretical and historical considerations in support of this thesis.

Many of the normative problems arising on the level of the global economy are simply variants of problems arising within national economies. If the capital/wage labour relationship between domestic units of capital and a workforce of citizens is susceptible to coercion, domination, and exploitation, the same holds for relationships between foreign units of capital and local workers, or domestic firms and immigrant labour. And the same factors that tend to create industrial, financial, and environmental crises in domestic economies tend to generate these crises on the level of the world market. From a practical point of view, matters may be greatly complicated on the global level. But as far as the theoretical issues are concerned, the basic liberal egalitarian position is unaffected. Just as political regulation on the level of the national economy can in principle enable the domestic economy to function in a normatively acceptable manner, political regulation on the level of the global economy can in principle result in a world market operating in a normatively acceptable fashion.

As we saw in Chapter 2, Rawls presents a fairly 'minimalist' view of what this might require (basically, a mutual agreement among 'peoples' to respect each other's sovereignty in the absence of severe abuses of basic human rights). In his later writings on the 'law of peoples' he reaffirms the position taken in *A Theory of Justice* that the state is the ultimate site of justice. Conspicuously absent from Rawls's law of peoples list is anything like a global difference principle asserting that global inequalities are just if and only if they benefit the least advantaged in the world market. For Rawls, that principle is only appropriate when we are considering a division of the benefits of mutual cooperation within a given 'basic structure'. In his view this condition is not met on the level of the international economy.

Many contemporary liberal egalitarians reject Rawls's picture. In their view the web of economic, political, and cultural interconnections across borders has become so thick that a higher order 'basic structure' has emerged, one that is thoroughly inadequate from a normative point of view as presently constituted. While no prominent left liberal advocates the formation of anything like a world government, cosmopolitan ethicists do call for a new regime of global

governance more extensive and intensive than Rawls's. For Pogge, the present global regime transgresses the perfect obligation to not impose significant and avoidable harm on others. It does this through the 'international lending privilege' granted to rapacious local elites, who personally dispose of vast amounts of funds borrowed from global capital markets in their countries' name. And it transgresses the perfect obligation to not harm through the 'resource privilege' allowing elites to privately appropriate the returns from selling the natural resources of the territory they control, leaving the long-term costs of debt and resource depletion to others. Appealing to the (Lockean) premise that untransformed natural resources are owned in common, which implies an equal right of the poor to share in the benefits of their use, Pogge calls for a global system in which those previously excluded from the benefits of the sale of resources share in those benefits. More specifically, he proposes a 'global resource dividend', with a relatively small percent of the selling price of natural resources collected and allocated to demonstrably effective anti-poverty programmes.¹⁹ Other cosmopolitan ethicists have called for global anti-poverty programmes on the grounds of a universal positive right to enjoy the prospects of a decent life, meet basic needs, have basic liberties protected, and enjoy fair terms of cooperation in collective endeavours.²⁰

All liberal egalitarians call for an end to pernicious double standards on the level of the global economy.²¹ When poor nations fall into excessive debts, international agencies controlled by wealthy states forced harsh structural adjustment programmes upon them. Great suffering is imposed on vulnerable populations that did not benefit from the international borrowing privilege exploited by domestic elites. These agencies have for the most part not imposed comparable levels of suffering on wealthy nations with massive debts. Wealthier states have also continued to protect firms operating in sectors where poorer regions have a competitive advantage (textiles, agriculture, etc.) from imports, while simultaneously lavishing privileged firms and sectors with generous direct and indirect subsidies.²² Poorer regions, in contrast, face immense political and economy pressure to dismantle comparable programmes.

For some prominent liberal egalitarians, the measures considered in previous paragraphs are sufficient to show that any tendency to global injustice in capitalism can be overcome. For example, Thomas Pogge, who has done

19 See Pogge 2001 for details.

20 See, for example, Shue 1996, Brock 2009, Chapter 3, and the articles collected in Beitz and Goodin 2011.

21 A representative account can be found in Brock 2009, Chapter 9.

22 Mazzucato 2013.

as much as any other philosopher to call attention to severe inequality and poverty in the contemporary global system, does not see any powerful drive immanent in workings of the global economy to produce severe inequality and poverty. He places the entire blame for this state of affairs on the lasting ('compounding') effects of the political sphere, in specific, the after-effects of political colonisation, an international legal system that grants a 'resource privilege' and 'borrowing privilege' to the rulers of kleptocracies and abusers of their subjects' human rights, the double standards of strong states, the inability of weak states to resist unfair agreements, and so on: 'Present radical inequality ... demonstrates the power of long-term compounding more than powerful centrifugal tendencies of our global market system.'²³ He implies that were it not for such political distortions of the global order, no normatively significant issues would arise on the level of the world market. And he holds that the major injustices of the neoliberal global order can be avoided with such minimal adjustments to that order we would hardly notice. He writes, 'I think minor modifications of the global economic and political order would suffice to eradicate most present human rights deficits.'²⁴ In my view this striking claim is in tension with Pogge's own robust notion of substantive equality. Be that as it may, in the present context the most germane issue is whether the normative problems here are really due primarily to political arrangements and policies?

Strong echoes of Ricardo's theory of comparative advantage can be heard in Pogge's denial of 'centrifugal tendencies' in the world market. Since this theory has been immensely influential in normative assessments of the global economy (including those of many left liberals), it is worth taking a moment to consider it more closely. We will then be in a position to consider what I take to be the most powerful liberal egalitarian position in debates about global justice.

Summarising the standard comparative advantage story, suppose England produces textiles more efficiently than Portugal, while Portugal enjoys higher levels of productivity in the wine sector. If each nation specialises in the sector where it has an absolute productivity advantage, more total textiles and more wine will be produced in the world market as a whole than will be the case when each nation attempts to be self-sufficient in both commodities. Specialisation and foreign trade therefore allow more of the wants and needs of the citizens of each nation to be met. It is not intuitively obvious that the same conclusion holds if one nation enjoys an absolute advantage in both sectors.

23 Pogge 2001, p. 66.

24 Pogge 2010a, p. 208.

Ricardo, however, argues that this is in fact the case whenever 'opportunity costs' in the regions differ. Suppose Portugal enjoys an absolute advantage in the production of both wine and textiles, but it must give up more units of wine to produce an extra unit of textiles than England would have to give up. While England may lack an absolute productivity advantage in the production of textiles, it still enjoys a 'comparative advantage' in this sector, since its opportunity costs are lower than Portugal's. If each nation specialises in the sector where it has a *comparative advantage*, greater output of each commodity will be produced in the world market as a whole. Specialisation and foreign trade therefore make it possible for more of the wants and needs of the citizens of each nation to be met.

If the principle of comparative advantage were true, over time we would expect a general tendency for convergence to dominate in the world market. We could then conclude that any normative problems associated with global economic disparities were due to political factors, rather than economic ones. There is, however, a major difficulty: *the principle of comparative advantage presupposes that investment capital does not move across borders*. Ricardo explicitly notes that if investment capital were mobile and one region enjoyed an absolute productivity advantage over another in all relevant sectors, capital would tend to flow to it from the less productive region, *even in sectors where the latter possessed a comparative advantage*. Ricardo's argument presupposes a global order in which investors in a country lacking an absolute advantage in relevant sectors will not 'seek a more advantageous employment of their wealth in foreign nations'.²⁵ This assumption, however, obviously cannot be made for the contemporary global economy, where 'emigration of capital' will tend to occur whenever that appears to be the most profitable option.

Other liberal egalitarian social theorists, acknowledging the irrelevance of the principle of comparative advantage in a world of global capital flows, strongly disagree with Pogge's assertion that there are no strong centrifugal tendencies in the global economy. One dimension of an immensely complicated issue must suffice here, but it is a crucial one. Just as technology is a

25 'Experience, however, shows, that the fancied or real insecurity of capital, when not under the immediate control of its owner, together with the natural disinclination which every man has to quit the country of his birth and connexions, and intrust himself with all his habits fixed, to a strange government and new laws, check the emigration of capital. These feelings, which I should be sorry to see weakened, induce most men of property to be satisfied with a low rate of profits in their country, rather than seek a more advantageous employment of their wealth in foreign nations' (Ricardo 1970, pp. 136–7, quoted in Cobb and Daly 1997, p. 214).

major weapon in inter-capital competition in national economies, it is a major weapon as well in the competition among regions in the world market, determining which flourish and which decline. It takes considerable wealth to establish a national innovation system granting firms within it the chance to operate at, or close to, the scientific-technological frontier. Given the extensive costs, units of capital from wealthy regions tied to effective national innovation systems have a tremendous competitive advantage in global competition against producers from poorer regions, since innovation is a major weapon in this competition. The success in global markets in one period (with all its multiplier effects) provides resources for maintaining and expanding the national innovation system in the next, making both innovations and success in global markets in the following period more likely. The other side of the coin is a vicious circle in poorer regions, where the inability to establish an effective national innovation system drastically limits the scope of process and product innovations, thereby lowering the chances of obtaining resources required to engage in R&D at the scientific-technological envelop in future periods. *Pace Pogge*, there is a dominant centrifugal tendency in the capitalist world market, rooted in this conjunction of a virtuous cycle in wealthy regions and a vicious cycle in poor ones. You do not have to be a Marxist to comprehend that there is a tendency to uneven development in the world market.²⁶

If the tendency to uneven development operated unchecked, those born in some regions would necessarily tend to enjoy opportunities to appropriate a disproportionate share of the benefits of the global 'basic structure', while those born in other regions would tend to be left behind. Since place of birth is as arbitrary from a moral point of view as race or gender, it would be difficult indeed to argue that this state of affairs was consistent with equal respect and concern for all persons. If the 'core thesis' of liberal egalitarianism is to be defended, there must be good reasons to think that the strong tendency for global capitalism to produce, reproduce, and exacerbate severe global inequality and poverty can be put out of play. Liberal egalitarians who perceive what is at stake believe there are ample theoretical grounds and historical examples to affirm that this is indeed the case.

A few centuries ago England had a considerable technological advantage over the United States and Germany. Rather than accept the subordinate place in the world market dictated by their given 'comparative advantages', the US and Germany constructed variants of what has been termed the *developmental*

26 Reinert 2008 provides a comprehensive overview of the main left liberal arguments. See also Stiglitz 2002.

state model of capitalism, developing advantages that had not existed before. This state form stands in stark contrast to the ‘nightwatchman’s state’ so beloved of British theorists in the nineteenth century.²⁷ The precepts of ‘free trade’ were ignored; the economy was not allowed to be a ‘spontaneous order’ emerging as an unintended macro-level result of millions of micro-level decisions. Economic activity was instead subordinated to the principle of national development.

The particularities of different versions of developmental states cannot be explored here. An ideal type of the ‘development state’ must suffice, defined by the following features:

- State expenditures and policies are consistently directed over time to create an effective national innovation system, including measures such as direct state funding of R&D, support for the education and training of a scientific-technical workforce, government procurement policies offering secure markets to innovating companies, tax breaks for R&D, accelerated depreciation of investment in equipment embodying advanced technologies, and so on.
- State officials instruct agents in the financial system to provide innovating firms with abundant access to cheap credit, with mechanisms in place to ensure this directive is carried out effectively. If the banking system is nationalised, guidance can be conducted through formal channels. Informal guidance without nationalisation can in principle be equally effective.
- Foreign capital inflows into the financial sector are restricted in order to maintain the state’s capacity to offer effective guidance (foreign investors are much less likely to acquiesce to state directives).
- Restrictions on capital outflows from the domestic financial sector are also required, preventing domestic banks from pursuing foreign investments that promise higher returns than those generated by extending of credit to domestic firms.
- Firms at a considerable technological disadvantage in global competition are protected from competition while they are in the process of catching up to the scientific-technical frontier. Significant tariff and non-tariff barriers against competing imports are imposed (combined with state support for imports of necessary inputs into production that the domestic economy cannot produce itself).

²⁷ And so irrelevant to Britain’s own rise to global dominance, as Reinert 2008, Chapter 3, and Desai 2013, Chapter 2, document.

- Measurable benchmarks are established by the state to ensure that the firms benefitting from access to cheap credit and protection are in fact successfully catching up to the technological level of leading competitors in the world market. Sanctions are imposed on those that are not.

In the view of liberal egalitarians, the success of the US and Germany in the nineteenth century, of Germany and Japan after the horrific destruction of World War II, and of South Korea, Taiwan, and other countries in East Asia in more recent decades, shows that poor regions in the global economy are not condemned to remain poor. There are no guarantees. But the successes of the developmental state model provide conclusive proof that ‘catching up’ is an objective possibility.

The present global order systematically provides individuals comparable in every relevant way with radically different opportunities to live the sort of lives they have most reason to choose, due to the morally arbitrary fact of being born in different regions. No global order with this property can be normatively affirmed from a liberal egalitarian standpoint. But just as proper political regulation can put other normatively problematic tendencies of play, the tendency to global injustice can be put out of play by the developmental state. In principle, any region anywhere can in principle generate technological advance, economic growth, and improved living standards. The great success stories of globalisation appear to spectacularly corroborate this claim. In East Asia, after all, more people have been lifted out of poverty at a faster rate than ever before in human history. Liberal egalitarians conclude that their ‘core thesis’ remains rationally defensible.

So far the reasoning has been reminiscent of Rawls’s emphasis on the state as the primary site of justice. There is, however, a serious complication: the success of the developmental state project does not rest solely on the policies of the domestic state in question. ‘Strong’ states in the global order must acquiesce, at least to the point of not using their power to impose a global regime of free trade and unrestricted capital flows, thereby ruling out effective developmental states. Citizens of strong states have a significant normative responsibility to prevent the political elites ruling in their name from imposing such measures.²⁸ Social movements for global justice must also struggle to prevent strong states from protecting and subsidising favoured industries in markets where poorer regions are competitive, and to abolish the international resource and borrowing privileges. These movements must also ensure that

28 Stiglitz and Greenwald 2014.

adequate levels of international aid are provided in cases where no matter how competent and honest political administrators might be additional resources are needed to escape the poverty trap. There are no guarantees that global justice movements will prove successful. Once again, however, liberal egalitarian theorists point to a democratic public sphere where the political will to overcome systematic tendencies to global injustice can be consolidated, as well as electoral mechanisms to translate that political will effectively into the policy formation process.²⁹ The practical intent of liberal egalitarian theory is to contribute to the democratic political will-formation process necessary to put the tendency to uneven development out of play.

The institutionalisation of liberal egalitarian values on a global scale will require far more than ‘minor modifications of the global economic and political order’. It will most likely require a new form of world money along with a new ‘international financial architecture’ discouraging massive global imbalances between deficit regions and surplus regions. When the dominant form of world money is a national currency, elites in the home region of that currency are likely to abuse the privilege, appropriating an unfair portion of global output in return for pieces of paper. Other regions in the global economy that fall into significant deficits are not so fortunate. They find themselves forced to bear an unfair share of the burdens of adjusting to global financial imbalances, despite the fact that surplus regions are no less responsible for the imbalances (for every ‘irresponsible’ borrower there is an ‘irresponsible’ lender), despite the fact that few in the deficit regions benefitted when the international borrowing privilege was abused by domestic elites, and despite the fact that households in deficit regions are generally far more vulnerable than those in surplus regions.

Left liberal proposals for a feasible alternative to this normatively unacceptable state of affairs build on Keynes’s recommendations for reforms in the course of the Bretton Woods negotiations. Keynes called for 1) a new form of world money along the lines of the ‘special drawing rights’ that the International Monetary Fund has made available on a relatively small scale, 2) rules requiring adjustments in both surplus and deficit regions when imbalances begin to become excessive, and 3) an international agency with control over the flows of the new world money enabling it to enforce those rules. The fact that his suggestions were vetoed by the United States does not mean they are not feasible in principle. Paul Davidson and other Post-Keynesian economists have argued persuasively that nothing that has occurred in the intervening decades

29 See Habermas 1996 and Pettit 2012 for paradigmatic liberal egalitarian arguments for these key claims.

has lessened the relevance of Keynes's proposals. Quite to the contrary, the need to develop and implement some version of them has been made even clearer.³⁰ Once again, it is simply a matter of the political will; the technical details do not impose fatal obstacles.

It is time to conclude this chapter. Liberal egalitarian replies to the Marxian arguments presented Chapter 6 have been examined. These replies are based on a rejection of the 'economism' (supposedly) underlying the Marxian perspective. If legitimate economic activity occurs within a legal framework established and enforced by a coercive state apparatus, fully capable in principle of holding any economic agent flaunting the rules that have been enacted to account, then the only relevant question is whether there are feasible reforms that could in principle ensure that capitalist market societies tend to function over time in a normatively acceptable manner. The specific proposals considered in this chapter support a positive answer.

For left liberals, the fact that reforms counting as significant normative advances have been made before, including reforms that had at one time almost universally been considered utterly impossible, strongly suggests that further reforms are feasible. Unfortunately, even cautious optimism for the near term prospects of significant reforms may not be justified, given the continuing strength of the 'politics of selfishness' in the US and elsewhere. But the major issue in dispute here does not have to do with such contingencies. The question is simply whether capitalism can in principle operate in a normatively acceptable manner. The considerations discussed in this chapter seem to provide strong reasons to think it can.

30 Davidson 2002 and 2009 present a strong case for this thesis from an explicitly liberal egalitarian perspective.

Towards a Marxian Theory of 'The Political'

This chapter begins with a closer investigation of some general issues regarding 'economism' and the capacities of states. The remainder is devoted to a critical assessment of liberal egalitarian proposals to put malign tendencies in capitalist market societies out of play.

Five Theses on the Capitalist State

For most social theorists it is self-evident that Marx was an economic reductionist of some sort or other. How could a social theory proclaiming capital the dominant 'subject' in society not be guilty of granting the economic sphere primacy over other dimensions of social, political, and cultural life?¹ And are there not numerous passages in his corpus where Marx discusses the state in clearly instrumentalist or functionalist terms?

Marx never wrote the Book on the State he originally intended, and so we are left trying to fit together scattered passages as best we can. There are certainly statements in Marx's writings that seem to assert that the political sphere is ultimately reducible to economic factors. I shall argue, however, that the best 'all things considered' reading absolves Marx of the charge of economic reductionism. The case will be presented through five theses on the relationship between the economic sphere and the political sphere in capitalism.

1 *There is an Element of Truth in 'Economist' Theories of the State*

However one-sided and ultimately inadequate they may be, there is an undeniable element of truth in instrumentalism and functionalism. History and contemporary social science document numerous cases where those who own and control capital direct state officials to further their private interests through corrupt payouts, private funding of campaigns, the capture of regulatory agencies, and so on. There are numerous other cases where state agents operate as the de facto representatives of the general interests of owners/controllers of capital (or a particular faction of capital) without any personal control having

1 Marx 1976a, p. 255.

to be exerted by the latter over the former, due to shared cultural ties, educational backgrounds, ideological beliefs, the hope of future lucrative employment in the private sector, and so on. Also, while ruling blocs may include various non-capitalist group interests, ruling blocs in capitalist societies tend to be dominated by hegemonic factions of capital, as Gramsci explained in his *Prison Notebooks*. And it is close to a tautology to assert that in the long run successful regions of capitalist development tend to be those where political authorities provide what is 'functional' for capital in general (basic research, infrastructure, education, enforcement of property rights, and so on).

In all these cases, recognising the causal influence of the economy on political apparatuses is simply good empirical social theory, not dogmatic 'economism'. It is good normative social theory as well, since these states of affairs are associated with a class bias in public policies that conflicts with the democratic values associated with the principle of equal concern and respect.

2 *State Policies are Radically Indeterminate*

Speaking loosely, the previous point can be summarised by saying that the content of state policies is causally affected by economic power. Marx, however, was also aware that an exclusive focus on the economic determination of the content of political policies is not adequate. In his writings we learn that sometimes state policies strongly opposed aristocratic enclosures of common lands, on the grounds that destroying the yeoman class would harm the backbone of the British infantry. At other times government policies encouraged enclosures. Sometimes state officials supported restrictions on the length of the working day. At other times they did not. Sometimes workplace practices transgressing state legislation were ignored. At other times state officials were sent into factories to document illegal abuses. On some occasions state officials responded to financial crises in ways that served the immediate interests of bankers; at other times they were willing to harm those interests. Sometimes military excursions were clearly intended to bring economic benefits to favoured groups. In other cases, military moves made on the global 'chessboard' clearly had their own 'logic', with foreseeable effects on domestic economic interests at best a secondary factor.

To put the thesis as sharply as possible: there is not a sentence in Marx's critique of political economy, his political essays, or his journalistic endeavours, that implies that the concrete political policies adopted in a particular context can be reliably predicted from a list of economic considerations, no matter how long such a list might be. State policies are radically indeterminate.

3 *The Relationship between the State and the Economy is Characterised by Reciprocal Causality*

In Marx's framework it is not just the case that the content of state policies exhibits a high degree of autonomy and indeterminateness vis-à-vis the economy. *The causal arrows go in both directions*, from the political realm to the economy no less than the reverse. No one who has read Part VIII of the first volume of *Capital* could fail to be struck by the central causal role Marx assigned the state in the historical emergence of capitalism. No one who has read *The Eighteenth Brumaire*, or Marx's journalistic writings for the New York Tribune could fail to be struck by the important causal role granted the state at other key moments of capitalist history.²

Acknowledging the extensive autonomy of state activity is fully compatible with Marx's concept of capital. The dynamic homeostatic process by which capital is maintained and expanded over time is astounding in its flexibility; an indefinite number of different and incompatible concrete paths are compatible with capital accumulation.³ An essential part of this radical open-endedness is the capacity to adjust to state policies. A vast range of state policies are compatible with capitalist development, including policies perceived at a given time to go against the short- and long-term interests of capital. Ironically, the strongest advocates of capital drastically underestimate it when they resist these policies, overlooking capitalism's astounding flexibility. Capital is pure form. There is no one content that the capital accumulation process must take, and no one content the capitalist state must take to be consistent with accumulation. The content of both is radically open-ended.

A paradigmatic instance of this dimension of the complex relationship between capital and state is described in great detail in Volume 1 of *Capital*. It was long thought that political restrictions on the length of the working day were fundamentally incompatible with the reign of capital.⁴ This proved to not be true. In fact, the need to adjust to state legislation restricting the length of the workday provided a tremendous spur to what might well have been the single most significant moment in capitalism's internal development, the historical transition from manufacturing to machinofacture.⁵

² See, for example, Marx 1980.

³ De Angelis 2007.

⁴ According to Senior's 'last hour' thesis, the output of the last hour was the source of the owner's profit, and so eliminating that last hour would be the elimination of profits altogether. Marx rightly ridiculed this idea (Marx 1976a, pp. 333–8).

⁵ The systematic subordination of science and technology under capital (the so-called 'knowledge economy'), and the associated real subsumption of living labour under systems of machinery embodying the 'general intellect', both emerged in the period of machinofacture.

We may define ‘strong economism’ as the claim that the economic sphere tends to determine the political sphere without itself being affected by the latter, and take ‘weak economism’ to refer to the assertion that the economy has a determining influence on the political sphere much greater than any reverse influence. Marx did not accept either form of economism. In his account, and in the best theoretical and historical works in the Marxian tradition, there are moments when the causal impact of the political process on the economic sphere is far greater than the reverse, including some of the very most important moments in the history of modern capitalism (its initial emergence and consolidation, the transition to machinofacture, etc.). If anything, it would be more accurate to say that Marx’s writings establish that the historical development of capitalism periodically *requires* external spurs from the political sphere.

The three theses on the state considered thus far seem to be compatible with the core thesis of liberal egalitarianism. If the content of state policy is radically indeterminate, and if the state can have a strong causal effect on the economy, then there would not seem to be any good reason to dismiss the core liberal egalitarian thesis. It would seem, in other words, that a series of incremental reforms could push capitalism down a path overcoming whatever normative shortcomings may beset it at the given time. The first thesis above, affirming the moment of truth in instrumentalist and functionalist perspectives on the state, rightly points to the difficulty of implementing significant reforms challenging incumbent economic interests. But no liberal egalitarian would deny that there are immense difficulties.⁶ That, however, is only one side of the story. In a civil society institutionalising rights to public discourse there is space for processes of political will-formation culminating in a call for policies furthering a public good different from – and perhaps even opposed to – what representatives of capital take to be the good of capital. Those demands can then be made politically effective through the institutions of popular sovereignty. Without knowing precisely how capital will react to their implementation, it would appear justified to have confidence that capital will successfully adjust, as it has in the past.

Before accepting this happy conclusion, two more theses must be considered. They bring us to what I take to be the deepest level of a Marxian perspective on the political sphere and its relationship to economic life.⁷

6 For example, almost all its most prominent advocates (including Rawls, Habermas, and Sen) have articulated very forceful criticisms of the role of money in contemporary politics, pointing out the difficulties this poses for progressive reforms.

7 What follows has been greatly influenced by Murray 1988, Chapter 17; Lacher 2006; Rosenberg 1994; and the writings of Ellen Meiskins Wood (e.g. Wood 2002).

4 *Capitalism is Defined by a 'Bifurcation of the Political'*

Given the all but universal acceptance of the economistic reading of Marx, it is a bit ironic to realise that the heart of his theory of the state is not the assertion that 'the political' is merely of secondary importance. It is instead the assertion that the structures and practices of capitalist market societies systematically generate an impoverished form of 'the political', reflected in mainstream theories across the spectrum. The political dimension of social life has a far greater scope than has been recognised; to complain of 'economism' here is to miss the point entirely.

In pre-capitalist class societies, the political nature of the key social relations was reasonably transparent. On the one side there were slave owners; on the other slaves, producing a surplus then appropriated by their masters. Or there were lords and serfs, with serfs producing a social surplus appropriated by lords. In yet other contexts warrior aristocrats demanded tribute from independent peasant households. In all these cases it was fairly clear to all concerned that the surplus extraction process was a political relationship of domination, although the factors underlying that relationship were often obscure (physical coercion, the dead weight of custom, religious worldviews condemning disobedience to superiors as heinous impiety, the pursuit of self-interest within given constraints, an inability to imagine alternatives to the given constraints, and so on). To simply say that in pre-capitalist societies there was no distinct 'economic' sphere separate from the 'political' realm would be far too weak. The very idea of there being an economic relationship of classes distinct from political relations of domination was unintelligible.

In capitalist market societies matters appear to be quite different. The process of producing and distributing goods and services is mediated by the decisions of individual persons to exchange commodities and money. State officials provide the background conditions for these choices and then step aside. With these structures and practices in place there appears to be a 'natural' separation of the economic sphere and the political sphere, however much each is the necessary complement of the other. Marx insists that we must examine this separation critically, rather than take it as a given.

Two questions must be posed at this point. First, is capitalism a class society? In other words, is there a class that produces a surplus appropriated by another? The answer must be 'yes', whatever the number of complicating factors.⁸ The

8 Complicating factors include: 1) holding a particular class position does not automatically lead persons to form a sense of self-identity centring on that position; 2) there are intermediate positions where class classifications are not completely clear; 3) the top level of executives

private ownership of money capital and productive resources, the fact that means of subsistence generally take the form of commodities, and the fact that the vast majority of individuals have no other commodity to bring to the market besides their labour power, taken together reproduce a social world in which those who do not own or control money capital are generally forced to sell their labour power to those who do. The latter will not purchase labour power unless they anticipate that setting living labour to work on the means of production (which they own) is likely to result in commodity outputs that can be sold for more than their initial investments. In other words, wage labourers will not be employed over time unless their living labour produces surplus value [the difference between M , the initial money capital invested at the beginning of a capital circuit, and M' , the amount appropriated at its conclusion] appropriated by those who own and control money capital. This is a class relationship, even if it is not transparently so, due to the way it is reproduced through exchanges of commodities and money among (formally) free and equal individuals, rather than through the sort of direct personal subjugation imposed on slaves, serfs, or tribute-paying independent producers. While formal freedom and equality makes a profound difference in other respects, it does not change the fact that the capital/wage labour relationship is a class relationship of surplus production and expropriation.

Nor can this relationship be denied on the grounds that the physical process of producing the surplus invariably involves other inputs besides labour. The fact that those who own/control money capital supply living labour with access to the objective preconditions of human life (means of subsistence and the means of producing them) is irrelevant to the point at hand. They are in a position to make this 'productive contribution' solely because of their ownership/control of money capital, and so this ownership/control cannot be either explained or justified by these 'contributions' without falling into the crassest of circular arguments. The ability to appropriate surplus value must be explained instead by the social power over labour embodied in money capital.

This brings us to a second question. Could a macro-level relationship between a class producing a surplus and a class appropriating it be 'private' and 'non-political' in any truly meaningful sense of those terms? Words can

in corporations may be able to appropriate an increasing share of surplus value through inflated salaries and stock options, muddying the distinction between owners of capital and their agents (Duménil and Lévy 2011); and 4) relatively small amounts of financial assets can be owned by wage labourers (although these should be seen primarily as deferred wages; their ideological import is far more significant than their effects on the structures and processes of class relationships). Other complicating factors will be mentioned below.

be defined however we wish, and so it is possible to simply define 'political' in terms of state institutions, state policies, the actions of state officials, the actions of agents outside the state apparatus to influence the constitution, legislation, or specific policies of the state, the extension of these sorts of matters to international relations, and so on. But such a definition is arbitrary and question-begging. *The macro-level social division between a surplus producing class and a surplus appropriating class is absolutely central to the organisation of the polity.* From this standpoint it could hardly be more mistaken to assert that Marx's theory emphasises the 'economic' sphere while ignoring (or even just downplaying) the 'political' realm. Marx's main point in this context is that the standard notion of 'the political sphere' is illegitimately restricted in capitalism, institutionalising the profound category mistake of treating what is inherently political as a private matter. Far from being a defender of 'economism', then, Marx is *the* great critic of conceiving a depoliticised economic realm. The 'bifurcation of the political' into separate 'political' and 'economic' spheres is an illusion, albeit one necessarily generated by the social relations of a capitalist society.⁹

In this section I have argued, first, that there have been and surely will continue to be many cases where factions of the capitalist class use the state as an instrument to further their perceived interests, and where the state is controlled by a ruling bloc under the hegemony of a faction of capital. Second, Marx's writings on the state do not overlook the strong element of contingency and indeterminacy in state policies vis-à-vis the economy. Third, his writings also show that the state can affect the economy no less than the reverse. State laws and regulations have even provided crucial spurs to capitalism's historical development. Capital is radically open-ended; there is an indeterminate range of distinct and incompatible paths of development it could take at any given point in time. It has the flexibility to adjust to externally imposed dictates by the state. Fourth, the main point of Marx's theory of the state is not to reduce the political realm to the economic realm. His goal is instead to establish the inherently political nature of class relations, overcoming the illicit 'bifurcation of the political' that treats an intrinsically political class relationship as if it were a non-political matter.

A fifth and final thesis must now be added, perhaps the most important of all.

9 The phrase 'bifurcation of the political' is taken from Rosenberg 1994.

5 *The State Form Imposes Restrictions on the (Indeterminate) Content of State Policies*

We are now finally in a position to state why Marx insisted that the state in a capitalist society must be thought of as a *capitalist* state, despite the irreducible contingencies in the relationship between the state and the economy documented in his writings. The radical indeterminateness of the capitalist state is not an *unrestricted* indeterminateness.¹⁰ The indeterminateness of *content* is conjoined with a determinateness of *form*, imposing a restriction on the form-determined content.¹¹

The meaning of the last statement will no doubt be unclear to many readers at this point. I shall attempt to elucidate its meaning and main implications in general terms in the following paragraphs. The discussion of specific left liberal proposals in the following section should clarify its meaning and implications further.

One side of the 'bifurcation of the political' is a depoliticisation of the inherently political class relations of the economy. The other is a 'political' realm impoverished by the exclusion of inherently political matters. The historical process resulting in the formation of an (apparently) depoliticised sphere of economic transactions simultaneously constitutes the state as a realm (apparently) separate from the economy. In reality, there is only one set of social relations underlying both the state form and the capital form.¹² The state form restricts the (nonetheless indeterminate) range of state policies in the following sense: *the capitalist state cannot introduce reforms that overcome the bifurcation of the political without dismantling itself*. The bifurcation of the political allows the causal arrows to go from the state to the economy no less than from the economy to the state. It even allows state activities to play a profoundly determining role in capitalist economic development. But it does *not* allow the depoliticised economy to be adequately politicised, or the impoverished political realm to encompass the entire range of inherently political relationships. These things cannot occur short of a radical rupture from the social relations

10 The restrictions on states imposed by constitutions, treaties, geopolitical power relations, and other matters of that sort are not at issue here.

11 See Arthur 2002, pp. 204–7 and Reuten and Williams 1989 on 'form determination'.

12 Similarly, a historical materialist account of the modern household should not rest on the claim that it is a mere 'epiphenomenon' determined by the economy, or even that the economy has a greater causal influence on household relations than they do on the economy. The proper claim is instead that the emergence of the social relations defining generalised commodity production, and the emergence of the household as a separate sphere from the economy, are one and the same process.

defining a capitalist market society. Once the process of producing, appropriating, and allocating the social surplus is recognised as an inherently political matter and therefore subject to the same sorts of normative considerations that apply to other exercises of public power, then merely tinkering with background conditions of capitalist market societies will no longer suffice.

Any adequate social theory needs to distinguish between reforms threatening the perceived short- or long-term interests of capital, but which capital can adjust to within some reasonable time frame, and policies threatening the very bifurcation of the political constitutive of capitalist society itself. At first the representatives of capital can be expected to resist instances of the former no less fiercely than instances of the latter. Over time, however, if sufficient political will to impose the former is present capital will adjust like the homeostatic system it is, and begin to go down new paths of accumulation. Enterprising entrepreneurs will eventually seek ways to profit from state decrees, just as manufacturers in the nineteenth century eventually responded to restrictions on the length of the working day by introducing more sophisticated machinery (and thereby furthering the production of relative surplus value). In contrast, resistance to policies eradicating the bifurcation of the political will be unrelenting to the end. Continuing ownership and control of investment capital grants the owners/controllers ample resources to make this resistance effective, however strong the public support for reform might be. At some point a stark choice must be faced. Either policies overcoming the bifurcation of the political must be abandoned, or capital's power to resist must be recognised for what it is, an inherently public power that cannot be left in private hands. Both paths abandon the core thesis of liberal egalitarianism.

These general considerations will now be applied to liberal egalitarian proposals for overcoming the normative shortcomings of capitalism.

A Critical Examination of Liberal Egalitarian Proposals

The liberal egalitarian proposals discussed in the last chapter attempt to use the power of the state to push capitalist market societies onto normatively acceptable paths. I shall argue that attempts to implement these proposals would either be ineffectual, leaving significant normative problems in place, or would require dismantling the form of the state in capitalist societies. And the state form in capitalism cannot be dissolved without dissolving the capital form; both are expressions of the same social relationships.

Liberal egalitarians have not regarded the state form or the basic distinction between the political realm and the economic sphere as inherently problem-

atic features of contemporary society requiring critical evaluation. The modern state form is instead taken as an advance in social evolution, part of the 'rationalisation' process of modernity.¹³ The political structures and practices left liberals advocate – the democratic accountability of political officials, an open and dynamic public sphere, a system of checks and balances within the state apparatus, constitutional protections of fundamental political rights, and so on – are of great normative importance. But the general framework masks the inherently political nature of class rule and makes the specifically capitalist nature of the capitalist state opaque. In addition it overlooks how the artificial restriction on what counts as 'political' systematically restricts discourse within the public sphere.¹⁴

It is easy enough to say that political institutions and public policies can provide the proper background conditions to ensure that generalised commodity production and exchange operate in a normatively acceptable fashion. But this agenda cannot be rationally *defended* if these reforms demand a reversal of the depoliticised economy and impoverished politicisation constituted by generalised commodity production.

The Capital/Wage Labour Relation

Political actions removing the normative problems in the capital/wage labour relationship would not merely transform the background conditions of this social relationship. They would have to abolish the relationship itself.

Coercion. It is easy enough to proclaim that if a basic income were granted to all, and employment provided for all who wish it, the extreme asymmetry in bargaining power that turns formally free agreements into substantively forced agreements would be removed from labour markets. It is easy enough to add that the democratic state structures already in place could effectively implement these proposals once arguments in their favour won sufficient assent in civil society, and that the sovereign power of the state would be sufficient to compel recalcitrant economic elites to comply when such reforms were adopted.

A first difficulty arises when we note that a serious attempt to implement the proposals would tend to set off an inflationary spiral. Basic income guarantees

13 Habermas 1985 is a paradigmatic expression of this widely shared view.

14 Rawls makes a sharp distinction between the strong cultural consensus regarding political justice and views of economic justice, which do not reflect a similarly strong consensus (Rawls 1999b). This distinction accepts, rather than critically deconstructs, the bifurcation of the political that is taken as 'normal' today, that is, the depoliticisation of the economy and the 'deeconomising' of the polity (so to speak).

and full employment would result in an initial rise in real wages. Given that liberal egalitarian reforms of the capital/wage labour relationship would still leave units of capital with the power to set prices, what would stop price increases aimed at maintaining a high profit/wage ratio? If nominal increases left real wages unchanged, the proposals would be ineffectual. Most social agents would still find themselves forced to sell their labour power to others to gain access to required means of subsistence; labour markets would still be characterised by a serious asymmetry of bargaining power. Maintaining the substance of the reform would require another jump in basic income provision, another jump in expenditures to provide full employment, and another jump in real wages. But this could simply lead to a new round of price increases, leaving the proposals to transform the status quo ineffectual. And so on.¹⁵

Suppose, however, we imagine for the sake of the argument that strong price controls somehow allowed a reasonably generous basic income guarantee to be provided and full employment to be maintained without inflation. To assume that this is compatible with capitalism is to assume that persons would agree to work for wages even if they were no longer forced by economic compulsion to do so. It is easy to imagine particular cases where this would happen, since these wages would allow sellers of labour power to enjoy additional consumption opportunities (and purchasers of labour power could accomplish tasks they could not achieve on their own). But Marx did not argue that each and every particular instance of wage labour that might ever occur is necessarily coercive, oppressive and exploitative. He did not provide a transcendental critique of wage labour *simpliciter*, but a historically specific critique of wage labour as a dominant social form in generalised commodity production and exchange. If I agree to help a neighbour move in return for pizza and beer, there is a (very attenuated) sense in which commodities are being exchanged and my labour power is being treated as a commodity. This hardly shows that wage labour is normatively justified as a central mechanism of social reproduction!

From a Marxian perspective there are two main questions to address here. The first stems from the way the capital/wage labour relationship is not based on a series of separate wage agreements that may or may not take place depending on contingent assessments of mutual benefits. The systematic reproduction of capitalist society *requires* the systematic reproduction of the capital/wage labour relationship. Without the systematic commodification of labour power

15 The financial sector and central banks would have to accommodate these price increases, but in a social world where the capital/wage labour relation remained in place, and where accommodating these price increases appears necessary to maintain this relationship, it would seem reasonable to expect such accommodation to occur.

capitalism does not exist as a historically specific mode of production. This leads to the following question: would agents generally treat their capacity for acting for most of their adult waking lives as a commodity available for others to purchase if they were not compelled to do so as a result of the reforms to eliminate structural coercion in the labour market? A positive answer is not obvious, to say the least.

Suppose, however, we simply assume that a critical mass of people would recurrently consent to engage in wage labour. A second question arises at once: if basic income and employment guarantees somehow removed the extreme asymmetry in bargaining between labour and capital underlying coercive agreements, would surplus value continue to be created and appropriated by the holders of capital and their representatives? A redistribution of income sufficient to meet liberal egalitarian goals might itself produce a decline in profitability that threatened accumulation from the start. But let us put that worry to the side. As Marx explained in *Capital*, the formation of a reserve army of the unemployed poor has provided a mechanism ensuring over time that wage rates do not threaten capital accumulation.¹⁶ Liberal egalitarian proposals for basic income and full employment eliminate this mechanism. What would take its place? Would not a significant portion of what would otherwise have been surplus now tend to be appropriated by workers in the form of higher wages, given that they were no longer forced to sell their labour power as a condition for enjoying an acceptable standard of living? There is some level of wage increases that would reduce surplus value to the point where funds for expanded investments were depleted. A point could even be reached where depreciation funds, that is, funds for replacement investment, were threatened. Surely workers would understand it was in their interest and the interests of their children and their communities that resources be available for replacement and appropriate expanded investments. But if the asymmetry of bargaining power between capital and labour were truly eliminated, wage labourers would have the power to deny ultimate power over the surplus to a class of owners (or their agents) who are not accountable to them. Establishing substantive accountability, however, would go far beyond merely modifying the 'background conditions' of the labour market. The 'bifurcation of the political' that is constitutive of capitalism would be undermined, as the inherently political nature of surplus production and allocation would be institutionally recognised.

16 Marx 1976a, Chapter 25. Patnaik explains how this mechanism has worked on the level of the world market in Patnaik 1997.

Would representatives of capital abide a situation threatening to leave them without a compliant labour force, and without confidence that a surplus value will be produced that they can appropriate and control? Whatever liberal egalitarian theorists might hope, those who own and control capital would not share the delusion that the capital/wage relation can be the dominant form of social reproduction without structural coercion in the labour market. It is reasonable to foresee that they would employ every possible resource at their disposal to prevent such proposals from being accepted, or to reverse them if they were somehow accepted. The bifurcation of the political granting them private control over society's productive resources also grants them the power to make this resistance effective through capital strikes, capital flight, and various other measures. A time would be reached when the reforms would either have to be rescinded or the power of capital's representatives to effectively resist those reforms would have to be taken away – in other words, investment decisions (such as the decision to bring the economy to a screeching halt through capital strike or capital flight) would have to be treated as the exercises of public power they inherently are. Either choice requires abandoning the core thesis of liberal egalitarianism, the first by conceding that there are significant and irresolvable normative problems in capitalism, the second by overcoming the bifurcation of the political defining the social relations of capitalism.

Domination. It is easy enough to call for a mixture of constitutional guarantees, legislation, and regulations to bring about a 'stakeholder economy' in which labour is a true 'partner' in management, eliminating domination in the workplace (and providing the democratic accountability that basic income and full employment do not provide). If new technologies and forms of social organisation were introduced after consultation with workers, rather than imposed on them externally, any systematic tendency for workers to suffer alienation at the workplace, or normatively unacceptable levels of physical and psychological stress in the labour process, would appear to be put out of play. But there are serious limits to this proposal, as a consideration of two forms of 'partnership' illuminates.

A first type of partnership grants workers mere rights of consultation. Such rights are in principle compatible with the capital/wage labour relationship, even if representatives of capital would predictably fight their introduction tooth and nail in most historical circumstances.¹⁷ These rights, however, would

17 Would co-determination rights have been granted in West Germany had it not been for the need for rapid reconstruction after the devastation of a world war, combined with the existential threat posed by East Germany?

not allow workers to ‘stand as equals’ to owners and managers in capitalist firms, as the following thought experiment shows. Suppose all citizens in a (very much imaginary) polity are convinced of the benevolence of a ruling stratum, its expertise in all relevant matters, its ability to recruit future members who will be equally benevolent and competent, and so on. Suppose further that citizens of this special regime were willing to renounce any and all rights to more extensive rights of participation than the mere right to be ‘consulted’, content to let the trained and well intentioned experts rule without interference. In this imaginary world, would the left liberal defence of a fundamental right to participate as an equal in the political processes of their community be irrelevant? No. Without the full democratic accountability of those exercising authority, citizens cannot develop the self-esteem that is so important to a healthy sense of self, or be able to mutually recognise each other as substantively free.¹⁸ Without rights to participation extending beyond mere consultation even the best intentioned and informed ruling strata will regularly make mistakes regarding both the interests of the citizenry and the public policies that would best further those interests. Without full democratic accountability any mistakes made by ruling strata will tend to not even be noted for extended periods, let alone quickly corrected. Now imagine that workers somehow win a right to be ‘consulted’ on all decisions taken by managers. Why would this arrangement be any more adequate from a liberal egalitarian perspective?

We can next try to imagine that truly substantive rights to participate in decision making – exceeding merely formal and symbolic rights to consultation – are somehow instituted in the workplace. Suppose that decisions regarding the introduction and use of technologies in the workplace, for example, are made by persons democratically accountable to those over whom this authority is exercised. This would surely lessen some normatively problematic forms of domination in the workplace. But there are good reasons to think that other important matters would remain substantially unchanged. In capitalist economies competitive pressures necessarily tend to force all units of production and distribution to internalise the valorisation imperative (‘M must become M!’), however they are organised. As a result, labour processes that are ‘independent’, that is, not formally subsumed under the capital form, tend to ‘self-exploitation’, paralleling the treatment of wage labourers within units of capital.¹⁹ A similar dynamic would come into play if truly equal

18 The reasons for this conclusion are set out at length in Pettit 2012.

19 Whose work conditions are generally worse, a trucker for a unionised firm, or an ‘independent’ trucker depending on temporary contracts?

partnerships in the workplace were somehow instituted. Units of production and distribution whose members best internalised the logic of capital would generally tend to be most successful.²⁰ We could expect, for example, speed-ups to increase production at the cost of health-undermining stress, and lengthy workdays despite productivity gains. A truly fundamental change within workplaces requires a dismantling of the valorisation imperative on the macro level of society as a whole, and not merely an adjustment of the 'background conditions' of its operation. Otherwise left liberal proposals would be ineffectual in the sense that normative problems of deep concern would remain.

What if we simply ignored the problem of self-exploitation for the sake of the argument? Normatively problematic exercises of domination in capitalist workplaces – deskilling to reduce wages, speed-ups to increase stress, the use of technologies to break strikes or implement effective 'divide and conquer' strategies against labour, and so on – would then be lessened to the point of insignificance. But these are precisely the sorts of measures that have allowed the production of surplus value and its appropriation by capital. If they are eliminated, what sort of alternative mechanisms would ensure that the social surplus remained under the control of the holders of capital and their agents? Even more to the point, why would a workforce allow managers who were delegated and revocable by them to simultaneously be agents of external investors, let alone have a fiduciary duty to grant the interests of investors special priority when directing the labour process? Whatever liberal egalitarian theorists might hope, those who own and control capital would not share the delusion that the capital/wage relation can remain the dominant form of social reproduction for long without domination in labour processes. Any proposal that truly threatened to eliminate that domination would be viciously opposed by the holders of capital and their representatives.

At this point we must recall once again that control over money capital is a tremendously effective weapon of resistance. Investments can be shifted from enterprises that do not submit to extensive self-exploitation to those that do. Or it could be used to create social chaos through a capital strike. It is theoretically myopic and practically irresponsible for left liberals to abstract from this rationally foreseeable reaction when calling for substantive participation

20 In this context it is worth considering the thesis that the key to the ongoing eurocrisis is the increase in the rate of exploitation agreed to by German labour, which gave 'their' capitals a competitive advantage in the EU at the cost of placing other regions in unsustainable positions (Lapavitsas et al. 2012). Germany's labour costs relative to the euro area declined by 16 percent in the decade before the Great Recession setting off the eurocrisis (Benoit, Baigorri and Ross-Thomas 2013, p. 12).

rights in the workplace, no less than it would be when proposing reforms for overcoming coercion in labour markets. Private control of investment funds in effect grants its holders a veto power over social change.

Once again a moment of decision would arise. Either the reforms must be rescinded, or the inherently political power granted by large-scale private ownership of investment capital must be dismantled. Either path implies abandonment of the core thesis of liberal egalitarianism. If investment decisions were democratised, we could no longer speak of an adjustment to the 'background conditions' of the labour process. Institutionalising a form of political activity outside the confines of the capitalist state would overcome the bifurcation of the political that defines capitalism as a historically specific type of society.

Exploitation. I have argued that a guaranteed income at a level sufficient to make the choice to sell your labour power truly free in a substantive sense, lasting full employment, and participating as an equal in the management of the workplace are not compatible with either coercion in labour markets or domination in labour processes. They are also not compatible with exploitation, that is, the production and appropriation by capital of surplus value that necessarily tends to follow from coercion in labour markets and domination in labour processes.²¹ For reasons that have already been considered, implementing proposals that would be truly effective in eliminating exploitation would lead to the same moment of decision described in the previous paragraph, with the same negative implications for the status of the core thesis of liberal egalitarianism.

There is no need to repeat points made previously. But a brief observation on a proposal to overcome exploitation by dispersing capital ownership is in order. Measures such as Ackerman's 'stakeholder grant' would increase individuals' access to funds that could be used for investments. But this increase would surely be met with a corresponding increase in the cost of food, education, medicines, housing, and other sorts of non-'discretionary' spending for basic needs. The end result would in effect be a public subsidy to the sectors producing those goods and services, leaving most persons hardly less vulnerable to exploitation. If the grants were made more generous in response, prices would simply increase again.²²

21 This point was argued forcefully by Kalecki in the 1940s, in a classic essay somehow overlooked by most prominent liberal egalitarian theorists writing on related topics today (Kalecki 1971).

22 Increases in disposable income due to cuts to property taxes in the US may serve as a rough analogy. Hudson has convincingly argued that these cuts did not lead to a significant increase in disposable income. The funds were instead absorbed by the financial and real estate sector in the form of higher housing costs and increased debt (Hudson 2012).

I have argued that the state is not a mere epiphenomenon of the economy, or a mere instrument for economic elites to use at their whim, and the content of its policies are not determined by what is functional for capitalism in the long-term. The political sphere can causally affect the economic sphere as much as the content of state policies can be determined by economic factors. Reforms that no faction of capital supports can be implemented. There is no one set of specific policies functional for capitalism in either the short or the long run. Capitalism is open-ended; there is an indeterminate plurality of possible paths consistent with capital accumulation. The range of state-imposed reforms to which capital can adjust, and which may open new paths of capitalist development, is in fact radically indeterminate. All of this is consistent with the core thesis of liberal egalitarianism, which rests on the hidden premise that both capital and the state are unrestrictedly open-ended. But *radical indeterminacy is not the same as unrestricted open-endedness*. Capital's flexible homeostatic processes cannot just adjust to any disturbance in its social environment whatsoever; the state form in a capitalist society does not allow policies to have just any content. In specific, a transformation of the capital/wage labour relationship cannot be undertaken while the valorisation imperative remains in force. The implementation of proposals to eliminate structural coercion in labour markets, and domination and exploitation in labour processes, would either be ineffective or effectively put the valorisation process and the capital/wage labour relation out of play.

There are more and less humane forms of the capital/wage labour relation. But the left liberal thesis asserting that the normatively problematic features of this relationship can be eliminated while leaving the relationship in place cannot be maintained. To remove those features is to eliminate that relationship. Similarly, no reforms undertaken by the capitalist state can fully politicise the depoliticised (but inherently political) capital/wage labour relation without undermining the capitalist state itself. Legislation and regulations of the labour market are certainly possible that do not call into question the hidden political nature at the core of capitalism, that is, its existence as a class society with a surplus produced by one group and then appropriated by another. The liberal egalitarian position, however, unwittingly calls for a transformation of the capital/wage labour relation that can only be effective with a radical break from this form of social organisation. In the terminology of the Marxian critique of political economy, in capitalism the collective powers of social labour take on alien forms (the value of commodities; money, 'the god of commodities'; and capital, the 'subject' of social reproduction) due to the historically specific social relations of generalised commodity production. Liberal egalitarian proposals incoherently call for a transformation of those social relations that

would leave the social forms of generalised commodity production in place. This is incoherent.²³

Once the incoherence of calling for a transformation of the capital/wage labour relationship that requires abolishing this very relationship is recognised, liberal egalitarians face a choice. They could rescind the parts of their agenda incompatible with the capital/wage labour relationship. Or they could acknowledge that institutionalising the normative principles of liberal egalitarianism requires a different form of human sociality than that manifested in the capital/wage labour relation. Either way, the core thesis of liberal egalitarianism must be abandoned. As long as the 'bifurcation of the political' remains in

23 Liberal egalitarians continually bring up Scandinavian countries as examples of what reforms in capitalism can bring about. It is true that reform programmes in nations like Sweden went further than other regions, and that inequalities are significantly less than elsewhere while social protections remain higher. Nonetheless, the main lesson of Swedish experiments to challenge coercion and domination and exploitation in the capital/wage labour relation is the failure of these experiments to attain their goal, due to the fact that 'neither the capitalist logic of economic development nor the structural basis of power relations was altered' (Pontusson 1987, p. 10). The Meidner plan, for example, was originally a fairly ambitious proposal to establish wage-earner funds providing employees with ownership-based influence over corporate management. The extremely watered-down version that was eventually implemented did not come anywhere close to this. All references to democratising economic decision-making were dropped, replaced with justifications appealing to the 'need to secure wage restraint and to provide business with risk capital' (Pontusson 1987, p. 25). If we try to explain this vast gulf, two factors stand out. First, 'the issue of wage-earner funds, like the debate over planning, served to politicize organized business and to unify the bourgeois bloc ... [N]eedless to say, the editorial pages of all the bourgeois press inveighed heavily against wage-earner funds ... A frequent suggestion was that wage-earner funds would threaten job security' (Pontusson 1987, p. 29). A second major factor was the way 'the weakening of labour's marketplace position in the economic crisis [of the 1970s] altered the balance of power in favour of capital' (Pontusson 1987, p. 23). The most important question raised by Scandinavian social democracy in my view is whether anything on the following list should be considered a mere contingency, given the property and production relations of capitalism: capital's vehement opposition to proposals that fundamentally threaten its power over management, or the disproportionate political power stemming from private ownership of the means of mass communication, or the real threat of capital strikes and capital flight to cause unemployment, or the extreme precariousness of a full employment temporarily shifting the balance of power in labour's favour, quickly reversed when an economic crisis erupts. If the answer is no, then the failure of social democracy in Sweden to attain its self-proclaimed objectives cannot be considered contingent either, given the property and production relations of capitalism.

place, state-imposed reforms will be profoundly partial and precarious, rooted as they are in the governing social forms of our society. This implies that capitalist market societies will continue to be unable to adequately realise the normative principles espoused by liberal egalitarian social theorists.

Overaccumulation Crises

As explained in Chapter 5, overaccumulation problems directly arise from the conjunction of two tendencies, the tendency for more productive units of capital to enter a sector, and the tendency for established firms in the given sector to remain operating as long as they are able to obtain an acceptable rate of profit on their circulating capital.²⁴ Both dynamics are rooted in the perceived self-interest of individual units of capital; both are grounded, in other words, on the social forms of dissociated sociality.

Liberal egalitarians are well aware that decisions that seem rational from an individual standpoint can have irrational results on the aggregate level. They would not deny that the destructive social effects in this case are normatively significant, especially when the process plays out in a critical mass of key sectors simultaneously. They insist, however, that an effective stabilisation branch of government could in fact stabilise capitalism. Any lost demand in the economy as a result of declining profits and wages can be checked by countercyclical government spending. The social costs of a transition to new technologies and forms of social organisation in regions that have fallen behind can be minimised with intelligent government policies. And in wealthy regions, at least, moving to a 'stationary state' as described by Mills and Rawls would mean that high growth rates would no longer be the proper measure of success for either the economy or public policies. If ceaseless growth is not required for a stable economy, it is easier to maintain stability than it would otherwise be. Four points can be made in reply to this left liberal perspective.

1. The optimism that Rawls exudes when he supposes that a stabilisation branch of government fulfil its assigned tasks rests on his confidence in Keynes-

24 Other tendencies are relevant here as well. When overcapacity problems first begin to threaten a sector, producers capable of introducing more productive technologies and forms of social organisation tend to intensify their efforts to do so, since this is a way of enhancing the chances that they prosper despite excess capacity. When a number of individual firms in a sector pursue this rational strategy simultaneously, the irrational result is that excess capacity increases even more rapidly. There is also a tendency for financial capitals to contribute to overaccumulation, a point I shall return to in the next section.

sian policies. Logically it is possible for fiat money created by a Central Bank and other financial institutions to allow demand to increase in sync with expanded productive capacity. But banks lend to certain households and firms when they expect that other banks will lend to other households and firms. This builds a house of cards that collapses when doubt undermines that faith, and past a certain point each new round of lending makes a sudden paroxysm of doubt more likely. When the house of cards collapses, only increased government spending can step into the breach. Over time, then, economic crises can only be avoided and full employment maintained through ever-increasing expansion of the relative weight of the public sector vis-à-vis an ever-declining 'private' sector.

In the past leading capitals in particular territories have supported state spending on the scale required by Rawls's stabilisation branch when the objective was to (temporarily) accommodate a strong labour movement, overcome a serious depression, or 'catch up' rapidly to core regions in the world market. Left liberal proposals have a quite different objective. Would a critical mass of capitals acquiesce to the level of state intervention required for something like a stabilisation branch, greatly increasing the relative weight of the public sector? Or would they fear that at some point 'quantity becomes quality', and we would no longer be talking about a normatively acceptable form of capitalist market society because we would no longer be talking about a capitalist market society, given the role of the state? No normative social theory should simply assume acquiescence. As we shall see presently, there are good reasons to think instability will be the preferred option that would hold in the absence of social forces capable of transforming the capitalist state into a different political order.

2. Following Kalecki, I have already argued that full employment cannot be maintained indefinitely as part of a programme to eliminate the asymmetry of bargaining power in capitalist labour markets. The point is relevant here as well. It implies that trying to maintain full employment in the name of stabilisation is sure to destabilise.

- Truly full employment allows real wages to increase. This may set off a destabilising inflationary price/wage spirals.
- At some point real wage increases threaten the production of surplus value (and, perhaps, even depreciation funds).
- In conditions of true full employment, wage labours will tend to produce a social surplus only if control over the production and allocation of the social surplus shifts from capital and its representatives to an empowered workforce and its representatives.

True full employment policies cannot be assumed to lead to the sort of disruptions capital will just flexibly adjust to.²⁵ If consistently pursued over time, they tend to call into question the capital form, provoking a destabilising response from capital.

3. The project of maintaining demand in regions while they 'catch up' presupposes that the 'normal' state of capitalism is one where firms in a given sector tend to converge on identical technologies and forms of social organisation. But as Marx explained in his account of relative surplus value, the underlying dynamic of inter-capital relations is the drive to obtain above-average profits through a competitive advantage over other competitors.²⁶ Healthy capital accumulation in firms, sectors, and regions requires that they enjoy competitive advantages over other firms, sectors, and regions for an extended period. The measures that could be employed by a stabilisation branch of government to help disadvantaged firms, sectors, and regions (and the workforces and the communities associated with them) catch up to a new techno-economic paradigm are policies that would systematically erode those competitive advantages in a relatively brief period of time. If the prospects for superior profits over an extended period decline, the result would be a tendency for the rate of risky investments in new firms and plants to fall. Maintaining demand in the face of a decline in the rate of investment would again require an ever increasing expansion of the relative weight of the public sector vis-à-vis an ever declining 'private' sector. As noted above, this is not a recipe for a stable capitalist market society.

4. A lower rate of investment would seem to not present the same difficulty if the primary objective was simply to maintain a 'stationary state' in the economy. Following Mill, Rawls claims that the members of advanced capitalist economies can simply decide at some point that they are wealthy enough and no longer need to grow. This position rests on an extrapolation from micro-level models of static equilibrium and diminishing marginal returns. In these models there is a point in the production function of individual firms where the gains of further output are not worth the additional cost it would take

25 'Full employment' is 'true' if it is approached through imprisoning a high percentage of the working age population, not counting long-term unemployed as unemployed on the grounds that they are no longer in the workforce, while counting part-time and temporary wage labourers as employed however briefly that may be the case and however strongly the workers in question want full-time positions, or similar measures.

26 Marx 1976a, pp. 432–8.

to produce them. By analogy, it seems plausible to assert that at some point additional growth in the economy on the macro level will not be optimal.

Capital, however, is not a system tending to static equilibrium. M must become M' . Unless the valorisation imperative is overcome, investment capital will flow away from stationary sectors and regions, leaving behind unemployment and all its associated instability as it flows inexorably towards sectors and regions where growth still seems possible (resulting sooner rather than later in serious overaccumulation problems there). A stationary state is not possible even in principle in a world where the valorisation imperative remains in place on the level of society as a whole. Abolishing that imperative requires far more than merely modifying the background conditions of capitalist markets. It requires a rupture from the social forms of capital comparable in scope to capitalism's break from feudalism.

Rawls and other liberal egalitarians have simply taken over the claim of mainstream economics of the 1960s and early 70s that Keynes established the feasibility of a crisis-free capitalism. But if we reflect seriously on what would be needed to put the tendency to overaccumulation crises out of play, at a minimum it would require some public control over the rate and direction of new investment in the economy as a whole.²⁷ Only then would it be possible to shift to more socially rational forms of adjusting productive capacity and social needs. Such public control is not compatible with the capital form.

Financial Crises

Turning next to the financial sector, the first point to consider is its dual relationship to overaccumulation crises. On the one hand, it contributes to overaccumulation crises. Even when objective signs of overaccumulation are perceived by the agents of financial capital, there is a strong incentive for banks and other financial institutions that have made substantial investments in particular units of production to continue doing so, exacerbating the tendency to overaccumulation. The reason for this behaviour is the same as that motivating continued investment in productive capacity even after overaccumulation difficulties have commenced in a given sector: the hope that the brunt of the difficulties will fall on others. Given the radical uncertainty of the future, it may not be irrational for the managers of a particular firm to think that it has a better chance to survive a shake-out if it keeps investing in productive capacity. Similarly, it may be rational for an individual financial firm to continue to prop

²⁷ The failure of Keynesian policies to provide an adequate response to the global downswing of the 1970s will be a theme of the following chapter.

up producers to whom it has already lent with further loans, and hope that it will be other lenders who have to write off their losses. The problem, of course, lies once again in the fundamental tension between individual rationality and collective rationality that so thoroughly besets capitalism. The more individual financiers act rationally in continuing to lend to their industrial and commercial customers, the more likely they are to generate the collectively irrational result of an even worse overaccumulation problem.

Financial crises can result from the overaccumulation crises that financial capitals have helped to bring about. The force of the valorisation imperative is not diminished simply because valorisation through producing and distributing commodities is blocked by overaccumulation. M must still become M' ! If valorisation eventually slows in non-financial sectors, speculation on financial assets (stocks, securities, art works, real estate, natural resources, etc.) are likely to promise more attractive returns, leading to stampedes of financial investment in these assets. The stampedes will set off an inflation of the prices of the financial assets, increasing paper wealth, which in turn encourages lending for another round of speculative investment in financial assets. The more this sort of self-sustaining financial bubble occurs, the more unlikely the stabilisation branch will be able to fulfil the tasks assigned to it by Rawls; capital flight into speculative investments is hardly conducive to stable long-term full employment.

Can the tendency to financial instability be checked by requiring financial firms to hold more equity, as many economists inspired by liberal egalitarian values assert? Financial capitals too face the valorisation imperative; M must become M' for them too or they will perish. This makes it rational for them to participate in financial bubbles *whatever* the level of equity.²⁸

The element of truth in the thesis that the largest financial institutions become 'too big to fail' must also be acknowledged. The systematic importance of the largest units of financial capital as representatives of capital in general (see Chapter 6) implies that if they were allowed to go under, capitalist society as a whole would be existentially threatened. And so they cannot be allowed to go under. It is easy to say that there is a simple solution to this problem: any institution too big to fail is too big to be allowed to continue, and must be broken up. But suppose the three biggest US banks were divided in half. The systematic importance of six merely giant institutions is no less in the aggregate than three humongous ones. The systematic harm inflicted by the collapse of a

28 Historical periods in which equity levels were far higher than today also were plagued by recurrent financial crises, as Kindleberger 2011 amply documents.

critical mass of the latter would be no greater than the collapse of a critical mass of the former. If the one must be bailed out, so must the other.²⁹ This implies that while much of the upside of speculative excesses can be appropriated privately, much of the downside of excessive financial risks will tend to be externalised to a public sector coming to the rescue when speculative bets go wrong on a large scale. Under these circumstances, irrational speculation is a rational choice.

There are no magic wands to make financial crises disappear in capitalism; private control of investment makes the difficulties irresolvable. If we believe that the social costs of financial crises are unacceptable from the standpoint of liberal egalitarian values, some other means of allocating resources to enterprises addressing human wants and needs must be developed than financial markets. The root of the problem is that decisions regarding the level and general direction of financial activities on the macro level of society as a whole are inherently public matters in which public power is exercised. In capitalism, however, rather than treat them as inherently political issues, these decisions are categorised as private matters, analogous to an individual person's decision to use this type of toothpaste rather than that. This is a profound category mistake with profound practical consequences, including the inability of anything like Rawls's stabilisation branch to stabilise the economy.

Environmental Crises

Regarding environmental crises, the root of the problem does not lie with this or that exhaustion of a natural resource, or this or that generation of waste. In any individual case it is certainly possible to imagine a new technology that lessens or even removes a form of environmental harm, whether in response to market opportunities or government regulations or subsidies. When technologies are not forthcoming in a particular case, it is easy enough to suppose that behaviour creating the problem could be simply prohibited. A focus on what is logically possible in any individual case, however, leaves the deeper issues unaddressed. We need to shift the focus from what could be with respect to any particular case to what will necessarily tend to be the case on the level of society as a whole.

All systems of producing and distributing goods and services use natural resources and generate wastes. But capitalism accelerates these processes into

29 It is also plausible to assume that concentration and centralisation in non-financial sectors requires a corresponding concentration and centralisation in the financial sphere. A multinational with global sales exceeding the GDP of most countries can hardly meet its financial needs with small banks rooted in local communities.

overdrive. The imperative to accumulate as much capital as possible as fast as possible is unrelenting. Firms are forced by competitive pressures to attempt to appropriate as much profit as possible as fast as possible by producing, transporting, and selling as many commodities as possible as fast as possible. The accelerated temporality of the valorisation process inevitably comes into tension with the temporality of replenishing natural resources and processing wastes. Natural resources tend to be extracted at a much faster rate than ecosystems can replenish them, and wastes tend to be generated at a much faster rate than ecosystems can absorb them.³⁰ This tendency is continuous and powerful. In contrast, the discovery of technologies significantly lessening resource depletion and waste generation is sporadic and uncertain.³¹ Added to this is the reasonable expectation that some unknown (but most likely significant) percentage of these technological changes will eventually prove to have unforeseen pernicious environmental consequences themselves. The level of effective regulation of polluting practices is also uncertain and variable, given the concentrated social and political power granted by ownership and control of capital, and the gains to capital that come from displacing negative externalities. Eventually, a tipping point will be reached past which the degeneration of natural conditions exceed the 'planetary boundaries' within which human history has unfolded.³²

The conclusion that environmental crises are endemic to capitalist societies in ways that cannot be adequately checked through legislation or regulation does not depend on polluters always getting their way in the 'political sphere'. It depends instead on the bifurcation of the political: when the dynamic of accumulation, despite being a political process in every important sense of the term, is treated as a 'private matter' *ab initio*, becoming politicised if and only if movements in civil society have the strength to force it onto the political agenda in the face of obfuscations and deceptions of powerful interests, then state legislation and regulation will necessarily tend to be playing 'catch up'. The rate at which environmental problems are worsened will necessarily tend to be

30 I have already asserted that decisions in the workplace to make use of productivity gains to increase output, rather than free time for the workforce, count as 'political' in the sense of the term used by liberal egalitarian philosophers. The point is reinforced when we acknowledge that the former use of productivity advances necessarily tends to result in natural resources being depleted at a faster rate than the relevant ecosystems can replace, and in wastes being generated at a faster rate than the relevant ecosystems can absorb.

31 And, we may add, often overhyped, as talk of a 'dematerialised' economy illustrates (R. Smith 2013).

32 Marx 1976a, p. 638, Foster et al. 2010, Introduction, Albritton 2009, Chapter 6.

faster than the rate at which the state can effectively address those problems. This is a social law of capitalist societies – or close enough to make little difference.

A corollary of this law can be stated as well: in the course of capitalist development the disparity between the hyper-temporality of capital and the temporality of the biosystem will necessarily tend to grow over time for the simple reason that capitalism, being essentially a world system, tends over time to increasingly generate environmental problems on a global scale, while capitalist states, bound historically to particular territories, do not tend to automatically develop effective forms of global legislation and regulation. From this standpoint the examples of successful environmental legislation, cited in support of the liberal egalitarian view that normatively appropriate background conditions for capitalist markets can be put in place, have a disturbing dimension. To the (all too limited) extent such legislation has been imposed by strong states, capitals associated with strong states have been able to transfer resource depleting and waste generating activities to territories governed by states that are too weak, too desperate for foreign investment, or too obsessed with economic growth to impose similar conditions.

Of course substitutes for exhausted natural resources will continue to be found. New ways of producing that use fewer natural resources and generate fewer wastes will continue to be discovered. And new techniques for processing wastes into non-harmful or useable substances will be introduced as well. Nonetheless, there are good reasons to renounce the faith that ‘technological fixes’ will save us, even if we assume for the sake of the argument that they will appear and be free of serious negative consequences of their own. The technologies of the first industrial revolution became more ‘sustainable’ over time, as the amount of coal used per unit of output decreased. Nonetheless, as the nineteenth-century economist Jevons pointed out, the aggregate amount of coal burned continued to increase. The ‘Jevons paradox’ is easily explained: the growth of total output overwhelmed the reduction of coal per unit of output. The ‘grow or die!’ imperative reigns more extensively and intensively now than it did then; across the globe units of capital that do not accumulate at as fast a rate as competitors necessarily tend to be taken over, pushed to the margins, or destroyed. As long as this is the case, hope for a technological fix to environmental crises will be frustrated.³³

Finally, we should note the tension between left liberal proposals to avoid overaccumulation crises through state spending, money creation, and so on,

33 Foster 1999, Chapter 9.

and proposals to avoid excessive strain on ecosystems. The more the former are successful, the more the latter are doomed. Dealing with the systematic tendency to overaccumulation crises in capitalism has in part meant overcoming demand constraints to an expansion of productive capacity. That is a recipe for depleting natural resources and generating wastes at an even faster rate.

Uneven Development and Global Injustice

We can begin by asking which of the following is the more striking fact: 1) in the last centuries a number of regions have successfully escaped the vicious circle where lack of an effective national innovation system undermines the prospect of competing successfully in the world market, and the failure to compete successfully undermines the prospect of establishing an effective national innovation system; or 2) in the last centuries a mere handful of regions have escaped that vicious circle?

Liberal egalitarian theorists of global justice emphasise the former. Some hold that the global economy would 'naturally' tend to convergence were it not for the distorting influence of bad domestic policies, the weight of traditional culture, and unfair public policies in the developed world. Others see deeper problems, but believe that they can be overcome by a 'developmental state'. The historical record, however, provides strong *prima facie* evidence that there is no dominant tendency to convergence in the capitalist world market, and no easily adopted political model to remove the many impediments to convergence.

The developmental state cannot be considered in isolation. It is inserted into a world market essentially characterised by uneven development. More specifically, its prospects of success generally depend upon three conditions being met:

1. Wealthier regions must be disposed to accept imports from the developing regions, despite the restrictions the latter impose on imports from the former, and despite the latter's restrictions on capital inflows from the latter.
2. The 'chicken and egg problem' with respect to national innovation systems and success in global markets for domestic producers must be resolved. Some form of effective technology transfer must be found.
3. The state must maintain sufficient autonomy over capitals to force them to operate in a manner consistent with the (perceived) long-term interest of the national economy, even at the cost of foregoing investment promising to be more (often far more) profitable in the short-term.

Regarding the last point, the liberal egalitarian argument jumps from the fact that in a number of very specific cases the state has had this autonomy and power vis-à-vis capitals in its jurisdiction to the conclusion that states generally are in this position. This is an unwarranted jump. For the sake of the argument here, however, I shall assume that this third condition is met.

Why would a strong state in the capitalist global system be disposed to fulfil the first condition? Given the state form in a capitalist society, states too are subject to the valorisation imperative no less than the supposedly separate economic 'sphere' they must complement and supplement. As Kant noted long ago, in a capitalist global order a particular state's position in the interstate system and its corresponding ability to fulfil its geopolitical interests will tend to be a function of the dynamism of its markets.³⁴ As stressed earlier in this chapter, 'complement' and 'supplement' do not mean 'completely determined by'. There is scope for political action independent from any fixed set of economic interests. The radical open-endedness and indeterminacy in the content of both strategies of capitalist development, on the one hand, and public policies, on the other, imply that this scope is quite extensive. But 'complement' and 'supplement' imply that the state's scope of autonomy is not infinite. The content of state policies is generally restricted by the form of the state in a capitalist society. More specifically, there is a strong tendency for the capitalist state to not adopt policies that transparently and unequivocally can be foreseen to harm valorisation within the territory under its jurisdiction. Restrictions imposed by the developmental state on imports and capital flows from a wealthy region, and the former's own capital outflows to the latter, transparently and unequivocally can be foreseen to harm valorisation within the national economy of the wealthier state. It follows that there is no dominant tendency in the global economy for the first condition for the success of the developmental state model to be met.

Turning to the second condition, there are only a limited number of ways in which the needed technology transfer could occur. There is certainly no general tendency in global capitalism for outright gifts of advanced technologies across borders. Technology is a major weapon in inter-capital competition; units of capital based in a given territory cannot be expected to support a policy of free technology transfer. And why would a state governing that territory adopt that policy that would potentially threaten valorisation within its national economy and thereby threaten its ability to pursue its geopolitical interests successfully?

34 Kant 1991.

Theft of technologies provides a second mode of technology transfer. But the more it occurs, the less likely the first condition, the disposition to accept imports without reciprocal flows of trade and capital, will be established and maintained. Purchasing the required technologies is a third option. But undertaking such purchases on the required scale generally requires a significant store of world money. Since the main source of world money comes from success in global markets, and success in global markets generally requires advanced technologies, this option simply returns us to the 'chicken and egg' problem rather than resolving it.

Borrowing from global capital markets appears to offer a solution, and has been highly touted as a development strategy by neoliberal theorists. But loans only spur development if the rate of return on the investments they fund significantly exceeds the rate of repayment. Loans supporting local corruption, nepotism, and the vanity projects of domestic elites obviously do not tend to lead to that result. Neither do borrowed funds used to speculate in domestic or foreign financial assets or real estate.³⁵ For the sake of argument, however, let us suppose all borrowing is devoted to 'productive' investment in the 'real' economy. Allocating borrowed funds to sectors where there are limited opportunities to grow in the world market, or to purchases of soon to be obsolete technologies, also tend to not be successful strategies for catching up to the scientific-technological frontier. The former problem is exacerbated when a number of poor regions follow this developmental strategy simultaneously. Their exports will then be clustered in the same markets. The resulting increase in supply relative to demand tends to lower prices, making it increasingly unlikely that returns will suffice to cover the costs of servicing their debt. If

35 It is worth remarking that regions that for one reason or another become attractive to foreign investors may enjoy a stampede of investment inflows. If inflows are devoted to the purchase of local financial assets in domestic stock and real estate markets, they will inflate bubbles in those assets. When these bubbles burst (in response, for example, to lower export earnings as a result of currency appreciation), stampedes of capital outflows may commence, inflicting great harm on the domestic economy. Units of non-financial capital that have planned to roll over their foreign debt, or obtain new infusions of equity to fund long-term investments in fixed capital, will find these sources drying up. Potentially profitable firms will then go under, or be bought up by firms from leading regions of the world market at fire sale prices. In the face of stampedes of capital outflows other domestic agents (governments, households) are likely to have difficulties meeting their obligations to international creditors as well. Unless they are willing to default, governments typically must agree to impose severe austerity programmes as a condition for receiving further loans. We may conclude that global capital markets tend to impose a strong depressionary bias on peripheral regions. See Toporowski 2000, pp. 43–4, 77–80.

exporters in less wealthy regions attempt to avoid markets where exports from less wealthy regions are clustered, they are immediately confronted with the problem of having to compete with capitals whose association with effective national innovation systems grants them immense competitive advantages. For all these reasons, the history of countries borrowing for development is by and large the history of countries falling into the 'debt trap'.³⁶

The conclusion is unavoidable: quite exceptional circumstances must be in place for the developmental state to be effectively institutionalised. We cannot blithely assume that it is possible always and everywhere. What needs to be explained, in fact, is how the developmental state model could ever have been successfully implemented, given the strength of the tendencies in capitalism against it.

A brief historical digression is in order here. The poster children of global capitalism's capacity to raise regions out of poverty are found in East Asia. After World War II, Japan, South Korea, and Taiwan grew at historically unprecedented rates. Units of capital from these regions successfully caught up to the frontiers of scientific-technological knowledge in numerous leading sectors. The catching up occurred within the framework of the developmental state, however much contemporary neoclassical theorists might downplay this fact. Why were these nations in particular able to meet the unlikely conditions for success of developmental states? Astoundingly, this question is all but ignored in liberal egalitarian contributions to the global justice debate. Once asked, the answer is not hard to find. The nations in question were on the front lines of cold war. The dominant capitalist power, the United States, had a strong geopolitical interest in the prosperity and stability of its Asian allies.

36 If the investment of a first generation of loans does not generate the income required to repay interest payments as they come due, more loans must be taken out if default is to be avoided. These loans by definition are not used for investments generating sufficient income for repayment. Unless the situation fundamentally changes, at some point yet more loans must be incurred to pay the interest on the loans that were taken out to pay the interest on the initial loans, and so on (this is the 'debt trap', structurally identical to the Ponzi schemes discussed by Minsky). Thanks to the 'miracle' of compound interest, at some point the interest payments exceed the initial borrowing, and a net transfer of wealth from poorer to wealthier regions commences. This path leads inexorably to a de facto loss of economic sovereignty to global capital markets (and the national and international political agencies that represent the interests of agents in those markets). Toussaint documents how the 'third world' transferred funds to wealthy creditors in the 'first world' equivalent to almost 50 Marshall Plans (Toussaint 1999, pp. 123, 151; see also Westra 2012, p. 100).

US political elites proved by their actions that they fully understood that policies based on clichés of 'comparative advantage' would never bring prosperity and stability. Regarding the latter, authoritarian regimes could be counted on to oppose social unrest. But much more was needed for the former, beginning with ripping up the 'free market manual', so to speak. US policy went far beyond mere acquiescence to its allies' systematic interference with markets and investments. While tariff barriers in the Asian countries remained high, those in the US were lowered for its allies, allowing them to export however much the US domestic market could absorb. No political pressure was put on these states to allow capitals from the US to take over promising firms or banks, or to open their financial sector to enable Asian investors to purchase financial assets in the US. Tremendous amounts of money were funnelled into these nations through military expenditures, regardless of human rights violations. And key technologies were simply given away.³⁷

Whatever the military effects of these policies, the key point here is that they provided necessary preconditions for these regions escaping the vicious circle. The 'chicken and egg' ('Catch 22') problem of needing a national innovation

37 'Japan rapidly became the US frontline base for its operation in Korea ... with US spending on supplies from Japan totalling \$3 billion. And this was on top of approximately \$1.7 billion in aid the US channeled to Japan during the occupation years ending in 1952 ... As was the case with the Marshall Plan for West Germany and the nascent EU, Japan too overcame the abiding development "catch-22" of having to export in order to pay for imports but being unable to produce for export without first importing material and machinery ... Tens of thousands of patents for multifarious technologies were freely transferred to Japan. These factored into both the rise of key industries such as automobiles and machine tools as well as electronics and synthetic fibers, and resurrected industries like steel and ship-building/repair' (Westra 2012, p. 54). 'Considerable economic largesse along with select technology transfer flowed to key Asian anticommunist allies ... [B]etween 1953 and 1967 Taiwan received \$1.3 billion in economic assistance largely as grants which, added to military assistance, amounted to \$365 per capita at a point when in 1960 Taiwan's annual per capita income was a mere \$110. From 1946 to 1976 South Korea received \$12.6 billion in economic and military assistance from the US which, when topped up by funds from international institutions and Japan, amounted to approximately \$600 per capita, equal to the total aid received by all of Africa or half that received by all Latin America during the same period. Between 1953 and 1962 such flows financed close to 70 percent of South Korean imports and constituted 75 percent of fixed capital formation. This fact surely vitiates the mainstream economic mantra of simple EGO [Export Oriented Growth] as, absent the anticommunist partnerships the region entered into with the US, it is not clear from where in a free trading "free world" the capital underpinning globally competitive exports would have been generated' (Westra 2012, pp. 59–60).

system in order to fund innovations, but needing the monetary wealth generated by successful innovations to establish and maintain a national innovation system, was resolved.³⁸

This was a highly contingent state of affairs. It did not last and has not been repeated. As the Cold War ended, the US withdrew support for the developmental state model.³⁹ From now on access to the US domestic market would be conditional on a reciprocal opening of their economies to US exports and investments. And from now on technology transfer to poor regions would occur mostly within export processing zones, where transnational corporations could limit and control transfers to local subcontractors, suppliers, and distributors.⁴⁰

This historical digression has been introduced to illustrate a theoretical point: the developmental state model cannot be invoked as a magic incantation to make the systematic tendency to global injustice disappear. The capitalist world market includes a systematic tendency to severe global inequality and poverty. While this tendency can be put out of play in exceptional circumstances, it cannot be dismantled as long as the production relations of capitalism remain in place. The roots of the problem do not lie in contingencies of culture or public policies, as Rawls and many others suppose. They are found instead at the very heart of capitalism, in the role of technological innovation as a major weapon of inter-capital competition. In the words of a leading mainstream growth theorist:

[I]nvestment in innovation widens the gap between rich and poor countries. The output gains of the industrial countries exceed the output gains of the less-developed countries. We therefore conclude that investment

38 From the viewpoint of the normative commitments of both liberal egalitarianism and Marxism this came at a cost. It contributed to an exacerbation of the normatively problematic features of the capital/wage labour relation by enabling capital to pursue effective 'divide and conquer' strategies. It eventually also exacerbated overaccumulation difficulties in the world market. I return to these themes in the following chapter.

39 The third condition for the success of the development state model was eroded as well. The developmental state cannot be maintained once local industrial firms and banks grow to the point where they can effectively resist state directives to focus on the less profitable domestic opportunities when more promising ones are available elsewhere. The demise of the developmental state model in Asia was overdetermined, brought about by internal as well as external factors.

40 Theft of intellectual property rights remains an option for technology transfer. But it does not provide a secure path for 'catching up', given the priority the US state has given to limiting it.

in innovation in the industrial countries leads to divergence of income between the North and the South.⁴¹

Liberal egalitarians cannot be indifferent to a systematic tendency to severe global inequality and poverty. No global order in which that tendency remains operating could plausibly be said to institutionalise the principle that all persons are equally worthy of concern and respect as ends in themselves, at least not in any substantive understanding of that principle.

Conclusion

It is important to recognise that Marx did not discuss each and every instance of wage labour, or private ownership of means of production. His critique does not assert that wage labour and private ownership of the means of production are universally and necessarily oppressive and exploitative. His object of concern was *generalised* commodity production and exchange, and the only forms of wage labour and private ownership of the means of production relevant to his theory are those characteristic of this historically specific context. His critique refers to historically specific social forms (the value form, the wage form, the capital form), and is not concerned with what is always and everywhere the case whenever commodities and money are found. His position therefore cannot be refuted by imagining counter-examples based on a constructed possible world in which generalised commodity production and exchange is in effect bracketed out.

In chapter 6 a case was presented that technological advances within capitalism tend to increase radical economic insecurity rather than to lessen it, to periodically lead to severe economic slowdowns imposing great burdens in a biased manner, to generate environmental harms on a vast scale, and to contribute to a global order characterised by severe poverty and inequality. Chapters 7 and 8 have considered whether states (and by implication other political bodies) have the capacity to address these tendencies effectively. I have argued that they do not. This conclusion is not based on the idea that the political realm is a mere epiphenomenon of the economy, or a mere instrument for economic elites to use as they please, or that the content of its policies are

41 Helpman 2004, p. 85. There are, of course, many other factors underlying uneven development in the world market besides investment in innovation. See Smith 2005, Chapter 5, and Patnaik 1997, Chapters 8 and 12.

necessarily determined by what is functional for capitalism in the long-term. The political sphere can causally affect capitalist development as much as the content of state policies can be affected by economic factors. Reforms that no faction of capital supports can be implemented. There is no one set of specific policies functional for capitalism in either the short or the long run. Capitalism is open-ended; there are an indeterminate number of possible paths consistent with capital accumulation. If the state in capitalist society is a capitalist state, this is not because economic reductionism is correct. It is a capitalist state because the same set of social relations (those of 'dissociated sociality') simultaneously defines an economy separate from the state and a state separate from the economy. The capitalist economy and capitalist state are rooted in one and the same 'bifurcation of the political', and the valorisation imperative rules over both.

No reform of the capitalist state can fully politicise the depoliticised (but inherently political) capital/wage labour relation without undermining that state. Legislation and regulations of the labour market are certainly possible that do not call into question the hidden political nature at the core of capitalism (that is, its existence as a class society with a surplus produced by one group appropriated and allocated by another). The liberal egalitarian position unwittingly calls for reforms of the capital/wage labour relation that are not really reforms, but radical breaks from this form of social organisation. If there ever were a serious attempt to implement them, it would invariably provoke vicious and unrelenting resistance from the representatives of capital. Private (depoliticised) control of investment capital, the society's productive resources, and the means of subsistence would all grant that resistance tremendous effectiveness (and thereby reveal the inherently political nature of this supposedly 'private' ownership of things). At this point either the reforms must be rescinded, or the social power granted the representatives of capital by the production relations of capitalism must be dissolved. Either path represents the abandonment of the 'core thesis' of liberal egalitarianism, which holds that the capital/wage labour relationship can be consistent with equal concern and respect for all, provided the right background conditions are established.

The bifurcation of the political defining capitalism also explains why it is rationally foreseeable that reforms aimed at removing overaccumulation crises, financial crises, and environmental crises cannot accomplish their objectives. These matters are also inherently political concerns. But they are all rooted in the impersonal force of the valorisation imperative on flows of private investment funds and privately undertaken production and distribution. Once the social world is subjected to the valorisation imperative, these different crisis-tendencies cannot be put out of play by political action, however

much public policies may modify their workings. Attacking them at their root would require an attack on the valorisation imperative at *its* root, dissociated sociality. It would require explicit acknowledgement that the power to determine the rate of investment in the economy as a whole and the general path of this investment are inherently political matters, since the fate of the polity as a whole is at stake. This cannot be done without fundamentally calling the social relations of capitalism into question. And so the core thesis of liberal egalitarianism, which implies that the tendencies to each of the different forms of crisis can be put out of play without calling the social relations of capitalism into question, is again shown to be incoherent.

The same general response undermines the liberal egalitarian call for global justice within the capitalist world market. Many of those making this call simply ignore the systematic tendency to severe inequality and poverty stemming (among other things) from the fact that operating close to the scientific-technological frontier, a major weapon in competition in the world market, is a weapon generally available only to capitals in wealthy regions. Others acknowledge the tendency, note (correctly) that it can be put out of play by the developmental state, and then ignore the fact that the very special preconditions of a successful development state are all but impossible to meet generally in global capitalism. A true generalisation of the developmental state would require a mechanism providing a flow of funds and technologies from wealthy regions to poorer regions roughly comparable to the level of the flows into East Asian countries from the US at the height of the Cold War. The odds of this happening in a world of global inter-capital competition are precisely nil. It could only occur with a politicisation of investment decisions overcoming the bifurcation of the political defining capitalism. As long as the social forms of capital remain in place, state-imposed reforms will be profoundly partial and precarious. Capitalist market societies will continue to be beset with features ruling out an adequate embodiment of the normative principles espoused in liberal egalitarian normative philosophy.

This completes the discussion of the Marxian challenge to liberal egalitarianism on the level of the dominant tendencies of capitalist market societies that began in Chapter 6. The next chapter moves to a more concrete levels of analysis.

Competing Perspectives on Neoliberalism

Both liberal egalitarianism and Marxism include a number of important trans-historical claims about human society in general, as any plausible social theory must. Both also investigate the 'basic structure' and inherent general tendencies of modern capitalist society. For both liberal egalitarianism and Marxism, however, the ultimate point of social theory is to change the world. Developing a proper theoretical understanding and assessment of the contemporary social world and its future challenges and prospects is a key part of that practical project. In this chapter I shall compare and contrast liberal egalitarian and Marxian accounts of the decades following World War Two, focussing on the United States, the hegemonic region.

It is one thing to propose arguments and counter-arguments on the abstract plane of systematic social theory. It is quite another to confront issues on the concrete historical plane. Moving to a more concrete historical level of analysis forces at least a partial reset of the terms of the discussion.¹ The question is no longer which framework has stronger abstract arguments in its favour. Different sorts of questions must be posed. Which perspective enables a more coherent and comprehensive historical narrative to be constructed? Which enables a deeper comprehension of our historical moment? Which better defines the historical challenges of this moment? Obviously these sorts of questions cannot be adequately considered without bringing in abstract systematic considerations. No less obviously, these sorts of questions cannot be satisfactorily addressed by attempting to derive concrete historical conclusions directly from abstract systematic concepts. It is not as if the comparing and contrasting of the two positions starts from scratch. Results on abstract levels matter very much! But if one theoretical framework can provide a more comprehensive and compelling account of concrete historical developments than the other, that is surely also relevant to a critical comparison of the two frameworks.

1 We shall, however, only be moving to a *relatively* concrete level of analysis in this and the following chapters, still some distance from the most concrete empirical studies of historians and social scientists.

A Liberal Egalitarian Narrative

This is not the place to provide a detailed reconstruction of modern history from a left liberal point of view. Highlights of a widely accepted narrative must suffice, concentrating on recent decades.

In the early modern period, appeals to 'freedom' and 'equality' were weapons in struggles against landed aristocracies, a rallying cry in struggles of market elites and their allies for an expanding economic and political space freed from the status restrictions of feudalism. These elites had sufficient power to ensure that a merely formal understanding of 'freedom' and 'equality' prevailed over a more substantive understanding. These formal notions then were ignored and transgressed for centuries by restricted suffrage, modern slavery, colonialism, patriarchy, and other oppressive practices.

From the beginning of the period there were social movements insisting that 'freedom' and 'equality' must be understood more substantively and universally. In the course of the nineteenth and twentieth centuries the principle that all citizens have rights to the material preconditions of mutual respect and a minimally decent life became more and more accepted in both social theory and everyday consciousness. Movements invoking this principle began to enjoy a measure of political success. The progress was hardly linear. But over time it was reasonable to think that capitalist market societies had gradually become more humane, at least in certain regions of the world and in at least certain respects. In the standard liberal egalitarian narrative three advances were especially significant from a normative point of view.

The Social Accord between Capital and Labour

In the period following Marx's death, labour organisations struggled for more humane work conditions, unemployment insurance, social security, and similar measures, with some success in the US and elsewhere. The 'dark Satanic mills' of the industrial revolution gave way to unprecedented increases in real wages and living standards. In the period following World War Two, ordinary workers in the US for the first time in history could send their children to college, enjoy a strong measure of job security, take extensive vacations, escape fear of poverty in old age, and so on. Keynesianism came to supplant orthodox economics, with its message that generous wages were not incompatible with prosperity, but rather helped maintain the high level of effective demand required for a healthy economy. Important factions of economic and political elites came to accept that labour reforms could further the long-term stability and growth of market societies.

The Social State

The social accord between capital and labour required a state that explicitly acknowledged workers' rights to organise to defend their interests. Specific aspects of the accord were implemented through public policies, such as unemployment insurance, social security programmes, and so on. Labour movements struggled in the political arena for these measures, and not just for reforms in the workplace. Anti-colonial, civil rights, and feminist movements also arose demanding the formal and substantive freedom and equality that all too often had been denied to non-whites, women, and subjugated peoples. These movements too enjoyed a measure of success, with a number of leading states at least some of the time and in at least some respects adopting policies more congruent with the principle that all humans are equally worthy of concern. The general principle that governments have a responsibility to limit severe poverty and material deprivation became accepted, along with a duty to protect citizens from the abuses of concentrated economic power. Left liberals proclaimed that a new form of state had arisen in response to social demands, 'the social state'.

Protection against one specific form of economic power warrants special note.

The Regulation of Finance

Liberal egalitarians accept that complex modern societies must include a financial sector, mediating between those who wish to save for the future and those who desire to make investments in the present. Its proper role is to allocate savings to firms in the 'real economy' promising to address social wants and needs effectively. Unfortunately, however, the financial sector does not automatically function in this manner. As Keynes and his followers recognised, without proper regulation the financial sector tends to generate self-sustaining bubbles. When the value of financial assets increases for any reason, those enjoying the increase in paper wealth find it easy to borrow. If they use borrowed funds to increase the level of investment in financial assets, this can set off a further rise in the prices of these assets, a further increase in the wealth of their owners, a further round of borrowing, and further growth in paper wealth from speculation. Many agents participating in bubbles convince themselves that the rise in the price of financial assets is fully warranted by the 'fundamentals' of a 'new economy' (after all, 'this time it's different!'). The less naive, recognising a speculative bubble for what it is, believe they are smart enough to cash out before it collapses. From a normative standpoint excessive financial speculation represents a profound inversion of the proper relationship between means and ends, with the financial sector operating as if the rest of the

economy were there to serve its interests, rather than the reverse. When financial bubbles burst, as they inevitably do, banks and other financial institutions need to repair their balance sheets. This can lead to a 'credit crunch' forcing otherwise solvent households and firms into bankruptcy, harming workers and their communities, lowering effective demand in the economy, and setting off a downward spiral of bankruptcies, unemployment, lost wages, and human suffering.

In the aftermath of the Wall Street crash and Great Depression of the 1930s, a series of regulations were introduced to make the financial sector operate in a manner consistent with its proper role. After the Second World War, Keynes proposed further reforms, some of which were instituted in the Bretton Woods agreement creating the international financial architecture of the postwar global economy. In the standard liberal egalitarian narrative, these reforms sacrificed short-term financial profits for the sake of both long-term economic prospects and the justice of the society as a whole. The reforms and their implementation were more restricted than liberal egalitarian theorists would have liked. But they were sufficient for representatives of financial capital to complain of 'financial repression', and there was a widespread expectation that further reforms would be undertaken on both national and international levels. Those rejecting the need for effective regulations were marginalised intellectually and politically.

On an abstract theoretical level liberal egalitarians hold that substantive freedom and equality can be institutionalised in capitalist societies. A corresponding historical thesis affirms that these values were in fact increasingly institutionalised in the course of the twentieth century, culminating in the quarter century after World War Two. (The publication of Rawls's *A Theory of Justice* in 1971 captures this historical moment, however much Rawls himself downplayed this in later years). There were many reversals along the way, and no liberal egalitarian would argue that the results were adequate from a normative point of view. But significant normative advances were made, and there was no reason in principle they could not have been continued.

At this point in the liberal egalitarian story, however, the narrative arc takes a horribly wrong turn. Lyndon Johnson's insistence on waging a major land war in Asia without raising taxes to pay for it, combined with two major 'oil shocks' and other contingencies, led to the 'stagflation' of the 1970s. The global economic slowdown gave conservative opponents of the social state an opening. They took full advantage, carrying out a conservative 'counter-revolution', represented in the political sphere by the election of Thatcher and Reagan. In the intellectual sphere there was a sharp turn to the right as well, with Milton Friedman and Friedrich Hayek usurping Keynes's place.

Despite all historical evidence to the contrary, the view that maximising short-term returns is optimal from a long-term perspective became accepted dogma among the most influential economists and policy makers, culminating with the 'efficient market hypothesis' that proclaimed financial markets are incapable of falling prey to irrational speculation.

'Neoliberalism' has become the most widely employed term to refer to the variant of capitalism resulting from this conservative counter-revolution. Some of the main features of neoliberalism from the liberal egalitarian perspective will be considered next.

The Dismantling of the Postwar 'Social Accord' with Labour

The neoliberal period that began in the late 1970s has been characterised by decreased unionisation, declining real wages, pension plan cuts (or outright elimination), increased unemployment, speed-ups in the labour process, longer workdays, tiered wages, more precarious forms of employment, and other similar measures. Taken together these developments effectively ended the 'American Dream' for many working men and women. Disparities of income and wealth have returned to extreme levels not seen since the 1920s. Economic elites have increasingly been able to cut themselves off from the lives of their less well-off fellow citizens, mocking the notion that all members of the polity share a common 'community of fate'. Hardly an aspect of social life has not been profoundly distorted by these severe inequalities.²

Globalisation and the Dismantling of the Social State

There is no better illustration of the neoliberal war against the social state than the conjunction of tax cuts disproportionately benefitting the wealthy and cuts to social programmes targeting the least disadvantaged, simultaneously imposed at the very moment when the demise of the capital/labour accord

2 'In the United States, the most recent survey by the Federal Reserve ... indicates that the top decile own 72 percent of America's wealth, while the bottom half claim just 2 percent. Note, however, that this source, like most surveys in which wealth is self-reported, underestimates the largest fortunes' (Piketty 2014, pp. 257–8). 'Since 1980 ... income inequality has exploded in the United States. The upper decile's share increased from 30–35 percent of national income in the 1970s to 45–50 percent in the 2000s – an increase of 15 points of national income' (Piketty 2014, p. 294). While the US trends are especially striking, a major theme of Piketty's magisterial study is that the differences between it and other wealthy regions in the capitalist global economy with respect to inequality are a matter of degrees, not kind. A comprehensive and impassioned account of the pernicious social consequences of severe inequality from a normative point of view is found in Barry 2005.

increased radical economic insecurity among the least advantaged. The supposedly irresistible rise of globalisation was a key part of the neoliberal explanation of these developments. Technological change expanded the options for investors and firms to move investments offshore, forcing regions wishing to attract investments to lower their tax rates. In itself, this did not mandate the reduction of social programmes.³ But it did mean that a polity wishing to maintain the social state must transfer the corresponding tax burdens to individuals and groups facing increased economic stress themselves. In the US and many other regions, there was little desire to do this.

Globalisation was also invoked to explain the necessity of dismantling the postwar social accord between labour and capital. Heightened global competition had to be met with competitive wages and labour practices. Sectors where this process was not sufficiently rapid or deep suffered an unprecedented loss of jobs to overseas producers. A general 'deregulation' of labour regulations was mandated to make wages and labour practices more 'flexible' in response to globalisation.

While 'globalisation' was often presented as if inescapable technological and economic factors externally imposed a transformation on the state, from the perspective of leading left liberal theorists it is far more accurate to say that neoliberal globalisation was a creation of the neoliberal state. 'Free trade' agreements removing restrictions on the activities of multinational corporations were a crucial component of this process. The neoliberal 'free trade' regime has systematically privileged the interests of multinational corporations over those of workers in global sweatshops, poor farmers, the hundreds of millions confined to the informal economy, and the unemployed. The unfair rules of the World Trade Organisation (which penalise developing regions for infringing the property rights of MNCs while massive agricultural subsidies continue in the US and elsewhere) must be mentioned here as well. IMF-imposed 'structural adjustment programmes' forcing states to prioritise payments to international investors – at the costs of deep cuts in programmes that help the least advantaged groups – are another striking example.⁴

Financialisation

The general dismantling of the social state through deregulation had especially pernicious consequences in the financial sector. An immense 'shadow banking

3 See Burtless, Lawrence, Litan and Shapiro 1998.

4 Stiglitz 2002 provides a comprehensive liberal egalitarian critique of neoliberal globalisation.

system' eventually emerged, free from effective regulation.⁵ The lure of profits from financial speculation encouraged increased 'financial engineering' by non-financial firms.⁶ Paroxysms of 'irrational exuberance' generated a series of unsustainable speculative bubbles. A very incomplete list would include the savings and loan and third world debt crises of the 1980s, the Mexican 'tequila' crisis and the East Asian crisis of the 1990s, the dot.com crisis of the turn of the century, and the Great Recession set off by the bursting of the housing bubble in 2007. Insufficient financial regulation on both national and global levels also allowed unprecedented imbalances in the global economy between debtor regions and creditor regions, greatly contributing to global economic instability.

Despite the anti-government rhetoric of its advocates, neoliberalism regularly requires government action to save the financial sector from itself. When speculative financial bubbles burst, Central Banks pumped massive amounts of liquidity into global financial markets, restoring the balance sheet of financial firms. While numerous commentators warned that bailouts would encourage even more reckless behaviour (the 'moral hazard' problem), neoliberals insisted that here, as with the dismantling of the capital/labour accord and the social state, 'there is no alternative'.

The immense liquidity provided by the US Fed after the collapse of the dot.com bubble, combined with the ever-growing reserves held by surplus countries, pushed global interest rates to extremely low levels for years. Investors were happy to borrow immense sums at these rates and invest them in capital assets promising higher returns. The financial sector was happy to create ever more exotic financial products for these investors to purchase, most (in)famously by slicing and dicing 'subprime' (risky) mortgages as part of exotic and all but incomprehensible securities ('collateralised debt obligations cubed', anyone?). Rating agencies assured investors that purchasing these products involved relatively little risk.⁷ Regulators nodded in approval, marvelling at the

5 According to the Financial Stability Board's report on shadow banking, the banking 'outside' the official banking system more than doubled in size between 2000 and 2007, increasing from \$27 trillion to \$60t. The scare quotes around 'outside' are fully appropriate in light of the role of global banks as prime brokers for the 'over the counter' (that is, unregulated) derivative trades – the top 5 US banks accounting for 96 percent of the total (Sheng 2011).

6 Firms in non-financial sectors became financialised through leveraged buy-outs and mergers and acquisitions, the resulting high debt forcing lay-offs and wage cuts on the workforce. Immense sums were also borrowed for stock-buybacks, which lifted stock prices to the great benefit of investors and executives with stock options, while saddling companies with debt.

7 This conclusion was reached on the basis of computer models that assumed the future would

'efficiency' of it all. They were shaken to the core when a relative handful of subprime mortgages going bad set off a Great Recession, revealing the extensive fraud and collective delusion upon which the housing bubble had been based. When the house of cards collapsed, no one knew exactly which financial institutions had been made insolvent by toxic loans and ownership of toxic securities. ('Many more than we shall ever know' is the correct answer). Firms that offered insurance against bad loans and losses in the value of securities based on their own flawed computer models lacked anything close to the funds required to meet their obligations, which extended across the globe.⁸ The wealth of households in the US fell by \$18 *trillion* or so.⁹

Once again Central Banks rode to the rescue, providing liquidity to the financial sector on an unprecedented and truly mind-numbing scale. State spending also helped save the global economy from immediate and catastrophic collapse. Banks have now been recapitalised to a considerable extent, with the US government in particular allowing banks – including banks in Europe – to exchange practically unlimited amounts of toxic assets for 'high-powered' money. Non-financial corporations have returned to profitability. The stock market in the US has attained record highs. The process of overcoming the crisis of neoliberalism through a renewal of neoliberalism has been quite successful for investors and firms, even if the global economy remains extremely fragile. From the normative standpoint of liberal egalitarianism, however, the price of this 'success' has been unacceptable. Vulnerable groups that did not benefit from the selfish and reckless behaviour of financial capital or the globalisation of production and investment have had great harms inflicted on them in the form of stagnant wages, lost pensions, foreclosed homes, vast debt, and extensive unemployment (8.8 million jobs were lost in the US in a two-year period).¹⁰ Few of those who engaged in criminally reckless financial behaviour have been sanctioned. Such a profoundly asymmetrical distribution of economic benefits and costs infringes the principle of equal citizenship and the underlying principle that all persons are worthy of equal concern and respect. If the neoliberal

be like the past in relevant respects, despite the fact that the past lacked both such massive quantities of cheap credit and financial instruments of such impenetrable incomprehensibility.

8 In 2008 credit default swaps (investors betting against insurance companies that someone will default) reached a notion value of \$60 trillion (Roubini and Mihm 2010, p. 199). Around 50 percent of all collateralised debt obligations defaulted (Westra 2012, p. 138).

9 Blinder 2013, p. 354.

10 Blinder 2013, p. 355.

agenda continues to be pursued, the price ordinary citizens will pay will be far greater still.

The global crisis of neoliberalism quickly mutated into a global crisis of state finances.¹¹ Commentators of the right now proclaim that the astounding growth in state debt is rooted in the predatory and profligate nature of states. Piously invoking our moral obligations to future generations, they insist that state deficits must be drastically and immediately reduced through spending cuts. Tax hikes on 'job creators' must be avoided at all costs, and the burdensome regulations that undermine investor confidence must be abolished. If uncertainty regarding state finances, taxes, and regulations were removed, partisans of the right insist, this would unleash investments from the private sector, allowing a new golden age of dynamic growth to commence in the global economy.

Liberal egalitarian economists have vehemently rejected this call for austerity, carefully explaining its advocates' utter ignorance of the relevant macro-level relationships. When the crisis hit in 2007, households were extensively indebted, and the debts of firms (especially financial firms) were even greater.¹² The asset side of the balance sheets of households was in disarray due primarily to an immense decline in the value of homes while high debt levels remained unchanged. The assets of corporations were plagued by various forms of 'toxic assets', loans that would never be repaid, worthless securities, and so on. Both households and corporations had to restore their balance sheets by paying back debt and building up assets. Given the extent to which debt had built up and the value of assets had fallen, this deleveraging was bound to be an extended and painful process.¹³ In the micro-level perspective of non-financial firms and households, it is rational to lower debt as soon as possible. This deleveraging, however, threatens irrational results on the macro level. In the balance sheets of financial firms, loans are assets. A steep loss of these assets at a time in which the debts of financial capitals were at historically unprecedented levels would almost surely have led to an implosion of the global financial sys-

11 The US federal budget deficit in 2009 (\$1.4 trillion) exceeded the Gross Domestic Product of all but eight other countries. The cumulative deficit of the years 2010–12 was over \$5 trillion (Blinder 2013, p. 397).

12 In 1981 the debt of the private sector in the US equalled 123 percent of GDP; by the end of 2008 it had reached 290 percent. Corporate debt increased from 53 percent of GDP to 76 percent, household debt jumped from 48 percent to 100 percent, while the financial sector's debt increased fivefold, from 22 percent of GDP to 117 percent (Roubini and Mihm 2010, p. 83).

13 See Koo 2009.

tem. To avoid this catastrophe the asset side of financial firms' balance sheets needed to be built up through the financial sector extending credit to governments. The debit side of financial firms' balance sheets simultaneously needed to be reduced, and this was accomplished through government purchases of extremely questionable (often 'toxic') assets and similar measures.¹⁴

To reduce state deficits now would be to repeat the mistakes of the US in the 1930s and Japan in the 1990s, when weak economies were pushed back into recession by premature budget cuts. Leading spokespersons of the liberal left insist that aggressive additional state spending in the short-term is required if households, firms, and banks are to regain healthy balance sheets. This spending should be concentrated on public investments providing preconditions for future economic dynamism: infrastructure, education and training, and R&D on advanced technologies, with a special emphasis on 'green' technologies. The economic growth spurred by government spending will increase future state revenues, which can be further enhanced by reasonable increases in progressive taxes. If such measures are implemented, reducing admittedly unsustainable state debts will be far less onerous in the future than it would be now.

A left liberal agenda based on liberal egalitarian principles must also include adequate financial regulation on national and global levels. Proper regulation would address the root cause of financial crises by limiting both speculation and unsustainable imbalances between creditor and debtor regions of the global economy. Rebalancing the global economy, however, requires more than new regulations. Following suggestions made by Keynes, progressive economists also call for governments in surplus regions to institute public policies stimulating an expansion of domestic consumption, centred on a growth in real wages. This expansion is necessary to compensate for the retrenchment of overly indebted consumers elsewhere, and to enable deficit regions to reduce their debts through increased exports to surplus countries. Finally, in the worst cases (such as Greece) foreign lenders must write off many of their foolish

14 In 2007 the Federal Reserve held around \$900b of assets, mostly US government debt. By the middle of 2009 its balance sheet showed between \$2.3–2.4 trillion of assets, most accumulated during the crisis (Roubini and Mihm 2010, p. 153). By 2015 it reached \$4.5 trillion assets (CNN Money 2015). The balance sheet of the Federal Reserve rose three and a half times between 2007 and mid-2012. The European Central Bank's tripled, while the Bank of England's increased fourfold (Wolf 2014, p. 29). Japan provides an especially extreme case. Public debt in the US rose from 64 percent of GDP to 104 percent between 2008 and 2015; in Japan it jumped from 176 percent to 237 percent (*The Economist* 2015b, p. 16).

loans.¹⁵ Prominent liberal egalitarian economists have also followed Keynes in proposing an alternative international financial architecture based on a new form of world money that would not privilege any particular national currency (a privilege the United States has systematically abused). This world money would be politically managed to limit global imbalances, with the responsibility of adjusting to them shared by surplus and deficit regions, rather than falling almost entirely on the latter as at present.¹⁶

From a liberal egalitarian point of view, the results of neoliberal policies could have been easily predicted: in the absence of branches of government and a regime of global governance correcting the systematic tendencies of markets to generate unjust results, markets systematically generated unjust results. Without anything like a Rawlsian allocation branch in place, financial assets were massively mispriced. Financial risks, for example, were externalised rather than incorporated into the prices of financial assets. Without anything like an effective stabilisation branch in place, serious financial crises recurred throughout the neoliberal period. Without anything like an effective transfer branch in place, a wider and wider section of the populace failed to share in the economic growth of the neoliberal period. Without anything like an effective distribution branch in place, economic elites increasingly became more of a separate caste in society with increasing power to influence the political process at the cost of eroding fundamental democratic values have been eroded. None of these developments implies that conditions prior to the rise of neoliberalism were normatively acceptable from the liberal egalitarian point of view. But the historical path was at least moving in the right direction in many respects. In the decades of neoliberalism, social advances have been reversed, and injustices increased.

Liberal egalitarian theorists correctly understand that the present crisis is not fundamentally a crisis of the profligate state. If generations are not to be tragically sacrificed, policies cannot be based on calls for austerity lacking theoretical justification, empirical evidence, or the most elementary ethical concern. The crisis of state finances is merely a symptom of the crisis of neoliberalism. The political challenge of the present moment is to reverse the neoliberal turn, and renew the interrupted project of instituting a humane and normatively acceptable form of capitalism. Social movements struggling against discrimination and poverty and for global justice will play a key role in

15 The failure to write off unrepayable debts has already brought the Eurozone project into question on a number of occasions, and will almost certainly do so again in the future. See Lapavistas et al. 2012.

16 Davidson 2009.

this development, renewing the heritage of previous progressive social movements. Normative social theorists have an important role to play too, clarifying the principles of fairness and the reasons in their favour. The crucial normative principles of liberal egalitarianism – the moral equality principle, the principles of substantive freedom and equality, and the specific economic, social, political, and cultural rights required to institutionalise substantive freedom and equality – are not merely abstract precepts. They are also concrete material demands that have arisen immanently in the course of historical struggles against entrenched status distinctions. Liberal egalitarians participate in these struggles by providing the most influential critiques of neoliberalism.¹⁷ In this sense liberal egalitarianism can be said to be the preeminent ‘critical theory’ of our day.

Whether it is an adequate response to the normative challenges of our day, however, remains to be seen.

Beyond Liberal Egalitarianism: A Marxian Critique of Neoliberalism

There is no reason to postpone stating the first major difference between the Marxian narrative of recent decades and the liberal egalitarian story just considered. The liberal egalitarian theorists who ask why the so-called ‘golden age’ of high levels of profit, investment, and real wages in a world market in the period commencing after the devastation of World War Two came to an end in the 1970s generally give the same answer: contingencies such as the so-called ‘oil shocks’ inflicted by oil exporting regimes were to blame. There is no reason to deny the importance of these factors.¹⁸ In the alternative narrative presented here, however, more weight must be placed on two other considerations relevant to the end of the ‘golden age’.¹⁹

17 For example, Stiglitz 2002 and Piketty 2014.

18 It is worth noting in passing, however, that the oil shocks were more a response to the global slowdown than its cause. The rise in the price of oil was engineered by OPEC regimes to maintain their earnings in real terms, after the inflation of the dollar signalling the end of the ‘golden age’ had seriously eroded the value of these earnings. See Gowan 1999.

19 The scare quotes around ‘golden age’ are appropriate in light of the vast numbers of non-unionised and non-white sectors of the workforce that did not enjoy any sort of golden age, the extreme alienation of the ‘Fordist’ labour processes of the day, the poverty of peripheral regions, and so on. The following is indebted to Brenner 2006, 2009, Foster and Magdoff 2009, Moseley 2009, McNally 2010, Panitch and Gindin 2012, and Desai 2013.

A first point regards the systematic tendency for *overaccumulation crises*. In 1945 the Japanese economy was roughly a century behind the US, while Germany lagged behind a half-century or so.²⁰ By the 1970s both regions had more than caught up. In many of the most technologically sophisticated and economically crucial sectors of the world market – consumer electronics, autos, motorcycles, chemicals, business machines, steel – Japanese and European capitals were more efficient producers of higher quality products than established US firms. The productive capacity added to the global economy by Japanese and German firms increased faster than the growth of markets to absorb it, as US capitals did not withdraw at a sufficient rate to avoid that happening. The result was an overaccumulation crisis, manifested in excess productive capacity. The rate of investment and growth declined in response.

Second, the post-WWII ‘long boom’ had also been characterised by relatively low levels of unemployment and relatively high levels of labour organisation in the US and other regions of the ‘centre’. The ability of workers to win wage increases and partial control of the labour process ‘squeezed’ profits. There was even a brief moment in which real wages increased at a faster rate than productivity growth, eroding relative surplus value. The rate of investment necessarily tends to decline when relative surplus value is threatened. The latter was threatened. The former declined.

One way of overcoming an overaccumulation crisis is the physical destruction of excess capacity. Another world war would have eliminated excess capacity in the global economy very effectively. Thankfully, that was not on the agenda.

Another tried and true way of re-establishing preconditions for renewed accumulation has been a severe recession or depression devaluing or shutting down completely previous investment in productive capacity. Given the level of excess capacity in place in the 1970s, however, the scale of the devaluation required would have been truly enormous. Leading policy makers in the leading regions had strong reasons to attempt to avoid this path. The political consequences of major recessions and depressions could be contained relatively easily when capitalist social relations made up a relatively small island surrounded by an ocean of peasant production, when labour organisations and other movements for social justice were illegal or weak, and when voting rights and the right to protest were legally restricted. These conditions no longer held in major regions of the world economy in the 1970s. In fact, progressive social movements were relatively strong and confident. It was reasonable for elites

20 McNally 2010, p. 27.

to worry that a major recession or depression might provoke a level of social unrest difficult to control.

Members of the ruling circles in the US had an additional and extremely powerful reason to fear a severe global recession or depression: devaluing capital on the scale required would have inflicted massive harm on US capitals in particular, due to their weaker competitive positions in key sectors of the world economy. No one within the ruling circles of the US could be indifferent to the prospect of vast amounts of US capital being devalued or shut down. The dollar's privileged position as world money would be threatened, and the material foundation for the geopolitical hegemony of the US undermined. (And, we may add, the personal economic interests of members of the ruling caste would be directly threatened as well).

Wanting to avoid something, of course, is not the same as being able to avoid it. Nothing in the previous history of capitalism suggested that capital accumulation could be renewed after the global slowdown of the 1970s without a colossal destruction and devaluation of productive capacity. Nonetheless, after much trial and error a way forward for capital did emerge without a vast 'slaughter of capital values': neoliberalism.²¹ In the liberal egalitarian narrative summarised above, the rise of neoliberalism is explained as the result of a failure of political will to regulate capital, especially the will to regulate financial markets. In the alternative Marxian narrative being developed here, neoliberalism must be seen instead as the result of a political project, led by the United States, to reverse the slowdown of the 1970s *without* the massive elimination of excess productive capacity that would have disproportionately harmed capitals associated with the US state.²² New forms of political regulation played a central role, despite all the obfuscating rhetoric of 'deregulation' promul-

21 I do not want to downplay the devaluation and elimination of previous capital investment that did occur in the recessions of the 1970s and early 80s. In the industrial heartland of the US there was brutal deindustrialisation, and the situation in the United Kingdom was even worse. But it was not sufficient to remove excess productive capacity in most major sectors of the world economy. There was no 'slaughter of capital values' on a scale sufficient to end [overcapacity and overproduction]' (Desai 2013, pp. 24–5). This is Chris Harman's view as well (Harman 2010, pp. 231–3, 282).

22 The notion of 'capitals associated with the US state' is complex and elastic. Its scope extends beyond capitals with headquarters and all plants and offices in US territory, including all plants and offices of US multinationals located outside US borders, all foreign firms with which US companies have subcontracting or distributing agreements, foreign capitals that have made direct investments or extensive financial investments in the US and, ultimately, all capitals with which US companies could have any of the above (or similar) relationships at any point in the future. The drive to maintain the US economy, in

gated by both neoliberals and their critics. Rather than being the inevitable result of an inexorable erosion of state capacities in the face of new technologies and uncontrollable market forces, as so often asserted, neoliberalism was essentially a creation of the US state and its allies.²³ For our purposes it can be understood in terms of five closely interrelated processes.²⁴

An Explosion of Credit Money

Overaccumulation crises appear in the form of shortages of effective demand. Keynesianism taught policy makers that shortages of demand can in principle be overcome through state spending and other injections of liquidity. And so the initial signs of the global slowdown were met with a sharp rise in the creation of credit money in the US, enabling productive capacity to be absorbed that otherwise would not have been absorbed. A significant portion of this expanded money supply added to the store of 'Eurodollars' already accumulated overseas as a result of the Marshall Plan, overseas military spending, and returns from exports to the US.

The post-War dollar-gold standard established at Bretton Woods allowed foreign nationals to exchange dollars for gold. The increase in foreign dollar holdings resulted in a significant outflow of gold from the US, jeopardising the fixed link between the dollar and gold at the heart of the 'dollar gold standard'. Economic orthodoxy dictated that the expansion of credit money in the US must be contained within strict limits in order to maintain the stable link with gold. For reasons explicated above, however, any curtailment of credit would have set off a deep contraction, greatly harming the US economy. The Nixon administration instead played its trump card, declaring unilaterally

short, is a drive to maintain the capitalist world economy as a whole, a clear mark that it is the centre of an 'informal empire' (Panitch and Gindin 2012).

23 See Gowan 1999, Panitch and Konings 2008, Panitch and Gindin 2012.

24 In other contexts, other dimensions of the neoliberal period would have to be added to those that follow. The role of military actions by the US and its allies is perhaps the most obvious omission, given the extent to which the relative advantages of US capitalism and the geopolitical/military power of the US state presuppose and reinforce each other (see Gowan 1999, Part Two, Worrell 2010, Westra 2012, Panitch and Gindin 2012). The diffusion of 'postmodern' culture is another dimension of the neoliberal era that will not be examined here (see Jameson 1990, Harvey 1991). The US-centric dimension of the discussion below would also have to be overcome in a more comprehensive account. In other contexts more weight would have to be given to the strong continuities in global capitalism (and US policy in particular) throughout the post-WWII period (see Panitch and Konings 2008, Panitch and Gindin 2012), and to the struggles against neoliberalism that erupted throughout this period. (See also note 4 in the following chapter).

that the main form of world money, the dollar, would no longer be linked to gold. Transforming the dollar to a purely fiat currency allowed an absolutely astounding increase in credit money: 'Between 1970 and 1973 the total US money supply grew by 40 percent ... [T]otal US money supply [leapt] from \$1.170 trillion in 1974 to \$2.991 trillion in 1984'.²⁵ Coggan's figures are even more striking: 'In the US alone, the value of the broadest measure of money (known as M_3) rose from just under \$1 trillion in the early 1970s to \$10 trillion by 2006, at which point the Federal Reserve stopped calculating the numbers'.²⁶ Nixon's 1971 break from the gold standard began an astounding and unprecedented explosion of total debt in the US, reaching \$50 trillion in 2007.²⁷ The main form this initially took was a steep rise in deficit state spending, creating demand for productive capacity that would otherwise be unused ('military Keynesianism').

The explosion of credit money could not simply be said to have been caused by the 'deregulation' of the financial sector. It could only have occurred after commodity money had been abolished by political decree and with the Federal Reserve's 'accommodation' of the credit money created by banks and other financial institutions. As we shall see, the expansion of credit is at the root of many of the injustices of neoliberalism rightly criticised by liberal egalitarians. They fail to consider, however, that without the explosion of credit money a global 'Great Recession' (or, more likely, 'Great Depression') would most probably have taken place in the 1970s in response to overaccumulation. And there is no reason whatsoever to think that had that path been taken the social consequences would have been less horrific from a liberal egalitarian normative perspective than the catastrophes of neoliberalism.

The initial expansion of credit money, however, immediately led to difficulties that had to be resolved before it could proceed further: higher inflation (or 'stagflation', since it was not accompanied by economic growth), and its associated threat of a significant devaluation of the dollar. Economic and political elites in the US and elsewhere, recognising that if the dollar was to retain its status as world money it must be a reasonably stable store of value, had strong incentives to contain inflation. For the neoliberal project to be successful on its own terms the unprecedented monetary expansion had to continue without inflationary consequences. Most commentators and professional economists

25 Westra 2012, p. 76.

26 Coggan 2012, p. 144; see also Guttmann 1994. At the risk of overkill, another set of figures can be added: 'According to PIMCO, the fund management group, US economic output was \$3.5 trillion in 1984 and private-sector credit was about the same amount. By 2007, output had grown to \$14 trillion but credit had soared to \$25 trillion' (Coggan 2012, p. 146).

27 Duncan 2012, p. 34.

in the 1970s thought this combination was simply impossible, and the spectre of inflation has haunted neoliberalism since its inception. They forgot that inflation is not a purely monetary phenomenon, but a monetary expression of class relations.

An Increase in the Rate of Exploitation

The de facto 'social accord' between capital and labour initiated in the New Deal and expanded after World War II granted owners and managers power over investment decisions and the organisation of the labour process, while some (unionised, white, male) workers received implicit promises of employment security and real wages growth in line with productivity advances. While leaders of labour organisations were mostly happy just to have a 'seat at the table', a new generation of militants emerged willing to challenge an 'accord' so transparently favouring the interests of capital. The representatives of capital were hardly in a weak position. But their room to manoeuvre was constricted by the strength of working-class organisations at the very moment when over-accumulation difficulties intensified inter-capital competitive pressures. The inflationary spiral of the 1970s reflected the degree to which neither capital nor labour had sufficient power to check the other, as the explosive growth of credit money led to increases in both prices and wages.

From the beginning of the New Deal there had been factions of capital that did not accept the social 'accord'.²⁸ Their increasingly strident calls to overcome inflationary wage/price spirals of the 1970s by weakening labour increasingly resonated in ruling circles and beyond. It soon became taken as simple common sense in the dominant discourse of the day. The birth of the neoliberal era can be traced to the appointment of Paul Volcker as Chairman of the Federal Reserve in 1979. The steep rise in interest rates that followed (the 'Volcker Shock', as it has come to be known) unilaterally broke the class accord. The shock had the foreseeable (and foreseen) result of disciplining labour by raising the unemployment rate far beyond what had previously been considered politically acceptable. Other explicitly anti-union government policies quickly followed.²⁹

Corresponding developments in the private sector provided a second front in an all too one-sided class war. Improved transportation and communications technologies enabled corporations to shift investment from regions of

28 Davis 1986.

29 Some examples in the US include: breaking the air traffic controllers' strike, packing the Labor Relations Board with pro-management officials, and allowing the value of the minimum wage to erode significantly. See Moody 1997, 2007.

the domestic economy where labour organisations remained relatively strong to regions where workers were more compliant. The technologies and forms of social organisation of 'lean production' spread rapidly, forcing fewer workers to produce more output for less monetary return and with much greater physical and psychological stress.³⁰ Speed-ups eliminated the precious seconds to catch their breath workers previously enjoyed. Workdays were lengthened. Pension and health plans were cut when not eliminated altogether. Employment became ever-more precarious as part-time and temporary labour spread. Even profitable and expanding companies 'downsized' their workforce, an unprecedented development. These new labour relations were found in the dynamic start-up companies of the emerging 'new economy' commercialising information technologies no less than in holdovers from the previous era.³¹ The important point to keep in mind is that the rise of these 'flexible' labour relations of neoliberalism did not occur as a result of an unwillingness of the state to regulate labour markets.³² The war on labour was in good measure the *result* of state policies seeking a way for profits to recover from the global slowdown of the 1970s without first destroying or devaluing significant excess productive capacity.

The shift in the balance of power between capital and labour in favour of the former enabled the explosion in credit money to continue without setting off inflation in either labour or wage goods markets.³³ Astounded by how little inflation rose despite the staggering increase of credit money, mainstream economists and pundits began to praise Central Banks for engineering the 'Great Moderation' of inflation. In a rare moment of lucidity the leading central banker of the day, Alan Greenspan, showed more understanding of the underlying class dynamic when he spoke of the 'traumatised worker', incapable of winning wage increases due to the threat of downsizing and capital flight.³⁴ The link between productivity advances and real wage gains – a link that had held throughout the history of the United States – was broken, and the gap between the two began to rapidly widen.

30 Smith 2000.

31 See Basso 2003, Head 2003, Smith 2012a, Crary 2014.

32 This statement holds for 'strong states' such as the us. 'Weak states' had more 'flexible' labour relations imposed on them externally by political agencies, especially the structural adjustment programmes of the IMF. (Although in almost all cases domestic elites were happy to allow the IMF to be blamed for policies they themselves favoured).

33 The explosion of credit money did lead to mammoth inflation in financial markets, about which the owners of financial assets and their political friends worried not a bit.

34 Woodward 2000, p. 168.

The pressure on wages from actual unemployment and the threat of further downsizing lowered the value of labour power as a commodity. Since expenditures to purchase that commodity are part of the money capital (M) initially invested, lowering its value tended to increase surplus value, the difference between M' and M . As productivity grew throughout the neoliberal period while hourly real wage rates for production workers did not, the ratio of money surplus value to the wages of productive labour increased by about 40 percent.³⁵ In the terminology of *Capital*, this represented a staggering increase in the *rate of exploitation*.

What would have happened in an imaginary world in which there had been sufficient political will to prevent the rate of exploitation from significantly increasing while the valorisation imperative remained in force? While answering counterfactual questions is never straightforward, it is overwhelmingly likely that the overaccumulation of capital would have led to insurmountable difficulties in transforming M into M' on the macro level. The default response to this situation in capitalism would most likely have occurred: productive capacity would have been destroyed or devalued on a massive scale. Once again, from the standpoint of liberal egalitarian normative principles there appear to be no good reasons to regard this path as normatively preferable to that taken by neoliberalism. In the absence of a fundamental break from capitalist social relations, the resulting vast unemployment would have led to a significant increase in the rate of exploitation anyway.

One way or the other, fundamental human interests had to be sacrificed for the good of capital. One way or another, human ends had to be thwarted for the sake of capital's end, valorisation.

Globalisation

Capital has long pursued 'divide and conquer' strategies with the workforce, playing off one age group against another (child labour), one gender against another, one racial or ethnic group against another, when the value of one group's labour power is lower than another's for whatever reason. The new information and transportation technologies now allowed this divide and conquer strategy to be pursued on a global level through cross-border production chains.³⁶ While the majority of foreign direct investment continued to flow between wealthy regions in the world economy, vast numbers of US-owned or

35 Mohun 2009, p. 1028.

36 Moody 1997. Cross-border flows of financial capital, another major element of the neoliberal form of globalisation, will be considered in the next two subsections.

affiliated plants were built in Mexico, China, and elsewhere.³⁷ Being able to reduce labour costs by 95 percent (China), or even a mere 88 percent (Mexico), obviously contributed greatly to the restoration of profits in the US after the global downswing of the 1970s.³⁸

Neoliberal globalisation furthered the recovery of profits in other important ways. With many overseas plants owned by a parent company, intra-firm trade has come to dominate foreign trade, enabling multinationals to minimise taxes (and thereby increase profits) through the accounting tricks of 'transfer pricing'. When work was outsourced overseas to firms that were not owned by the outsourcer, the latter could leverage its privileged position to shift economic risk to foreign subcontractors, while appropriating for itself a greater share of the 'value added' in the production chain.³⁹ Further, foreign direct investment to establish cross-border production chains typically required major investments in roads, ports, and other infrastructure for transporting imports and exports.⁴⁰ This investment increased demand in the global economy, allowing otherwise excess productive capacity to be absorbed profitably, at least for an extended period.⁴¹

Many aspects of neoliberal globalisation are deeply problematic from a normative point of view, and liberal egalitarians have criticised them vehemently. The standard left liberal critique is characterised by an overemphasis on what the state and international political agencies failed to do (properly regulate international trade and investment) and a corresponding underweighting

37 While US capitals led the development of these corporate strategies, others soon followed. German capitals have devoted immense funds to investment in Eastern Europe after the implosion of the Soviet model, while Japanese outsourcing to China and other developing economies in East Asia has exploded.

38 McNally 2010, p. 53.

39 In response, subcontractors in the export processing zones of developing countries ratcheted up the most inhumane aspects of the capitalist labour process in order to protect their own profits, justifying the use of a special category, 'superexploitation'.

40 Not coincidentally, with the notable exception of China these were mostly regions that had previously benefited from extensive US subsidies during the Cold War (Westra 2012, Chapter 2; see footnote 37, Chapter 8). China had a number of special advantages allowing it to jump into the game later: an effectively unlimited supply of skilled labourers, wage rates a mere five percent of those in the US, the promise of access to a potentially massive domestic market, a government committed to authoritarian disciplining of the labour force, and so on (McNally 2011, p. 53; Hart-Landsberg, and Burkett 2005).

41 David Harvey refers to a 'spatial fix' for overaccumulation difficulties in this context (Harvey 2003). This spatial fix, however, came at the cost of eventually exacerbating the very problems of global overcapacity it initially alleviated, as Harvey also noted.

of the extent neoliberal globalisation has been an active state project, carried through by bilateral and multilateral trade agreements among states and state-directed international agencies (IMF, WTO, etc.).⁴² A more serious shortcoming appears when we once again pose the counterfactual question: If a political will to prevent the rise of neoliberal globalisation had somehow prevailed, what would most likely have happened?

Along with the explosion of credit money and the war on labour, the neoliberal form of globalisation contributed to the way forward for capital from the global slowdown of the 1970s. It contributed to the revival of profits and growth that allowed capital to avoid the massive destruction of excess productive capacity that would otherwise have been required for a renewal of valorisation. In the absence of a fundamental break from the social forms of capital, if neoliberal globalisation had not occurred the overwhelmingly likely result would have been a global depression. There is, once again, no reason whatsoever to think that this path would have been preferable from the normative standpoint of liberal egalitarian theory. In any global slowdown the opportunities for persons to live the sorts of lives they have most reason to choose is severely restricted in a thoroughly unfair and biased manner. The harm to human flourishing from a slaughter of values sufficient to remove the excess productive capacity in the world market would have been beyond measure. The standard liberal egalitarian critique of neoliberal globalisation is silent once again about the most important matter.

Financialisation

'Financialisation' is a general term referring to a number of interrelated processes. One of them, the explosion of credit money, has already been introduced. As noted above, the explosion of credit money propped up household and government demand, thereby absorbing productive capacity that would otherwise have been unused. With real wages declining, increased debt was one of the few ways many households could maintain their standard of living.⁴³ But another consequence proved at least as significant: the amount of funds circulating within the financial sector seeking investment opportunities exploded. Given the ongoing danger to profitability non-industrial firms faced from unused productive capacity, undertaking a significantly higher rate

⁴² Panitch and Gindin 2012.

⁴³ Low-priced imports of wage goods from low-wage regions of the global economy (the so-called 'Wal-Mart effect') helped maintain living standards as well, as did the increasing entry of women into the paid labour force – capital now in effect was able to purchase two labour powers for what had been the price of one in real terms.

of investment was not a rational strategy. Start-ups aside, then, firms in non-financial sectors generally undertook only replacement investments, funded with retained earnings rather than borrowings from banks or other financial institutions. A high proportion of the credit money created in the financial sector therefore was invested within the financial sphere itself.

A number of other processes contributed to this result as well:

- The circulation of the vast reserve of ‘stateless’ dollars accumulating overseas as a result of exports to US consumers, US military spending, oil sales (priced in dollars) after the OPEC ‘oil shocks’, and so on, was mediated by financial firms based primarily in the US and London.
- After the demise of the dollar-gold standard, the volatility of currency exchange markets tripled. Financial instruments were devised to limit the risks associated with currency fluctuations, such as option contracts to buy or sell the right to exchange currencies at a given rate at some future point in time. The continued expansion of global trade, the proliferation of cross-border production chains, and other aspects of neoliberal globalisation, led companies and governments to engage in currency exchanges much more frequently and on a much greater scale over time, encouraging much greater use of these hedging instruments. The high fees financial firms appropriated from the construction and sale of these derivatives encouraged the construction of other new financial instruments (see below).
- Pension funds, a residue of the class accord of the post-WWII period, resulted in an enormous jump in the scale of financial inflows seeking investment outlets in the neoliberal decades.⁴⁴
- The increase in the rate of exploitation left more income and wealth in the hands of investors and top managers. Wealthy households tend to devote a far greater share of their holdings to financial investments than other households, and so the rise in inequality of the neoliberal period reinforced the increasing flow of funds into financial markets.
- Loans to households and corporations immediately invested in financial assets can also be considered here. In contemporary capitalism, a house is as much a financial asset as a dwelling. As mortgages became available at relatively low interest rates, going into debt to purchase houses allowed household wealth to increase as long as housing prices appreciated, as they

44 See Toporowski 2000, which explains how this by itself explains much of the inflation of financial assets of the neoliberal period.

did throughout the period being discussed.⁴⁵ Despite the prevalence of low interest rates in other parts of the economy, consumer debt (e.g. credit cards) often came with rates of interest that would have made Tony Soprano blush.⁴⁶ Non-financial firms borrowed extensively for stock buy-backs, highly leveraged mergers and acquisitions, and other financial transactions.⁴⁷ Buy-backs lifted the price of companies' stock, keeping investors (and managers with stock options) happy. Mergers and acquisitions typically raised stock prices as well.⁴⁸

- Finally, banks and other financial firms increased the proportion of their lending going to other banks and financial institutions, especially those in the so-called 'shadow banking system' supposedly 'outside' the (somewhat) regulated banking system (but completely 'internal' to its de facto operation, see note 5 above).

All of these factors contributed to a massive increase in the funds flowing through the financial sector. Five major consequences warrant mention here (a sixth will be discussed separately in the following subsection). The first was a protracted period of capital asset inflation. The element of subjectivity and indeterminateness in the prices of financial assets created the formal possibility for such an epoch; the possibility became actualised when funds circulating within the financial sector significantly increased for an extended period. As the tsunami of funds flowing through the financial sector grew

45 Hudson 2012.

46 These increased debt loads have also played a significant role in the war on labour, disciplining the labour force to accept the higher rate of exploitation (Lapavistas 2012, 2013).

47 Leveraged buy-outs (that is, the use of borrowed funds for mergers and acquisitions) contributed greatly to the increased 'flexibility' (exploitation) of the labour force. Merged and acquired corporations were typically left with high levels of debt, forcing layoffs and wage cuts. The intensification of pressure from Wall Street to maintain satisfactory quarterly returns or face the threat of being taken over encouraged the 'reengineering' of corporations to make them 'lean and mean' – in other words, to make fewer workers produce more for less, the material reality lurking beneath the ideological rhetoric of labour 'flexibility'. Capital flight to low waged regions was another response to the same unrelenting pressure. In the neoliberal variant of capitalism, financialisation, an increased rate of exploitation, and globalisation are inseparably conjoined.

48 When a merging or acquiring company purchases a firm with a higher price/earnings ratio than its own, this automatically increases the former's price/earnings ratio, generally leading to a jump in its stock price. The various machinations of 'speculative capital' are illuminatingly examined in Krier 2005 and 2009.

inexorably in neoliberal financialisation, the prices of financial assets grew correspondingly. In stark contrast to their paranoia regarding inflation in wage and consumer markets, anti-inflation 'hawks' greeted the seemingly inexorable rise in the prices of financial assets with applause.

A second result of the massive increase in financial flows was the proliferation of new categories of financial products. The use of information technologies enabled financial firms to slice and dice loans (e.g. mortgage and credit card debt) to construct synthetic financial instruments ('securities') promising investors relatively high returns at relatively low risk.⁴⁹ Many securities were judged by ratings agencies to be as low-risk as the debt of the world's most prosperous corporations and stable governments.⁵⁰ Investors who wanted to reduce their risk exposure even further could take out insurance against declines in the value of these securities. The more exotic these new categories of financial assets were, the more financial capitals (and ratings agencies) profited from their construction, evaluation, sale, and provision of insurance. Any serious discussion of the contemporary 'knowledge economy' must begin with the fact that the fastest rate of product innovation, the largest private-sector investment in information technologies, and the greatest private-sector concentration of advanced knowledge workers, has been found in the financial sector.

The third result from the greater inflow of funds into the financial sector, and the higher percentage (of an immensely greater amount) of credit money created within the financial sector remaining within it, was the more frequent outbreak of self-sustaining financial bubbles. A general inflation of financial assets can turn into a bubble whenever a critical mass of investors convince themselves that one or more categories of assets is privileged for some reason or other.⁵¹ Widely shared optimistic estimations of the future value of these assets

49 The idea behind securitisation is that debts involving a wide range risks can be combined into different synthetic products ('securities') enabling risks to be more broadly dispersed and investors to take on precisely the level of risk they wish to bear. The global economy as a whole was supposedly made safer. This did not prove to be the case, needless to say, as Das 2011 exhaustively documents.

50 Not entirely coincidentally, prior to the crisis half of the profits appropriated by ratings firms came from the fees they received for bestowing triple-A ratings on exotic structured finance products (Roubini and Mihm 2010, p. 66).

51 The simplistic belief that a new set of technologies would lead to a 'new economy' legitimated the dot.com bubble of the late 1990s, and the equally delusional belief that housing prices would never decline provided justification for the housing bubble that followed.

among investors will set off a sharp increase in their prices. Those owning the assets can then use their increased (paper) wealth as collateral for loans, and use the loans to increase demand for (and thus the prices of) financial assets. The now yet wealthier investors can then return to banks for yet another round of loans and commence the process again. At some point the nagging thought may arise that only a fool would purchase a capital asset at such an obviously inflated price, and only a very foolish bank would lend someone money for that purchase. But as long as it is reasonable to think that a yet bigger fool will come along to purchase the asset at a yet more inflated price, it is 'rational' to want to purchase it now, and rational for a bank to lend for that purpose. As long as such sentiments are widely shared a financial bubble can be self-sustaining for an extended period.⁵²

Eventually, of course, every bubble bursts. That is a very old story, even if the frequency of its telling accelerated in the neoliberal era.⁵³ The new twist was the discovery by Central Banks that if sufficient liquidity is pumped into financial markets after a bubble bursts, the negative repercussions on the financial sector as a whole can be contained. Inflows from non-financial sectors and the creation of credit money remaining within that sector can then recommence relatively quickly – setting off a new round of financial asset inflation. A fourth consequence of neoliberal financialisation, then, was the recurrent need to bail out financial institutions.⁵⁴

A fifth result of neoliberal financialisation has been mentioned already: numerous relatively weak states fell into 'debt traps' and were forced by global capital markets and the IMF to restructure their economies.⁵⁵ As numerous liberal egalitarian theorists of global justice have rightly noted, these restructurings systematically furthered the interests of global creditors while inflicting normatively significant harms on the populace of debtor regions. They have also resulted in multinationals being able to appropriate more of the 'value

52 Toporowski 2000, p. 54.

53 There were 38 financial crises between 1945 and 1971, prior to the outbreak of capital asset inflation; the tally jumped to 139 between 1973 and 1997, with the dot.com crash, the Great Recession, and many more, yet to come (Wolf 2008, p. 31).

54 This was called the 'Greenspan put', in honour of the Federal Reserve Board Chair who became the 'maestro' of government bail outs, despite his oft-professed love of Ayn Rand.

55 As discussed in the previous chapter (see note 36 and the main text associated with it), the debt trap arises when foreign loans are not used in a manner generating sufficient revenues to meet interest payments as they come due. Further loans must then be taken out to avoid default, which eventually require yet further loans to meet interest payments on the second set of loans, and so on.

added' in global circuits of production and distribution, part of the process of 'accumulation through dispossession'.⁵⁶

Taking these various aspects of financialisation into account it should come as no surprise that in the US by 2005 financial firms accounted for more than 40 percent of the earnings of companies listed in the Standard and Poor 500, or that the combined income of *all* 500 CEOs of those leading non-financial companies totalled less than that of just the top 25 hedge fund managers, or that in 2008 one in every 13 dollars in compensation went to people in finance, as opposed to merely one in 40 in the so-called 'golden age' after WWII.⁵⁷ The astounding growth in derivatives provides another startling measure of neoliberal financialisation: in 2003 for every \$1 of world income there was \$1.80 worth of derivatives circulating; just four years later the ratio was 640 percent higher, with \$12 worth of derivatives for every dollar of world income.⁵⁸

Most of what has been said about financialisation so far repeats the liberal egalitarian account discussed at the beginning of this chapter. The normative issues raised in the left liberal critique of financialisation are indisputably legitimate. No one committed to the principle that the autonomy and well-being of all social agents are equally worthy of concern and respect can approve the manner in which those engaged in financialisation appropriated an unfair share of the benefits of social cooperation, while externalising an unfair share of its immediate burdens and long-term risks. I also have no wish to understate the extent to which state regulators failed to carry out their charge of overseeing financial activities to protect the public, the central explanation liberal egalitarians propose for the excesses of financialisation. Whatever the precise combination of ideological confusion and political corruption that explains – to pick one example out of countless – the utter failure to even attempt to bring the shadow banking system within the scope of financial supervision, this failure counts as one of the greatest scandals in the scandal-ridden history of state/capital relations. On these points Marxists and liberal egalitarians broadly agree; the points of contrast lie elsewhere.

A first difference is familiar: a critical analysis focussing on 'deregulation' is no more capable of comprehending neoliberal financialisation adequately than the ending of the capital/labour 'accord' or the rise of neoliberal globalisation. A compelling case can be made for the thesis that the financial sector of neoliberalism has been the beneficiary of *more* extensive government interven-

56 Toussaint 1999, Harvey 2003.

57 Roubini and Mihm, p. 190.

58 Varoufakis 2010, p. 131.

tion, since this sector is now *more* dependent on regular government support. The fact that the regulatory regime has been directed towards state bail outs of financial capital rather than minimally effective oversight of minimally accurate balance sheets does not make it any less of a regulatory regime.⁵⁹ Ironically, the supposedly 'economist' Marxian framework allows a stronger account of the role of the state to be formulated here than a perspective committed to the position that the normative problems of societies such as the United States are primarily due to markets being allowed to operate without proper political supervision.

Second (and more importantly), from the Marxian perspective the state/financial capital relation and its associated normative issues are parts of an even bigger picture, raising even deeper normative issues. A key clue is the failure of the unprecedentedly explosive increase of credit money during the neoliberal period to lead to an investment boom in non-financial sectors.⁶⁰ In fact, the rate of investment in non-financial sectors has tended to *decline* in the global economy as a whole during the neoliberal period, despite the impressive recovery of corporate profits, and despite the fact that rates of investment in China and other regions reached astounding heights never previously attained in the world market for a comparable length of time.⁶¹ The underlying reason is relatively straightforward, even if rarely noted: overcapacity issues have persisted in almost all important non-financial sectors of the global economy throughout the neoliberal period. The problem was soon exacerbated by the emergence of new producers in East Asia and elsewhere. Given persisting overcapacity issues, if there had been a significant increase in new investment in non-financial sectors, the required transubstantiation of M to M' would have faced serious difficulties, to say the least. And so in the neoliberal decades there

59 When Citigroup exists today only because of government rescues during the Great Depression, after Mexico's default on debts in the 1980s, after the commercial real estate bust of the early 1990s, and now again in the recent financial crisis, in what sense is it a 'private' company? The distinction between the 'private' realm of the market and the 'public' realm of the state transparently dissolves. The political significance of this point is explored in Albo, Gindin and Panitch 2010 and Moseley 2009.

60 The sharp jump in the rate of investment in firms of the 'new economy' associated with the internet boom of the late 1990s was the exception that proves the rule. Few of these firms ever became profitable, and overcapacity problems soon afflicted the new sectors. The rise in the rate of investment was strikingly brief (Brenner 2009).

61 Prior to the Great Recession beginning in 2007, 'Growth for the world as a whole was well down on the levels not only of the long boom [during the decades immediately following World War II], but also of the first decade and a half after its end' (Harman 2010, p. 231; see also pp. 232–3).

has been no significant increase in the rate of investment in the world market as a whole.

But M must become M'! If a rapid rate of investment in non-financial sectors will not further the valorisation imperative, newly created credit money will necessarily tend to flow to (or remain within) the financial sector, since *high monetary returns can be appropriated from an inflation of financial assets even while non-financial sectors of the global economy are afflicted with excess capacity*.⁶² The liberal egalitarian critique of financial 'deregulation' overlooks this absolutely crucial dimension of the neoliberal global economy.

Once again a normative assessment of the historical period in question must pose the relevant counterfactual question: What would have happened if political regulation somehow had prevented financial institutions from externalising such an astounding level of risk? Given persistent overcapacity problems, even if there had been an adequate level of financial supervision, a rapid growth of non-financial investment was not in the cards. Nor would better regulation of finance have affected the relentless drive of capital to raise the rate of exploitation in response to persisting overaccumulation difficulties.⁶³ Neoliberal globalisation would also have continued more or less unchecked. It is true that in this quite imaginary alternative world the oppressive rates of interest attached to credit card debt would have been somewhat lower, and the insane increase in housing prices would have been somewhat checked. But with real wages declining, increased debt was one of the very few ways in which ordinary households could maintain their standard of living, and the appreciation of housing values provided justification for this increase when it did not directly allow it to occur through equity loans. The spending of wealthy households must be considered as well; if there had been effective political regulation limiting the (undeniably irrational) inflation of financial assets in the neoliberal period, the 'wealth effect' on the economy – that is, the tendency for spending to increase as wealth increases – would have been restricted. Finally, perhaps a different sort of regulatory regime could have prevented many instances of 'accumulation through dispossession' induced by financial capital. But those instances played a crucial role in capital's recovery from the 1970s global slow-

62 Extended historical periods of financialisation have for this reason been a recurrent feature of 'systematic cycles of accumulation' in capitalist development, even if never before on the scale of neoliberal financialisation (Arrighi 1994).

63 If political regulation of financial capital discouraged leveraged buy-outs, the pressure to cut wages to pay off debts from mergers and acquisitions would have been alleviated. But as we have seen, there were many other ways to force an increase in the rate of exploitation.

down, and avoiding them would still have left all the underlying causes of the 'debt trap' in place.⁶⁴

If a recovery would not have been spurred by non-financial investments, by increased debt-fuelled consumer spending by working households, by the 'wealth effect' stemming from the inflation of capital assets owned by wealthy households, or by 'accumulation by dispossession', it would have had to rest primarily on increased government spending. Government deficit spending was in fact a major factor underlying the economic growth of much of the neo-liberal period; the extended periods of growth in the Reagan years (and again under Bush the Junior) certainly had far more to do with the sudden jump in government deficit spending ('military Keynesianism') than any autonomous 'magic of the marketplace'. But, first of all, it would have taken a politically unimaginable level of government spending to compensate for the stifling of the insane dynamism of the financial sector that adequate supervision would have caused. A second problem is that states lacking their own national currency would have had to cover their deficits by extensive borrowings from global capital markets. This is a dangerous and ultimately doomed path; the high interest rates 'irresponsible' governments are charged would have pushed even more regions into the 'debt trap'. States with their own national currency – especially the US, which enjoys the 'exorbitant privilege' of possessing the domestic currency serving as the dominant form of world money – have more room to manoeuvre.⁶⁵ Suppose for the moment that a vast expan-

64 Liberal egalitarians have traced the debt trap to loans that have gone into the personal bank accounts and vanity projects of local elites, protectionist measures in wealthy regions preventing imports from potential competitors in the Global South, and subsidies to producers in wealthy regions encouraging the production of surpluses that are then dumped in poor regions despite the harm inflicted on local producers (Brock 2009). As important as these considerations are, two others must be given even greater weight: 1) the level of overcapacity found in almost all major sectors of the world market, leaving relatively little space for new producers in regions of the global economy, and 2) the lack of effective national innovation systems in poor regions that underlies uneven development in the world market.

65 Wray 2012. But here too the threat of punishment by global capital markets would never completely dissipate. US Treasury bills enjoy special advantages that the debt instruments sold to foreign investors by US corporations and regional governments do not necessarily enjoy. And no one knows for sure just how much room for manoeuvre there is to keep the special advantage of US federal government debt. Keynesians invoke the fact that the immense government deficits after WWII were dealt with relatively easily in the US. But the US was then the only creditor nation in the global economy and had no real industrial competitors. When the US is the world's biggest debtor, owing in the range of \$3 trillion

sion of government spending could have absorbed excess productive capacity in strong states with their own domestic currency. A third serious problem would still remain from the normative point of view of liberal egalitarianism: the profound costs of overaccumulation would have then been displaced from regions with strong states to other regions even more than would otherwise be the case. Left liberals could not have affirmed this alternative course of events, which would be a new variant of very old imperialist practices. There is, finally, no reason to suppose the strategy would be successful even on its own terms. The level of government spending required to provide an effective alternative to financialisation would almost certainly have proved incompatible with the continuation of capitalist social relations. It would almost surely have required extensive nationalisation of the financial sector, a taxation of wealth that no capitalist class would accept, and an effective mobilisation of public support that could have led to public demands for full employment, public control of investment, etc. A coalition of financial and non-financial capitals vehemently opposed to such developments would have assuredly arisen.

These considerations all lead to the same conclusion as that reached above in the analysis of other key features of neoliberalism. The left liberal critique challenges us to imagine a possible world in which neoliberal financialisation is abolished while the social relations of capitalism remain in place. There is every reason to think that in such a world the global slowdown of the 1970s would have led to a severe depression, since that is the 'default response' to serious overaccumulation in a global order governed by the valorisation imperative. Massive amounts of excess productive capacity would have been dismantled or devalued to create the preconditions for renewed valorisation. There are, once again, no good reasons to consider this course of events normatively superior to that taken by neoliberalism. When the standard liberal egalitarian narrative of the neoliberal period leaves this point out, it is omitting the most important thing.

Global Imbalances

The primary 'engine' of global growth in the neoliberal era was the expansion of consumption in deficit regions, led by the United States. In the US this engine was fuelled by the income gains enjoyed by wealthy households from tax cuts, a higher rate of exploitation, and the 'wealth effect' following the inflation

to the rest of the world with a current account deficit of \$400b/year, and in a world of persisting overcapacity, matters are quite different (Roubini and Mihm 2010, p. 294).

of financial assets, as well as by increased household debt across the social spectrum. The surpluses of many exporting nations expanded in sync with US trade deficits.

By accounting identity the *current account* (whose key component is foreign trade) and the *capital account* (centring on cross-border flows of investment) must net to zero. Simplifying just a bit, this means that a region's trade deficit must be matched by capital inflows.⁶⁶ Banks in regions enjoying trade surpluses had a strong incentive to continue lending to deficit regions, since these loans enabled domestic producers with whom the banks were tied to increase exports to those regions.⁶⁷ Capital flows from surplus regions to deficit regions also enabled foreign investors to benefit from any inflation of financial assets in the latter.⁶⁸ There were in addition a number of strong reasons for governments in surplus regions to accumulate vast dollar reserves, using trade surpluses to purchase US Treasury Bills despite their relatively low returns. If the world worked according to the precepts of mainstream economics texts, there would have been a steep appreciation in the currencies of surplus countries relative to the dollar, raising the prices of exports in dollar terms and thereby hurting their exports to the US. Japan, China, and other surplus nations avoided this result by investing their reserves in purchases of US Treasury Bills, with the increasing demand for dollars preventing a significant decline in its relative value. A reserve of dollars is also necessary for the purchase of oil and weapons in international markets. Further, the dollar continued to provide a fairly secure store of value in an increasingly turbulent global economy, at least relative to other national currencies and gold.⁶⁹ Last but not least, the greater the reserves of world money held by a nation's Central Bank, the more protected the national economy would be from sudden capital outflows – and from the need to turn

66 'From 2000 to 2007, the US ran a cumulative current-account deficit of roughly \$5.5 trillion, with nearly symmetrical offsetting increases in reserves in China and Japan' (Volcker 2012; see Duncan 2012, Pettis 2013, Wolf 2014 and, especially, Westra 2012). These reserves were then predominately invested by purchasing the debt instruments of the US government.

67 The economies of Germany and Greece were locked in a symmetrical relationship along these lines prior to the ongoing crisis of the euro area (Wolf 2014, Chapter 2).

68 The 'carry trade', where yen were borrowed in Japan at close to zero interest rates and then invested in the purchase of financial assets in the US, has been an important factor in the speculative bubbles of the US since the late 1980s. (A similar carry trade from the US to the stock and real estate markets of 'emerging economies' was a major factor in their 'overheating' in the years immediately following the outbreak of the 'Great Recession'. See Roubini 2009).

69 Prasad 2014.

to the IMF and its onerous structural adjustment programmes to recover from stampedes of outflows.⁷⁰

Capital inflows kept interest rates in the US much lower than they otherwise would have been (and demand for loans correspondingly higher), fuelling both stock market and housing booms.⁷¹ The financial booms led consumer markets to expand (the so-called ‘wealth effect’; people tend to spend more as they become wealthier); expanded consumer markets resulted in higher imports and greater trade deficits; the inflow of foreign capital increased correspondingly, and so on. Imbalances in global trade and capital flows, in brief, were closely associated with self-sustaining bubbles of financialisation. Neo-liberalism is a package deal. As a result of these flows China and the US were responsible for 45–60 percent of all global growth in the period immediately prior to the ‘Great Recession’, with the US absorbing an astounding 70 percent of the net capital flow in the world economy.⁷² Is there a more striking illustration of global injustice than the fact that 70 percent of the net increase in global capital flows went to the wealthiest region of the global economy, while billions of individuals in poor regions continued to lack the most basic necessities?

Liberal egalitarianism provides a theoretical framework for a powerful normative critique of global imbalances, focussing especially on the political failure to supervise cross-border flows adequately, and the abuse of the privileges granted to the US economy from a national currency serving as the main form of world money. Prominent liberal egalitarian economists have proposed a new form of world money and a new international financial architecture, designed to limit the rise of excessive global imbalances in the future by making both surplus and deficit regions bear the costs of adjustments. The normative force of the liberal egalitarian critique of global imbalances, and of the inevitably abused power granted by a particular national currency serving as world money, is indisputable. But it must be recalled that debt-fuelled con-

70 This consideration became especially important after the East Asian crisis of the late 1990s, when the IMF oversaw a ‘fire sale’ of productive assets to overseas investors and corporations (Stiglitz 2012). Every unit of money held in reserve, of course, is a unit removed from the process of producing goods and services to meet the wants and needs of its citizens. The amassing of vast reserves is another form of depressionary bias at the heart of even successful peripheral regions. See Weeks 2010 and other articles in Westra 2010.

71 Foreigners purchased more than half of the mortgage-backed securities and collateralised debt obligations that financed the housing bubble in the US (Roubini and Mihm 2010, p. 247).

72 Westra 2012, pp. 19–20.

sumption of deficit regions provided *the* engine of growth in the world economy prior to the Great Recession. In the absence of an equally effective alternative 'engine', eliminating imbalances would have severely reduced growth in the global economy if it did not eliminate it entirely. The only way forward for capital from the overaccumulation crisis of the 1970s would then have been the massive dismantling or devaluation of excess productive capacity. No argument can show that this would have been a normatively superior option from a liberal egalitarian standpoint.

Was there an alternative engine of global growth? Keynesians hold that increased spending in the domestic economies of surplus regions could have served. But political and economic elites in Germany and China, the two leading surplus/creditor nations, fully understand that: 1) a substantial destruction and devaluation of excess capacity in the global economy may eventually prove unavoidable; 2) the stronger the position of capitals headquartered in their territories in the world market, the greater their ability to displace any destruction and devaluation of capital elsewhere; and 3) capitals from surplus nations enjoy a position of strength in the world market, where the claims of creditors are backed by 'the rules of the game' while debtors must resort to moral appeals. It is also the case that increases in domestic real wages sufficient to allow a major expansion of their domestic markets would tend to raise the prices of German and Chinese exports, threatening the ability of domestic capitals to avoid harm from an extended period of decline in the world market. In addition, significantly increased domestic wage costs would heighten as well the risk of capital fleeing Germany and China for Eastern Europe and even lower-waged areas in East Asia, putting additional fiscal pressure on German and Chinese national economies. We also must keep in mind that Germany and China have their own serious overaccumulation problems.⁷³ No remotely feasible expansion of their domestic economies would be able to absorb their excess productive capacity. Under these circumstances the conquering of export markets is hardly a discretionary choice; they *must* be conquered. Finally, Germany is the unquestioned power of Europe, and the Chinese economy is projected to surpass the size of the US's soon. They have

73 In China's case in particular, overaccumulation difficulties loom. While the tremendous explosion of credit money led to a tremendous inflation in capital assets in the US, in China it has led to a tremendous expansion of productive capacity. Each slowdown has been met with a yet greater expansion of credit money, enabled by its surplus and the Chinese government's control over its currency. (In 2009 debt jumped 40 percent in response to the Great Recession). High rates of growth have been maintained, at the cost of what *Business Week* calls 'corporate China's black hole of debt' (Roberts 2014, pp. 15–16).

reached this position due in good measure to their success in appropriating surpluses, just as leading regions in previous periods of capitalism's historical development became hegemonic as they occupied the centre of surplus flows in the world market.⁷⁴ From the standpoint of capitalist rationality, what would be rational about abandoning that path?

There are also good reasons to be sceptical of the prospects for a normatively acceptable form of world money as long as the social and geopolitical relations of capital remain in place. It is not in the interest of the US, the world's leading deficit nation; as long as the dollar remains world money, its deficits are much easier to cover. Neither is it in the interest of the leading surplus regions to adopt an international financial architecture that imposes a much greater share of the costs of adjusting to imbalances on them. In a world market defined by inter-capital competition it will always be far preferable to them to force deficit regions to bear most of those costs.⁷⁵

If an expansion of consumption in surplus regions had not offered a plausible alternative 'engine' of global growth, then without global imbalances there would not have been an adequate engine of global growth. Then there would have been no way to restore valorisation without a massive devaluation of accumulated capital of the global scale. And that, once again, would not have been normatively superior to the path taken by neoliberalism. This reveals once again the limits of the liberal egalitarian perspective in the present period of world history.

Neoliberalism and the Ongoing Environmental Crisis

The underlying theme of this chapter has been that the present moment in world history challenges left liberals to affirm the need for a world-historical break from capitalism. No discussion of this topic should conclude without discussing the special role of environmental factors in this challenge. In Chapters 6 and 8, arguments were given for thinking that as long as capitalism remains in force, the depletion of resources and generation of wastes will eventually reach a point where the 'planetary boundaries' within which human history has thus far unfolded can no longer be maintained. A growing number of scientists believe we have already passed this point in some important respects, and are rapidly approaching it in others.

74 In earlier periods in the history of the world market, the emergence of the Netherlands, England, and the United States to global pre-eminence was fuelled in good measure by trade surpluses (see Arrighi 1994).

75 Smith 2013b. China's trade surpluses were once again at record heights in 2015 (Turner 2015, p. 181).

According to a study published in *Nature* there are nine 'planetary boundaries' within which the 10,000 years of human civilisation has unfolded. The boundaries concern climate change, ocean acidification, stratospheric ozone depletion, nitrogen and phosphorus cycles, global freshwater use, changes in land use, biodiversity loss, atmospheric aerosol loading, and chemical pollution.⁷⁶ According to the authors of this study, if these boundaries are transgressed, the ecosystems within which human civilisations have been embedded will be significantly transformed. These researchers judged at the time they wrote their article that there was not sufficient evidence to make an informed judgement regarding where to place the boundaries for the last two items on the above list. In their view the best scientific interpretation of the relevant evidence is that the boundaries have already been surpassed for the first three listed. And the evidence suggests that all but one of the remaining will be surpassed in the near future. Nothing in the years since publication justifies a reversal of the judgement expressed in the former point, or the prognosis given in the latter one.

Scientists tend to be circumspect regarding the likely consequences for social life were these boundaries to be surpassed. Nonetheless, the authors of the study being discussed write that if the upper-range of projections of global warming were to occur, it 'would threaten the ecological life-support systems that have developed in the later Quaternary environment, and would *severely challenge the viability of contemporary human societies*'.⁷⁷ Particular units of capital can prosper from 'disaster capitalism' for a period.⁷⁸ Over time, however, the prospects for the capitalist world market as a whole – and of the leading regions within it – are dire. How is capitalism responding to this existential threat?

Untold trillions have been devoted to propping up the global financial system, pushing environmental funding aside. The resulting government deficits have strengthened what often approaches a *de facto* veto power over government spending by global capital markets, which have consistently and all too predictably given more priority to the interests of investors than climate change. The need to spur economic activity in a period when so much capital is in danger of being destroyed or devalued will focus scientific-technological

76 Rockström et al. 2009.

77 Rockström et al. 2009, p. 473, emphasis added. See also Gordon 2014, a report of the *Risky Business Project*. This Project, supported by a 'who's who' of prominent economists and economic policy elites, is comparably emphatic regarding the threat posed by present environmental trends.

78 Klein 2008.

research even more on projects with commercial potential in the short- to medium-term, whatever the long-term environmental consequences (cf. the fracking technologies and technologies for intensifying consumerism, both hailed by business consultants as 'game changers' for the US economy).⁷⁹ Oil companies, whose estimated 2,795 gigatons of fossil-fuel reserves are worth approximately \$20 trillion, are using every last bit of their immense political influence to valorise every last drop of oil, even though what they own has been reckoned to be five times more than what can be burned safely.⁸⁰ And in a world of excess capacity those firms that do develop superior technologies from an environmental point of view are not especially inclined to share them at low cost with competitors. Their future hopes of valorisation rest on the productive capacity of competitors being destroyed, not improved.

Substitutes for exhausted natural resources will continue to be found; new methods of production using fewer natural resources and generating fewer wastes will be discovered; new techniques for processing wastes into non-harmful or useable substances will be introduced. Nonetheless, as we saw in Chapter 8 there is a good reason to renounce the faith that a 'technological fix' will save us. The 'grow or die' imperative tends to lead to greater environmental costs in the aggregate, even when the environmental costs per unit of output decline (the 'Jevons paradox').

Liberal egalitarians have insightfully explored the normative issues associated with intergenerational justice and environmental ethics. In this context too, however, they have defined the problem primarily in terms of a failure of political will to institute the needed environmental policies, and in terms of a need to evolve cultural beliefs granting more attention to our role as stewards of the environment. But the idea that a break from the hyper-temporality of capitalism and its 'grow or die' imperative might be required has not been articulated within that framework. If the environmental crisis cannot be adequately addressed without a radical rupture from capitalist social relations, and if the need to seriously address the environmental crisis is becoming more and more pressing as 'planetary boundaries' are surpassed, the core thesis of liberal egalitarianism must be abandoned.⁸¹

79 Lund, Manyika, Nyquist, Mendonca and Ramaswamy 2013.

80 McKibben 2013.

81 As Richard Smith writes, '[C]apitalism has *no solution to the ecological crisis, no way to put the brakes on collapse*, because its only answer to every problem is more of the same growth that's killing us' (R. Smith 2013, p. 150).

Conclusion

We should take a moment to appreciate the extent to which neoliberalism has been a tremendous success from the standpoint of capital. Profit levels significantly recovered after the slowdown of the 1970s. While levels of growth in the global economy did not reach those of the post-WWII 'golden age', they did not diverge significantly from what had been attained in previous periods of capitalist expansion.⁸² The value of financial assets in general, and the US stock market in particular, trended steeply upwards for an unprecedented period of time. A case could be made that the technological dynamism of this period was unsurpassed; at least it is doubtful whether there has ever been a technology trajectory with the steepness of the information technology revolution, or one that has spawned new industries, new firms, and new products at a faster rate. The explosion of trade and foreign direct investment facilitated historically unprecedented rates of growth in East and South Asia. In poor regions of the global economy more people were lifted out of poverty than in any previous period of human history by official measures. And the cultural consensus in favour of capitalism was probably even deeper and more extensive across the globe than it was in the quarter century after World War II. Most of all, *a destruction and devaluation of capital did not occur on anything approaching the scale that comparable overaccumulation problems had set off in the past*. Capital accumulation revived.

The astounding increase in credit money, beginning after World War II and only exploding after the break from gold in the 1970s, played a crucial role in this revival. In 1964 total credit in the US was just past \$1 trillion. By 2007 it had increased 50 times to \$50 trillion.⁸³ The US, as the privileged nation whose national currency serves as the dominant form of world money, was able to extend the credit creation process far past what other regimes were able to do. Nonetheless, the general tendency for credit creation to increase generally holds throughout the major regions of the globe (the Eurozone, Japan, China, and so on). But this explosion of credit money has not generated a proportional increase in economic growth. An ever-increasing amount of credit has been required in order to generate a given increment of economic growth (the

82 McNally 2010; Duménil and Lévy 2011. Of course, the periphery was another matter (Toussaint 1999). The recurrent crises occurring there did not accidentally accompany neoliberalism; they were central to the neoliberal strategy of 'accumulation through dispossession' (Harvey 2003).

83 Duncan 2012, p. 2.

ratio of debt to GDP has increased over time).⁸⁴ And growth rates in the global economy as a whole have trended downward, despite the tremendous expansion of credit (and despite the absolutely unprecedented high rates of investment and growth in East Asia).

The contrast between the role of credit today and that in previous cyclical developments must be comprehended if we are to make sense of the present phase of capitalism. Easily available credit has always been a component of the rapid growth characterising cyclical upswings. The continuation of easily available credit (at higher interest rates) has been central to what Marx termed the 'overexertion' phase of cycles, enabling growth to continue despite fewer profitable innovations, despite shifts in the balance of power in labour markets and labour processes, and despite the threat of excess productive capacity in key sectors.⁸⁵ As noted above, the repayment of loans granted by some financial agents in a given period generally depends upon other financial agents rolling over and expanding other loans in the succeeding periods. At some indeterminate point, the faith that future lenders will continue to lend at the required rates will dissipate among a critical mass of lenders, often due to some event trivial in itself. At that point the overexertion phase of the systematic cycle of accumulation abruptly concludes. Loans cease to be automatically rolled over and expanded; debts begin to be called in. A sharp rise in demand from borrowers, needing cash to meet pressing debt obligations, pushes interest rates sharply higher, making it yet more difficult for others to roll their debts over. A panicked rush to hard cash to meet payments as they come due forces desperate selloffs of financial assets, leading to sharp declines in their prices. The asset side of the balance sheets of those holding those assets erodes, condemning many to insolvency. A generalised credit crunch, in short, sets off a major downswing in the systematic cycle.⁸⁶

84 'In 1968 credit exceeded GDP by 1.5 times. In 2007, the amount of credit in the economy had grown to 3.4 times total economic output' (Duncan 2012, p. 2; see also exhibit 3.18, p. 49).

85 Marx 1981, p. 619. 'The maximum of credit is the same thing here as the fullest employment of industrial capital, i.e. the utmost taxing of its reproductive power irrespective of the limits of consumption. These limits to consumption are extended by the stretching of the reproduction process itself; on the one hand, this increases the consumption of revenues by workers and capitalists, while on the other it is itself identical with the stretching of productive consumption' (Marx 1981, pp. 613–14).

86 This account, developed in Part Five of *Capital*, Volume 3, is closely related to the theory of 'long waves' of development defended by Ernest Mandel (Mandel 1995), the concept of 'systematic cycles of accumulation' developed by in Arrighi (1994, 2007), and the great

In Part Five of Volume 3 of *Capital* Marx severely criticised the so-called ‘banking school’ for advocating Central Bank operations to protect gold reserves through higher interest rates during a credit crunch. This policy greatly exacerbated the social costs of downswings. But Marx did not believe that the more accommodating policies of the ‘currency school’ could prevent severe downswings from occurring. Sooner rather than later, overaccumulation in the ‘real’ economy must be addressed by devaluation or the outright destruction of invested value.

A note inserted by Engels in Part 5 suggested that soon after Marx’s day, policies alleviating panics by infusing liquidity in response to credit crunches were being introduced.⁸⁷ The discussion of neoliberalism in this chapter suggests, I think, that an even stronger revision is required to capture the contemporary period: *the moment of ‘overexertion’ in the course of an economic cycle can now be extended to an unprecedented degree in regions where the Central Banks have control over the regional currencies.* The extraordinary policies of quantitative easing instituted by so many key Central Banks across the planet in response to the Great Recession are but the latest and most extreme illustrations of the point.

Anyone aware of the horrific human suffering inflicted by extended downswings would be greatly tempted to regard avoiding them as a good thing. But from the standpoint of capital, matters are mixed. Throughout the neoliberal period most of the major sectors of the world market continued to be beset by overcapacity. If anything, these difficulties tended to intensify, as China and other regions rapidly industrialised.⁸⁸ Without a sufficiently significant devaluation and destruction of the value of previous investments, the major sectors

surges of capitalist development discussed by the neo-Schumpeterian economist Carlota Perez, whose views are discussed in the following chapter (Perez 2002). I shall not examine the similarities and differences here.

87 Marx 1981, p. 620.

88 The new ‘networked economy’ producing computers, communication equipment, semi-conductors, and so on, very quickly proved as susceptible to excess capacity as the old industrial economy (Brenner 2009). The percentage of fixed assets (factories, machines, computers, etc.) employed at the depth of the Great Recession (67 percent) was much lower than in previous recessions (75–80 percent), a clear sign of serious overcapacity difficulties. At the end of 2009, 30 percent of capacity remained unused in the US and Europe (Roubini and Mihm 2010, p. 278). In many third world countries the figure was 50 percent (Westra 2012, p. 178). If we wish to understand why US corporations are estimated to be now sitting on around \$3 trillion of cash and other forms of liquid funds (Moran 2012, p. 212; *The Economist* 2014, p. 68), persisting overaccumulation in the world market is the place to start.

of the world economy will continue to be threatened by overcapacity. Today, a greater and greater number of 'zombie' firms walk among us, incapable of operating as proper units of capital (that is, as vampires, not zombies), kept alive only through greater and greater transfusions of credit.⁸⁹

From this perspective a high stakes game of chicken is being played on the stage of the global economy. There is every reason to think that excess productive capacity must eventually be destroyed or devalued on a gigantic scale, perhaps not sooner rather than later, but surely sooner or later.⁹⁰ Zombie firms must eventually be killed outright and not allowed to persist in a state of living death. But it is uncertain which units of capital from which regions will eventually suffer this fate. Despite the rhetoric (and real complications) of globalisation, it remains the case that capitalist states still attempt to protect capitals of special importance to their national economies, selecting policies intended to shift the costs of any devaluation and destruction of value elsewhere as much as possible. (The European Central Bank acts analogously). No state officials believe that exceptional and extreme policies like quantitative easing can be pursued until the end of time. But they may well hope that if they can hold on long enough, 'their' capitals will remain alive, and zombie capitals headquartered elsewhere will be the ones destroyed. From this standpoint the astounding increase in debt, the striking decline in the ratio of debt and GDP growth and the secular decline in growth rates are all intelligible.

The otherwise astounding lack of 'deleveraging' in the global economy in the years since the so-called 'Great Recession' also begins to make sense from this perspective. A 2010 report of the McKinsey Global Institute examined previous episodes of 'balance sheet recessions' like the Great Recession, where high levels of debt on the liabilities side of balance sheets were no longer 'balanced' by financial assets whose value had proven wildly overinflated. Repairing the books of governments, corporations, and households – that is, lowering debts to balance liabilities with the significantly lowered assets – typically took five to seven years. But debt has *increased* since the outbreak of the Great Recession, rather than declined: 'since 2007, global debt has grown by \$57 trillion, raising the ratio of debt to GDP by 17 percentage points'.⁹¹ There is no mystery here. Due to the unprecedented amount of credit that has been created in the global economy there is now an unprecedented amount of capital embodied in (more or less) zombie banks and corporations still (more or less) alive. Borrowings

89 Harman 2010.

90 See Albert 2013.

91 Dobbs et al. 2015, p. vi.

can be shifted from one region to another, from one sector to another, from corporations to household (or the reverse), or from the so-called 'private' sector to the state. But for them to be significantly reduced would lead to an economy littered with decaying zombie corpses. It would cause our present contained depression to lose its claim on the adjective. The critically important Central Banks in the global economy will do everything possible to defer that day as long as possible, hoping that somehow enough devaluation and destruction of value will occur in regions of peripheral importance to global capitalism over time. Anyone retaining hope that the capitalism can be made less predatory and more humane in these circumstances seems woefully out of touch with our historical moment.

Implications for Political Philosophy

Rawls's *A Theory of Justice* was widely taken at the time of its publication in 1971 as a defence of market societies not as they were, but as they could be and were in the process of becoming. Rawls was widely understood to have argued that it was possible for advances to be pushed further and be ever more securely embedded in the basic structure of modern liberal societies. Prior to the global slowdown of the 1970s it was possible to believe that Rawls's political philosophy interpreted along these lines was in tune with the main thrust of historical development of capitalist societies. The end of the postwar 'golden age' was the end of this 'Rawlsian moment'. Rawls's arguments lost none of their normative force, and he and other liberal egalitarians continued calling for reforms to bring the social world closer to the principles articulated in their theories of justice. But this perspective no longer resonated in the social world in the same way, just as Keynesian claims that state intervention could maintain a stable and dynamic full employment economy increasingly fell on deaf ears. Something had gone wrong, something neither Keynesians nor Rawlsians anticipated or could fully comprehend.

Immense indebtedness, higher rates of exploitation, a declining share of wages in national income across the globe, recurrent financial bubbles, extreme global imbalances, and environmental harms that may 'severely challenge the viability of contemporary human societies', were not accidental occurrences that could have been avoided if only political elites had better fulfilled their normative responsibilities.⁹² *Measured by the standards of capitalist*

92 Nor can these developments be dismissed as features of Anglo-American capitalism, having little to nothing to do with more enlightened European 'varieties of capitalism'. Liberal egalitarians holding this view are urged to consult Streeck 2014, where the European adop-

rationality, neoliberalism was a 'rational' response to the overaccumulation crisis of the 1970s. It provided a path for profits to be restored and some growth to occur even as excess productive capacity continued to afflict the major sectors of the global economy. This crucial insight does not fit easily with the core thesis of liberal egalitarianism. The narrative of recent decades of world history that can be developed within a liberal egalitarian framework is simply not as comprehensive or compelling as the alternative based on the Marxian critique of political economy. The liberal egalitarian account of the present neoliberal moment of world history is not so much wrong as incomplete and inadequate. The critique of neoliberalism must be extended to a critique of the capitalism that counts neoliberalism as a 'rational' response to its present challenges.

Two other important positions in contemporary normative social theory can be considered briefly from this historical point of view before concluding this chapter. The libertarian philosopher Robert Nozick appealed to a counter-narrative to Rawls's, according to which the powers of the state had expanded far beyond what was rationally defensible by the 1970s. In his view the world historical task was to roll back the state's interference with individual autonomy as much as possible and as fast as possible, with Nozick's own *Anarchy, State and Utopia* (1974) supposedly marshalling the normative reasons to justify that project.

Communitarian philosophers proposed a yet different historical narrative regarding the US, centring on a culture that includes individualistic worldviews from the liberal tradition alongside a quite different and incompatible communitarian perspective. In Michael Sandel's interpretation, concern for fellow citizens as co-members of shared political community has existed alongside the assumption that the socio-political order is simply a means to allow individuals to pursue their individual good in peace. In Sandel's view, Rawls's *A Theory of Justice* mirrors the unresolved (and irresolvable) tension between these two strands of US culture. On the one hand, Rawls calls for public policies based on a communitarian concern for fellow citizens. On the other hand, his methodological framework is based on an appeal to what individuals, exclusively

tion of neoliberalism is examined in detail. With each passing day it becomes yet more implausible to see European social democracy as offering a future path towards a humane capitalism, and more obvious that this view illegitimately extrapolates from the (relatively brief) boom period of recovery after the devastation of World War II. Class compromises acceptable to capital in a truly extraordinary boom period are not acceptable after that phase has concluded. See the essays in Westra, Badeen and Robert Albritton 2015 and note 23, Chapter 8 above.

concerned with fulfilling their individual conceptions of the good, find rationally acceptable. For Sandel, far more is at stake here than the cogency of Rawls's book, which reflects the political culture of the United States. From Sandel's standpoint the conservative reaction against the liberal welfare state that inaugurated the neoliberal era – which he takes to be the defining political event of the last decades of the twentieth century in the US and elsewhere – should have come as no surprise. It was more or less inevitable that the liberal conception of the individual would eventually undermine the commitment to the social programmes of the social state. From the standpoint of the former, the social state forcibly takes income from individuals and uses it for projects they did not choose. Sandel argues that liberal egalitarians who wish to reaffirm the social state must abandon the metaphysical commitments of liberalism, embrace a communitarian framework, and work to foster communitarian values in the community as a whole.⁹³

There is a sense in which the neoliberal era represents a 'Nozickian moment' in history. The narrative that excessive interference by state bureaucrats in the free choices of citizens was somehow at the root of the most serious socio-economic problems began to resonate widely in the late 1970s. With an exclusively deontological theory of pre-political individual rights taken as an unquestioned first premise, Nozick derived conclusions that overlapped in many significant respects the more consequentialist arguments for the efficiency of markets developed by Hayek and others, providing all the intellectual ammunition the 'new right' social movement needed to justify dismantling the welfare state in the name of 'justice' and 'efficiency'. Neoliberalism, however, is 'Nozickian' only in its rhetoric. If we consider the policies that were actually implemented, it would make more sense to speak of a 'communitarian' moment in that neoliberalism emerged from a state's (the US's) attempt to protect its national economy from a massive destruction or devaluation of value.

But that is not correct either. Communitarians call on the state to further the deepest values of a particular political community. That is hardly the neoliberal project, which aims to replace all community values that are not immediately reducible to capital's imperatives. Any contemporary normative social theory that critically reflects on its historical context must take into account the explosion of credit money, the increase in the rate of exploitation, neoliberal

93 Sandel 1982. Communitarian criticisms can be fairly applied to many versions of liberalism. In my view, they do not apply to Rawls, accepting his clarification that the original position simply models the principle that all individuals are equally worthy of concern and respect, and does not express a commitment to metaphysical individualism.

globalisation, financialisation, and global imbalances. Libertarianism, communitarianism, and liberal egalitarianism all fail by this measure. The neoliberal period has been 'capital's moment', the moment of capital's resurgence.⁹⁴

94 Duménil and Lévy 2004.

Two Modified Versions of Liberal Egalitarianism

In previous chapters I have discussed as the ‘core thesis’ of liberal egalitarianism, the claim that capitalist market societies can operate in a manner consistent with equal concern and respect for persons as ends in themselves when the proper background conditions are in place. No liberal egalitarian would hold that we are anywhere close to that point. But in their view a series of normative advances in this direction can be discerned in the past development of market societies, and it is possible to pick up the interrupted process of incremental reforms where it left off, prior to the regressions of neoliberalism.

I have argued in this work that the Marxian challenge to the core claims of left liberalism is far stronger than most social theorists have recognised. It is impossible in principle for capitalist market societies to *ever* adequately institutionalise the principle of equal moral concern and respect. In generalised commodity production, the circulation of commodities and money is fundamentally not a means to further fundamental human interests. It is first and foremost a means to further the good of capital. It may be correct to say that capital’s end (the self-valorisation of value) is compatible with furthering human autonomy and well-being in certain respects and in certain circumstances. It may also be correct to hold that political regulation of capitalist markets is capable of expanding those respects and circumstances. But the compatibility of capital’s good and human matters of normative concern will always be profoundly partial and precarious, given the systematic tendencies to coercion, domination, and exploitation in the capital/wage labour relation, overaccumulation crises, financial crises, environmental crises, and severe global inequality and poverty. In the present phase of capitalist development these tendencies are operating with immense force, with no prospect in sight of that changing. Normative social theorists must fully acknowledge this feature of our historical moment.

What follows from these conclusions? For the cynical and the apolitical, probably not much; they will now just have another set of reasons to be cynical or apolitical. But such people have no doubt stopped reading long ago. What of those of us who are not completely cynical or apolitical? Must we accept the conclusion that the biggest challenge posed by the present moment of world history is to move beyond capitalist market societies? Many reasonable people will resist this conclusion. Attempts to break from an established social order will always incur incalculable risks of social disruption and suffering. Histor-

ical evidence shows that periods of intense social disruption and suffering are not especially conducive to justice. They tend to be periods in which ruthlessness, brutality, and demagogic appeals hold sway. There are no guarantees (to put it mildly) that the results of such a period today would approach justice any more closely than the present social order. There is in fact an ineradicable danger that a social formation much less normatively acceptable than contemporary society would eventually be consolidated. From this standpoint it is not unreasonable to wonder whether an appropriately regulated capitalist market society could be affirmed as a realistic 'second best' alternative, even if strictly speaking it would not be 'just' in the full liberal egalitarian sense of the term.

Anyone giving an affirmative answer to that question would be 'beyond liberal egalitarianism' by being 'beyond' an acceptance of its 'core thesis'. In another sense, however, they would be accepting a modified version of the position. They would retain the principle that all individuals are equally worthy of concern and respect. And they would defend the same institutional framework (regulated capitalism), even if they made weaker claims in its defence. These latter considerations strike me as more significant than the former, and so I shall refer to this view as a 'weak' version of liberal egalitarianism, in contrast to the 'strong' version considered in previous chapters.

Numerous variants of 'weak' (or, if you prefer, 'realistic') liberal egalitarianism are undoubtedly possible. In this chapter I shall consider the two that I believe have the most relevance to contemporary normative social theory. The first can be termed 'neo-Schumpeterian', since its adherents reject the Keynesianism presupposed in Rawls's call for a stabilisation branch of government and accept instead Schumpeter's insistence that capitalist market societies are defined by their 'creative destruction', that is, their *instability*. The second version is a liberal egalitarianism for the networked age. Its defenders grant that capitalism is inherently prone to serious and ineradicable normative shortcomings, but that the rise of a new mode of production alongside it promises to improve matters significantly in society as a whole.

After the presentation of these positions in this chapter they will be critically examined in the next.

'Neo-Schumpeterian' Liberal Egalitarianism

Neo-Schumpeterian economics is fairly close to Marxism in a number of ways. First and most obviously, both stress the inherent ('endogenous') technological dynamism of capitalism, in contrast to neoclassical economic theories

treating technological change as 'exogenous' to the economy.¹ Second, both imply that it is impossible in principle for the benefits and burdens of technological change and economic growth to be distributed in a fair way. Both, in other words, imply that 'strong' liberal egalitarianism is indefensible. Neo-Schumpeterianism, however, provides the basis for a weaker version of left liberalism stopping short of Marxian conclusions. This point can be illustrated through a brief summary of Carlotta Perez's account of 'great surges' of capitalist development.²

By Perez's count, five technological revolutions have set off great surges of development in capitalism, starting with the first industrial revolution in England. These surges are inaugurated when a cluster of radical innovations emerges in a particular region, thanks to the efforts of entrepreneurs and their financial backers.³ Perez terms this the 'installation phase' of a great surge. The high profits won by early investors in the new economy eventually set off what she terms a 'major technology bubble' in financial markets as investors stampeded into the new sectors to get a piece of the action (the 'frenzy phase'). By the time the bubble bursts, the techno-economic paradigm associated with the technological revolution – that is, a set of shared beliefs regarding the appropriate uses of the innovations, the skills needed to employ them effectively, the forms of workplace organisation that allow their most efficient use, and so on – has spread throughout the economy, along with a new socio-technical paradigm regarding the institutional adjustments to the education system, inter- and intra-firm relations, government agencies, and so on, appropriate to the new period. As soon as the excesses of the financial sphere are curbed, a 'golden age' can then commence, with the high profits and expanded market demand enjoyed by innovative sectors and firms leading to higher rates of investment, employment, and real wage growth, yet more technological dynamism, further high profits, a yet greater extension of markets, and a generalised advance in living standards. Such a 'golden age' in one region of the global economy will soon have positive spill-over effects on the world market as a whole.⁴

1 Smith 2003.

2 Perez is among the most prominent neo-Schumpeterian economists. Perez 2002 can serve as a representative synthesis of the school as a whole. See also Drechsler, Kattel and Reinert 2011.

3 Marx's discussion of manufacturing and big industry already showed how a clustering of radical innovations in a particular region can set the stage for an extended period of rapid growth in the world market.

4 Perez traces the post-WWII golden age discussed in Chapter 9 to organisational forms that

In the neo-Schumpeterian account, the very technological dynamism generating 'golden ages' of capitalism also makes it inevitable that they end in an extended phase of stagnation. Neo-Schumpeterians generally focus on the 'exhaustion' of the given techno-economic paradigm, manifested in a slower rate of innovation and the declining economic significance of the innovations that do occur, leading to a falling rate of investment, increased bankruptcies, higher unemployment, and other manifestations of economic decline. This explanation echoes the paradox underlying Marx's thesis of the tendency for the rate of profit to fall: the very technological change that furthers accumulation also undercuts accumulation. The neo-Schumpeterian version of the paradox, however, is formulated primarily in use-value terms, stressing how the production of innovative use-values slows down with the exhaustion of a techno-economic paradigm, while Marx insisted on the primacy of *value* considerations.⁵ In one interesting passage, however, Perez suggests an account of major economic slowdowns going beyond a decline in innovation in use-value terms:

While the older industries find it difficult to increase productivity or markets, the success of the newer ones is marred by the rapidity with which they reach maturity and saturation. The accumulated experience and the already well-developed infrastructure and business practices create very favourable considerations for the fast diffusion of the last products and industries exploiting the established externalities.⁶

This passage suggests that major economic slowdowns may have less to do with a decline in innovation in use-value terms than with a failure to produce

allowed the full economic potential of the 'fourth technological revolution' to be developed, based on mass-produced automobiles, cheap oil and oil fuels, petrochemicals (synthetics), internal combustion engines, home electrical appliances, and refrigerated and frozen foods (Perez 2002, p. 14). The growth in the world market spurred by overseas US investment then helped extend this techno-economic paradigm to Japan and Europe. Technological dynamism was undoubtedly a key element of the global economy after the devastation of the world war. But other factors contributed as well. (A partial list of factors outside Perez's framework would include the institution of militarised Keynesianism in the US, the US state's geopolitical interest in the rebuilding of Europe and Japan, its role in instituting and shaping the policies of international agencies (the IMF, the World Bank, etc.) to ensure an expansion of trade and investment benefitting US multinational firms, the relative effectiveness of industrial planning by state agencies in Europe and Japan, and – last but certainly not least – the political repression of the most militant sectors of the workforce, e.g. McCarthyism).

5 Smith 2010a.

6 Perez 2002, p. 81.

commodities with value, due to an overaccumulation of capital (and associated scientific-technical capacities) in key sectors.

Over the course of the 'great surge', inventions that fit the techno-economic paradigm of the given technological revolution are developed into commercialised innovations. Those that do not are excluded and never leave the lab. When innovations associated with that paradigm no longer deliver high profits, entrepreneurs begin examining inventions that had been previously excluded by the now exhausted paradigm. A new great surge of development commences when a critical mass of inventions that had been excluded by the old techno-economic paradigm provide the radical new innovations of a new technological revolution.

From the standpoint of strong egalitarianism, each and every phase of a great surge of capitalist development is characterised by significant shortcomings from a normative point of view. In regions where a technological revolution initially occurs, a few entrepreneurs and investors profit tremendously in the installation and frenzy phases. Oftentimes this is due simply to the luck of being in the right place at the right time. And it is always a result of appropriating the fruits of past and present scientific-technological labour performed by others. Far more social agents are harmed simply by the 'bad brute luck' in Dworkin's sense (see Chapter 2) of being born and raised in regions where firms associated with a declining technological paradigm operate. No neo-Schumpeterian economist would ever deny that only a relative handful benefit from the frenzy of major technology bubbles, or that the serious social costs of their bursting necessarily tend to be inflicted on those who did not benefit from them to any significant degree. While the positive social consequences of the technological revolution are more widely dispersed in 'golden ages', systematic social unfairness is stabilised rather than reversed. And in the subsequent phase of stagnation, finally, the systematic bias in the distribution of the benefits and burdens of technological change strengthens once again.

There is a parallel unfairness on the level of the global economy. Regions that cannot afford to operate at or close to the scientific technological frontier are not able to participate in a new technological revolution, and so they cannot compete in the most dynamic global markets. When the regions at the centre of a great surge enter the phase of stagnation, some catching up occurs. The decline in profits in regions where the technological revolution matured leads firms to invest elsewhere in the hopes of winning higher profits there. But this catching up tends to take place just before a new technological revolution is inaugurated in the wealthy regions, setting off a new period of systematic divergence in the global economy.

For neo-Schumpeterians like Perez, then, it is impossible in principle to assert that capitalist market societies could ever provide all individuals with anything approaching a fair equality of opportunity to live the sort of lives they have most reason to value, either in the global economy as a whole or even in the wealthy regions where technological revolutions occur. To think that they could is to not understand technological change in capitalism. Needless to say, the 'destructive' aspects of capitalism also rule out anything like the Rawlsian stabilisation branch required for the full institutionalisation of liberal egalitarian principles. Nonetheless, a weaker version of the left liberal position remains defensible from Perez's point of view. This conclusion is partly based on the claim that the destructive dimensions of capitalism can be minimised by intelligent and compassionate public policies, even if they can never be eliminated entirely. But the conclusion is mostly based on the claims that the destructive aspects of capitalism are simply the price that has to be paid to enjoy its 'creative' aspects, and that these aspects of capitalism further human flourishing and autonomous agency to a degree that makes them an acceptable second best to the unrealisable ideal of strong liberal egalitarianism.⁷

From this perspective a more optimistic assessment of potential historical developments can be developed than that presented in the previous chapter. Perez asserts that the only thing standing between us and a golden age based on the technologies of the fifth technological revolution is effective regulation of the financial sector to prevent further speculative bubbles.

Finance has done its job and overstayed its welcome at the helm of investment; it is time for production capital to take over and to fully unleash across the world the wealth-creating potential already installed. This will require governments to once again design appropriate policies and provide the general guidelines.⁸

The transformation effected by the information and communications revolution ... has already provided the world economy with a gigantic innovation and growth potential to be tapped by all sectors of activity and across the planet ... The massive and varied investments required will open abundant profit opportunities while bringing employment and increasing incomes to greater and greater portions of the population of all continents.⁹

7 See Morris 2010 for an appreciation of capitalism's unprecedented accomplishments.

8 Perez 2009, p. 801.

9 Perez 2009, p. 803.

I argued in the last chapter that the long-deferred threat of a massive destruction of excess capacity continues to haunt the world market. Perez and other neo-Schumpeterians do not take this danger sufficiently into account. But suppose the present 'overexertion' phase does give way to an outright Great Destruction of Excess Capacity. The horrific consequences for the social world will surely be incompatible with strong liberal egalitarianism. Nonetheless, a Schumpeterian might ask, must we give pessimism the final word? Capitalism has always been, and will always be, characterised by 'creative destruction'; if we want the creativity, we must accept the destruction. But capitalism has recuperative powers that would make a phoenix envious. From the standpoint of a more modest and realistic version of liberal egalitarianism, these recuperative powers provide reasons to hope. It might seem strange to discuss the prospects for a new 'golden age' as the global economy continues in a state of 'contained depression' in the aftermath of the Great Recession of 2007–8. But a crisis of a variant of capitalism need not be a crisis of capitalism itself; it may be a step towards capitalism's renewal. Perez reminds us that golden ages have followed periods of financial frenzy on numerous occasions before, and previous technological revolutions eventually fostered a golden age after the frenzy periods. In the US, there were major crises in 1837, 1857, 1893, and 1929. Each time the economy went on to surpass its previous heights. The costs were undoubtedly high, but so were the eventual gains. Crises of capitalism have eventually led to 'golden ages' of capitalist development in the past. Why can they not do so again?

If this dynamic were to play out, no one would say the result would be normatively acceptable from the point of view of strong liberal egalitarian theory. The normative problems regarding the capital/wage labour relation would not be automatically overcome. The limits to the democratic process and the state form in a capitalist society would remain, as would the systematic tendency to uneven development and the global injustices associated with it. On the other hand, if the present ongoing crisis of neoliberalism eventually leads to a new 'golden age', would not our children and grandchildren be grateful for present sacrifices made on their behalf? If over time the 'creative destruction' of capitalist development tends to improve access to the material preconditions for agency and well-being to a degree unmatched by any other mode of production in world history, there would still be a strong case for judging that this global order is normatively justified from the standpoint of a modest, but realistic, version of liberal egalitarianism.

A renewal of the social-democratic reforms interrupted by the neoliberal counter-revolution of the 1970s could allow greater categories of the previously excluded in the US and other regions at the traditional 'centre' of the world

economy to enjoy greater access to the material preconditions for human flourishing. As we saw in the above passages, Perez also insists that the regime of global governance could be modified in ways that would enable more and more groups from the so-called ‘periphery’ to share in these advances as well. From the standpoint of a more modest and realistic version of liberal egalitarianism, aiming for these results is fully appropriate. If they were attained, the social world would still come up short when measured by the standards of a strong liberal egalitarian theory of justice. But this development would still count as a significant normative advance, one that a much more modest, but much more realistic, form of liberal egalitarianism could embrace as a defensible ‘second best’.

Another more modest version of liberal egalitarianism also explores the potential social consequences of the contemporary technological revolution and their normative significance.

The Normative Promise of ‘Commons-Based Peer Production’

Yochai Benkler’s *The Wealth of Networks: How Social Production Transforms Markets and Freedom* is, I believe, one of the most important contributions to liberal egalitarian social theory of the last decades.¹⁰ Benkler accepts the standard justifications for private property and capitalist markets. Private property rights grant owners security of access to goods and services, without which the ability to make future plans is compromised. Markets necessarily tend to bring gains in allocative efficiency, since trades will be undertaken freely only if they are foreseen to bring mutual benefits. Market competition brings gains in dynamic efficiency as well, due to producers having strong incentives to introduce product and process innovations.

Like other liberal egalitarians, Benkler acknowledges that capitalist market societies are beset with quite serious normative problems. In contrast to what I have called strong liberal egalitarianism, however, he believes these problems are intractable.

10 Benkler has been called ‘the leading intellectual of the information age’ by Lawrence Lessig (Benkler 2005, back cover). Benkler himself refers to his position – which differs significantly from classical liberalism, libertarianism, and neoliberalism – as ‘liberalism’ simpliciter. I take this to imply that he regards liberal egalitarianism as the only defensible form of liberalism today.

Autonomy

When production and distribution are organised within capitalist firms, individuals can only participate in economic life if they are granted permission to do so by the owners/controllers of those firms. This permission will only be granted if these individuals are willing to follow directives issued by the owners and controllers. Benkler concludes that there is a systematic lack of autonomy in the capital/wage labour relationship. Benkler here concedes quite a bit to the Marxian claim that there are strong elements of coercion and domination in capitalist labour relations.

Public Discourse

In the liberal egalitarian framework, states are required to protect individual rights, prevent unreasonable concentrations of market power, ensure that all citizens have the proper social minimum, provide public goods and help avoid public bads, and so on. These measures aim at advancing substantive autonomy and well-being. Unfortunately, the coercive powers of the state are also a potential threat to the autonomy and flourishing of individuals, a danger that is especially acute when political elites and economic elites collude. Contemporary liberal egalitarian theorists accordingly stress the tremendous importance of a public sphere capable of monitoring exercises of power, checking abuses of that power, and influencing legislation through public discourse and social movements (see Chapter 2). As Benkler notes, however, capitalistically owned media greatly limit the ability of individuals to participate effectively in the process of political will-formation:

[T]hose who are on the inside of the media [are] able to exert substantially greater influence over the agenda, the shape of the conversation, and through these the outcomes of public discourse, than other individuals or groups in society. Moreover, for commercial organizations, this power could be sold – and as a business model, one should expect it to be ... Second, issues of genuine public concern and potential political contention are toned down and structured as a performance between iconic representatives of large bodies of opinion, in order to avoid alienating too much of the audience.¹¹

This judgement counts as a significant concession to the Marxian view that private ownership of the means of communication systematically privileges ideological discourse favouring owners and controllers of capital.

11 Benkler 2006, pp. 204–5. Benkler makes it clear that the desire to not alienate the audience is motivated by the wish to keep advertisers happy.

Global Justice

Billions of individuals in poor regions of the global economy do not have access to basic nutrition or medicines. The injustice of this state of affairs is undeniable for anyone like Benkler committed to the equal worth of all persons. Lack of access to the scientific knowledge relevant to growing food and producing medicines is surely one important causal factor underlying this state of affairs. The root of the problem, however, lies in the underlying logic of global capitalism, which grants the needs and wants of consumers with extensive disposable income first priority while making the needs and wants of those without disposable income invisible.¹² Here Benkler concedes another point Marxist theorists have long insisted upon: there is a class bias in technological change in capitalist market societies. Agribusiness corporations fund agricultural research into the genetic manipulation of crops that primarily go to feed livestock for consumers of meat in wealthy regions, while next to no investment is done on crops meeting subsistence needs in poor regions. More is invested in research on medicines to address the acne of suburban teenagers in wealthy regions of the globe than on drugs for sleeping sickness, which afflicts 66 million people in Africa, killing 50,000 of them every year.¹³

Benkler does not suggest that these problems can be reversed by simply tweaking the manner capitalist markets work. They are part of how the 'deep structure' of capital operates. But neither does he abandon the (weak) liberal egalitarian claim that societies with capitalist markets can be normatively acceptable, even if they cannot meet the standards of strong liberal egalitarianism. His defence of this position begins by noting two features of our social world.

First, societies with extensive capitalist markets have always also maintained a 'commons' alongside private property. While private property rights may provide owners with secure access to the goods owned (assuming these rights are properly enforced), they simultaneously exclude access to all others (unless they meet terms for access dictated by owners). I may enjoy the security of being able to stroll down a path on my own property. But if I were excluded from every other bit of land by the property rights of others, my estate would be an intolerable prison. To avoid this result there must be a 'commons' alongside private property (in this case, public roads and walkways to which all have rights of access). This example shows that there is an inescapable trade-off

12 Kremer 2002.

13 Benkler 2006, p. 345.

between the relative size of the sphere of private property and market transactions, on the one hand, and the sphere of the commons, on the other.

The second key feature of the social world that Benkler draws attention to is that there is no one correct balance between the proprietary sphere and the commons that can be fixed a priori. The major factors determining the proper relationship between the market sector and the commons change over time. In any given concrete historical context the technologies available, the relevant economic variables, and the psychological dispositions of agents in that setting must all be taken into account.

The paradigmatic technologies throughout the *industrial age* were large-scale single-purpose machines, requiring massive investments in fixed capital. The scale of these investments led to extensive centralised ownership and control of the means of production through joint-stock companies. If satisfactory returns on the investments were to be won, economies of scale had to be obtained from extended runs of standardised products, resulting in an economy dominated by private firms devoted to the sale of commodities in mass markets. Activity within the commons (that is, non-market activity outside firms) played a necessary social role, providing public infrastructure, publicly funded basic research, and so on. But the weight of the commons within the society as a whole was relatively limited.

As in many other reconstructions of economic history, in Benkler's account the 'industrial age' gives way to an era in which 'information, knowledge, and culture have become the central high-value-added economic activities of the most advanced economies'.¹⁴ He gives this familiar story a twist, asserting that two 'information ages' need to be distinguished. The first, the *industrial information age*, remained dominated by the need for large-scale fixed capital investments.¹⁵ The need to attain economies of scale through the sale of privately appropriable products in mass markets continued to hold. A commons continued to be necessary. But it remained a relatively secondary sphere.

For Benkler, a break from the industrial epoch occurred with the recent emergence of the *networked information age*. Thanks to developments that have brought down the cost of computing power, in relatively wealthy regions

14 Benkler 2006, p. 56.

15 'The core distinguishing feature of communications, information, and cultural production since the mid-nineteenth century was that effective communication ... required ever-larger investment of physical capital. Large-circulation mechanical presses, the telegraph system, powerful radio and later television transmitters, cable and satellite, and the main-frame computer became necessary to make information and communicate it on scales that went beyond the very local' (Benkler 2006, pp. 3–4).

of the global economy (and to an ever-increasing extent elsewhere as well) a high proportion of adults now own personal computers and other devices with considerable processing power and memory. The development of information technologies has led to a situation in which knowledge products like software claim an increasingly central place in economic life. Further, the internet now enables those engaged in the production and use of knowledge products to communicate with each other almost instantaneously and costlessly. Electronic networks also allow additional units of many categories of knowledge products to be produced and distributed at close to zero marginal cost.

There have always been large numbers of people willing to cooperate with others in the pursuit of shared interests without market rewards and outside the authority structures of firms.¹⁶ What is different today is that the technologies and associated economics of the 'networked economy' now make it possible to mobilise the creative energies of such people on an unprecedented scale. It follows that in the networked information age the most reasonable way of making the trade-off between the sphere of private property, markets, and for-profit firms, on the one hand, and the sphere of the commons, on the other, has fundamentally changed. There is now far more space for a flourishing commons than there was in preceding centuries.

There is already overwhelming evidence that 'nonmarket behaviour is becoming central to producing our information and cultural environment'.¹⁷ For example:

Ideas like free Web-based e-mail, hosting services for personal Web pages, instant messenger software, social networking sites, and well-designed search engines emerged more from individuals or small groups of people wanting to solve their own problems or try something neat than from firms realizing there were profits to be gleaned.¹⁸

Encryption software, peer-to-peer file-sharing software, sound and image editors, and many other examples can be added to this list. 'Indeed, it is difficult

16 Titmuss's famous study of blood donors showed that offers to pay the market price for blood tend to result in *fewer* donors than appealing to the non-monetary values of potential contributors. Benkler generalises the point: 'Some resources can be mobilized by money. Social relations can mobilize others. For a wide range of reasons – institutional, cultural, and possibly technological – some resources are more readily capable of being mobilized by social relations than by money' (Benkler 2006, p. 95).

17 Benkler 2006, p. 56.

18 Zittrain 2008, p. 85.

to find software *not* initiated by amateurs'.¹⁹ Individuals cooperating outside firms and the system of market rewards have also collectively produced and freely distributed encyclopaedias that have proven useful to millions, entirely new genres of music, information and commentary about events across the globe, and so on.

Benkler concludes that today 'a new mode of production [is] emerging in the middle of the most advanced economies in the world – those that are the most fully computer networked and for which information goods and services have come to occupy the highest-valued roles'.²⁰ He terms this new mode of production *commons-based peer production*, defined as 'cooperative and coordinate action carried out through radically distributed, nonmarket mechanisms that do not depend on proprietary strategies'.²¹ In other words, a critical mass of the inputs of commons-based peer production, and all of its outputs, are distributed within information networks as free goods, rather than as commodities to be sold for profit by capitalist firms. And the living labour that transforms the inputs into final products is organised on the basis of free association, outside the capital/wage labour relation.

Benkler does not believe that capitalism is about to fade away. In his view there are certain forms of production (his example is automobile production) where no alternative to proprietary for-profit production can attain the requisite levels of efficiency. He claims instead that commons-based peer production can flourish alongside continuing capitalist market relations 'at the core of the most advanced economies':

[N]ew patterns of production – nonmarket and radically decentralized – will emerge, if permitted, at the core, rather than the periphery of the most advanced economies. [This] promises to enable social production and exchange to play a much larger role, alongside property- and market-based production, than they ever have in modern democracies.²²

The normative implications of such a profound social transformation are bound to be profound as well. As noted many times throughout this work, in the liberal tradition individuals are taken as basic units of moral concern. Normative assessments of social practices, institutions, and entire social systems

19 Zittrain 2008, p. 89.

20 Benkler 2006, p. 6.

21 Benkler 2005, p. 3.

22 Ibid.

are based on the extent to which they further the autonomous agency and well-being of individuals, each of whom warrants equal concern and respect as an end in him- or herself. Liberal theorists have long argued that market societies in principle institutionalise the mutual recognition of the equality and autonomy of individuals far better than alternative frameworks. In market societies, they insist, individuals have the freedom to engage in trade of goods and services whenever doing so can be foreseen to further their life plans. And the efficiencies attained through markets help provide individuals with access to the material conditions for human flourishing. Benkler accepts these familiar points. But as we have seen he also understands that autonomy, the vitality of the public sphere, and global justice are all seriously restricted within capitalist social relationships, with no possibility of those restrictions being removed. He insists, however, that the addition of a greatly expanded sphere of commons-based peer production now enables a much more thorough institutionalisation of these core liberal egalitarian values than has been possible prior to this point in history.

Autonomy

Benkler understands that there are strong and ineradicable elements of coercion in the labour market and domination in the labour process. In commons-based peer production, in contrast, the main means of production are owned by the producers themselves (their computers), while other major inputs into the production process are available as free public goods. The outputs of production (new information goods) can be easily and inexpensively distributed over information networks. Under these circumstances no one has to ask for permission to participate, and participation does not require submission to the authority of others. One can simply decide to participate, and the form the participation will take, on one's own.²³ By definition, such an arrangement increases substantive autonomy in society.

Public Discourse

Benkler also grants that capitalist ownership of the means of communication invariably privileges ideological discourse favouring owners and controllers of capital. In the networked information age, in contrast, individuals have

23 This does not, however, mean that activities devoted to these collective projects lack all structure: 'these projects are based on a hierarchy of meritocratic respect, on social norms, and, to a great extent, on the mutual recognition by most players in this game that it is to everyone's advantage to have someone overlay a peer review system with some leadership' (Benkler 2006, p. 105).

a far greater ability to gain access to a diversity of viewpoints regarding the interpretation of events and policy proposals. When information freely flows through information networks, a far wider range of individuals has the ability to contribute effectively to the collective interpretation of events and policy proposals. (This is itself an important example of commons-based peer production). The collective process of sharing information and evaluations of issues of public interest outside the structures of corporate owned (or state controlled) media furthers the dynamism of the public sphere far more than the one-to-many communication flows of capitalistically owned media ever could.

Global Justice

Finally, Benkler concedes that there is a powerful bias in technological change in capitalist market societies operating on the global level, undermining the possibility of attaining global justice in any reasonably strong sense of the term. The emergence of commons-based peer production promises to improve matters greatly by making relevant scientific-technological knowledge freely available in poorer regions of the world market. This knowledge can then be applied and extended in commons-based peer production projects to address the most pressing wants and needs in these regions. Public plant breeding programmes have a very impressive track record of developing seeds appropriate to the climate and soil of specific regions. With the rise of information networks such programmes should be even more effective in helping individuals in poor regions of the global economy meet their nutritional needs. In Benkler's view, there is also no reason why analogous programmes could not be equally successful in producing low-cost (or free) medical drugs in poor regions to meet the most pressing health needs. These sorts of programmes would not eliminate all forms of injustice from the global economy. But few things would further the ability of individuals to act autonomously and to flourish as they carry out their life plans more than adequate nutrition and medical care.

Benkler, like the neo-Schumpeterians considered previously, abandons the core thesis of 'strong' liberal egalitarianism. He does not claim that with the proper background conditions in place, capitalist market societies can adequately institutionalise the normative principles accepted by its adherents. More specifically, he does not assert that fiddling with 'background conditions' can remove the limits to autonomous agency, democratic discourse in the public sphere, and global justice intrinsic to capitalism. What he does propose is that a social order combining both a for-profit proprietary sector *and* a flourishing sphere of commons-based peer production can in principle provide a normatively acceptable 'second best':

The particular economics of computation and communications; the particular economics of information, knowledge, and cultural production; and the relative role of information in contemporary, advanced economies have coalesced to make nonmarket individual and social action the most important domain of action in the furtherance of the core liberal commitments. Given these particular characteristics, there is more freedom to be found through opening up institutional spaces for voluntary individual action than there is in intentional public action through the state.²⁴

Of course the development of information technologies does not in itself automatically bring about a society in which commons-based peer production plays a central role. In most sectors of the economy there are incumbents whose profits are directly threatened by commons-based peer production. These incumbents have great resources to influence the political and legal system in the hope of maintaining (or even extending) their privileged positions. Cultural beliefs regarding the moral justification and economic efficiency of private property and markets can be mobilised to this end as well. Incumbents have won great victories in the last years, as intellectual property rights have been extended in both scope and enforcement.²⁵ Nothing rules out their enjoying more victories in the future. Fortunately, the stifling of commons-based peer production is not inevitable either. Incumbents face strong opposition from members of the open source movement, from corporations selling the hardware used in commons-based peer production, and from the growing number of corporations that have incorporated commons-based peer production in their long-term business strategies (IBM is perhaps the leading example).²⁶

For Benkler, then, the future prospects of commons-based peer production are open-ended. In principle, he asserts, it is possible for capitalist market production and commons-based peer production to complement each other, each making its own important contribution to social life. We do not, he thinks, have to choose between a for-profit capitalist market sector, on the one hand, and a sector based on commons-based peer production, on the other. Simplifying somewhat, in his view the former remains suitable in cases where the relevant means of production are too expensive to be owned by

24 Benkler 2006, p. 22.

25 Benkler 2006, p. 57.

26 Benkler 2006, p. 46.

those who contribute their living labour to production, while the latter is appropriate when the means of production are inexpensive enough to be owned by those engaged in living labour. If the proper regulatory framework is in place, each can supposedly flourish in its appropriate sphere in a state of 'peaceful coexistence'. The relevant practical imperative, then, is to establish of legislative and regulatory reforms allowing commons-based peer production to flourish alongside a suitably reformed capitalist sector. More accurately, all that is required is the political will to resist the imposition of a legal and regulatory framework privileging the short-sighted interests of incumbents:

[F]rom the beginning of legal responses to the Internet and up to this writing ... the primary role of law has been reactive and reactionary. It has functioned as a point of resistance to the emergence of the networked information economy. It has been used to contain the risks posed by the emerging capabilities of the networked information environment. What the emerging networked information economy therefore needs, in almost all cases, is not regulatory protection, but regulatory abstinence.²⁷

This should be seen as a twenty-first century variant of the traditional liberal egalitarian project to establish social democracy.

Two versions of liberal egalitarianism have been presented in this chapter, both weaker than the 'strong' version considered in earlier chapters. The first appeals to the neo-Schumpeterian notion of 'great surges of development' associated with capitalism's 'creative destruction'. It holds that the 'destructive' dimension of these surges is an acceptable price for capitalism's creativity, all things considered, especially when political reforms on the national and global levels can be implemented to limit the former and extend the latter. The second variant appeals to the potential for a new mode of production, commons-based peer production, to flourish alongside proprietary for-profit production. If this potential were actualised, values of central importance to all liberal egalitarians (individual autonomy, a democratic public sphere, and global justice, among others) would be advanced to an unprecedented degree.

If a weak version of liberal egalitarianism proved acceptable, the Marxian assertion that we need to move 'beyond liberal egalitarianism' would lose much of its force.²⁸

27 Benkler 2006, p. 393.

28 I shall assume that the general line of criticism presented in the following chapter applies to other variants of weak liberal egalitarianism as well.

Modified Liberal Egalitarianism and the Present Moment in World History

The neo-Schumpeterian variant of a 'weak' liberal egalitarianism considered in the previous chapter assumes capitalism can continue to follow a pattern whereby technological revolutions lead to 'golden ages'. If this happened in the past, why could it not happen again? The variant appealing to commons-based peer production highlights profound ways in which societies incorporating capitalism will be able to institutionalise greater autonomy, democratic public discourse, and global justice than has been possible before, making them normatively attractive to a degree that has not been possible before. In this chapter I shall argue that the past association between technological revolutions and 'golden ages' of capitalist development will almost surely not continue. And because the future will not be like the past in that important respect, the hope of theorists of commons-based peer production are bound to be disappointed as well.

The underlying theme of this chapter is that the present crisis is not merely a crisis of the neoliberal variant of capitalism. It is a crisis of capitalism itself, posing challenges to normative social theory in the twenty-first century that have yet to be sufficiently acknowledged by adherents of 'weak' liberal egalitarianism no less than by defenders of its 'strong' version.

Prospects for a New 'Golden Age'

Perez and other neo-Schumpeterians stress the 'creative destruction' inherent in technological revolutions and 'great surges' of capitalist development. When one cluster of major innovations gives way to another, firms and even entire sectors employing older techniques disappear. Entire sets of embodied skills are no longer needed. The lives of many workers and their communities are severely disrupted, and previously thriving regions are no longer prosperous. Intelligent public policies can limit these harms to some extent. But the destructive elements of capitalism's 'creative destruction' cannot be eliminated, occurring on a scale of unfairness incompatible with any strong version of liberal egalitarianism. On the other hand, 'great surges' associated with technological revolutions have in the past included 'golden ages', when

the benefits of technological change spread to previously excluded sectors of the population. This raises the question whether a more modest, but more realistic, version of liberal egalitarianism might still be defensible. After all, if the 'first best' is an unrealisable ideal, it is rational to affirm a feasible 'second best'.

Talk of a future 'golden age' of capitalism undoubtedly sounds exceedingly odd at present in light of the suffering and radical economic insecurity across the planet. But there have been four previous technological revolutions in capitalism by Perez's count, and all four led to periods where the benefits of technological change eventually spread on an unprecedented scale. Why should we rule out the possibility that the contemporary fifth technological revolution might do so again? Shouldn't the long unfortunate history of Marxists' underestimation of capitalism's incredible regenerative powers make us wary of committing that same mistake yet again?

Suppose we accept for the moment it is possible for another 'golden age' to occur again. Suppose further that for the sake of the argument we put aside worries about exploitation, fetishism, and related matters falling outside the neo-Schumpeterian horizon. There are still two issues that can be raised within that horizon calling into question the claim that the 'creative' dimension of capitalism's creative destruction is sufficient to make it a normatively acceptable 'second best'.

A first concern fits under the heading of intergenerational justice, with the twist that the focus shifts from future generations to present ones. Anyone holding that all persons are equally worthy of concern and respect must be extremely wary of justifying the sufferings of some by appealing to the gains of others. Any plausible theory of intergenerational justice – including one satisfied with an acceptable 'second best' – must hold that there is *some* point beyond which the suffering of present generations cannot be justified by anticipated gains to subsequent generations. A strong case can be made that the harms being imposed on present generations by the ongoing crisis of neoliberalism exceeds that point. If the present 'contained depression' should no longer be contained, the case will be much stronger still. I shall not pursue this issue further here.¹

A second difficulty arises from the geographical dimension of technological change in capitalism. Needless to say, the future remains uncertain. But it does

1 The liberal egalitarian critique of utilitarianism discussed in Chapter 2 is obviously relevant here. Excellent liberal egalitarian accounts of intergenerational justice are found in Barry 1978 and Wolf 2009.

appear that there are good reasons to reject the narrative of inevitable US relative decline.² If there is any region capable of leading another ‘golden age’ of capitalist development due to its technological dynamism, it would most likely be the US. By all relevant measures the US still has the best-funded national innovation system in the globe. In 2010 the US accounted for 32.8 percent of global R&D spending, more than all of Europe combined (24.8 percent), and far more than either China (12 percent) or Japan (11.8 percent).³ Federal labs and publicly funded university labs undertake the long-term R&D projects US capitals need, but do not wish to undertake themselves.⁴ New programmes were developed to provide start-ups with the necessary resources to develop innovations prior to the ‘proof of concept’ required by venture capitalists. These and other forms of ‘public-private partnerships’ have proven capable of generating important innovations, including advances in machine intelligence and robot dexterity, 3-D printing, the ‘internet of things’, Big Data, social media, and so on. Challenges remain, of course.⁵ But technological advances promise to generate dynamic new firms and sectors, while rejuvenating established ones.⁶

2 Arrighi 2007 defends a Marxian version of this narrative of US decline and the rise of China.

3 National Research Council 2012, p. 18. See Panitch and Gindin 2012, pp. 288–9.

4 An analysis *R&D Magazine’s* annual awards suggests that roughly two-thirds of the most important (non-classified) innovations in the US in the last decades have emerged from private/public partnerships (Block and Keller 2011). 17.4 percent of R&D spending in the US is devoted to basic research; 22.3 percent to applied research and development (that is, to R&D with medium- to long-term commercial application) and 60.3 percent to R&D development, focused on short-term results. For the sake of comparison, the proportions in China are 4.7, 12.6, and 82.7, respectively (National Research Council 2012, p. 205). Everything else being equal, the former distribution of R&D funds is far more likely to generate a stream of significant future innovations. (And everything else is *not* equal; the US is responsible for more than two and half times the global spending on R&D of China). The pattern of allocation of R&D in China also helps explain why China holds only 1 percent of global patents (filed in leading patent offices outside the home country), despite accounting for 11 percent of global R&D. Arrighi’s hypothesis that a new systematic cycle of accumulation is emerging with China at its centre should be critically evaluated with these figures in mind (Arrighi 2007). The continued technological dynamism of the US is assessed in Smith 2015b.

5 Reports commissioned by MIT and the National Research Council advocate increased spending on scientific-technical education, a transformed curriculum emphasising science and mathematics, an expansion of technical training programmes on the junior college level, various tax breaks and financial incentives to manufacturers, etc. See Berger 2013; National Research Council 2012.

6 See Chui, Löffler and Roberts 2010; Sirkin, Zinser and Hohner 2011; Manyika et al. 2011; Lund, Manyika, Nyquist, Mendonca and Ramaswamy 2013.

'Financialisation' plays a role in this story as well. The creation of credit money implicitly includes a promise that the national innovation system will generate a stream of commercialisable innovations in the future. (From the standpoint of Marxian value theory, this promise is in effect a 'prevalidation' that the privately undertaken labour set in motion by US capitals will be socially validated in the future through the successful commercialisation of innovations generated within the US national innovation system). The greater the explosion of credit money in the US through quantitative easing and other measures, the more this promise is made, and the further it extends in time. Many of these promises are deceptive; many more will prove delusional.⁷ But not all will. Taken in aggregate, there is no reason to think that funds to support technological dynamism will not be adequately forthcoming.⁸

This brings us back to the question at hand. In the past, Perez and other neo-Schumpeterians assert, technological revolutions have set off 'great surges' of capitalist development, culminating in 'golden ages' of capitalist development that raised aggregate living standards in the national economies where they took place and other regions at the traditional 'centre' of the world economy.

7 Krier 2005, 2009.

8 From the standpoint of Marx's critique of political economy, an important question here is whether developments in monetary policy like quantitative easing make Marx's theory of value and money obsolete. For Marx, money in capitalism is the form of value, the objective measure of the extent privately undertaken (concrete) labour is socially necessary (abstract) labour. The essential connection between value and money is loosened with corporate bonds, stocks, and other financial assets. While these assets are commodities with a money price, they do not themselves have a value. They are *fictitious capitals*, granting holders a claim on future returns generated by the use of the real assets represented by the stock or bond. In speculative bubbles the prices of these financial assets lose contact with any reasonable estimation of future earnings. In Marx's day if a critical mass of lenders and investors feared this point was approaching (or had been reached), a flight to gold would commence, restoring the tie between value and (commodity) money. This mechanism no longer operates in a world of pure fiat money. This would seem to allow credit money to eventually grow to the point where the tie between value and money has been irrevocably broken. (In 2007 the Federal Reserve held around \$900b of assets. By the middle of 2009 its balance sheet showed \$2.3–2.4 trillion of assets (Roubini and Mihm 2010, p. 153), while the figure at the end of 2013 was over \$3 trillion. *The Economist* 2013, p. 113.) If this were the case, a defining feature of capitalism would no longer hold, implying that capitalism had mutated into some different sort of beast. I do not believe this is correct, due to the connection presented in the main text between the national innovation system and credit money. Money remains the form of appearance of value, even when the connection becomes increasingly attenuated in unprecedented ways.

Why couldn't this happen again? Why couldn't it be combined with a renewal of the social-democratic reforms interrupted by the neoliberal counter-revolution of the 1970s? And why couldn't the present regime of global governance be modified in ways enabling more and more groups from the so-called 'periphery' to share in these advances, as Perez expects? Why, in brief, wouldn't the 'creative' dimension of capitalism's 'creative destruction' make it a normatively acceptable 'second best' from the standpoint of left liberal values?

We can begin by recalling a passage from Perez quoted in the previous chapter:

The transformation effected by the information and communications revolution ... has already provided the world economy with a gigantic innovation and growth potential to be tapped by all sectors of activity and across the planet ... The massive and varied investments required will open abundant profit opportunities while bringing employment and increasing incomes to greater and greater portions of the population of all continents.⁹

There are powerful reasons to be sceptical of this claim.

I have argued that the unique combination of the world's most effective national innovation system and a national currency serving as the main form of world money may well continue to give US capitalism relative advantages in the world market. After the global slowdown of the 1970s, the US alone was able both to place itself at the centre of global financialisation *and* to maintain an unsurpassed national innovation system. Other regions could at most hope to do one (the UK) or the other (Germany, Japan). Only a region with the 'exorbitant privilege' of a national currency functioning as world money could expand credit money at such a vast scale and over such an extended period as the US has in recent decades, while simultaneously enjoying an unprecedented flow of capital inflows receiving relatively low rates of return. We must also recall that with the mutation of the 'Great Recession' into today's 'contained depression', the long-deferred threat of a massive destruction of excess capacity has returned to haunt the world market. 'Zombie' banks and corporations have been kept alive through low interest rates and other forms of government support; at some point rates will rise and support will be curtailed. Many units of capital incapable of operating as proper units of capital (as vampires, not zombies) will then go under. As always, the question will then be who will bear

9 Perez 2009, p. 803.

the brunt of the destruction and devaluation and who will be spared. It should go without saying that in the absence of radicalised mass social movements, the greatest social costs will be imposed on those who do not own and control capital, whether in a brutal and immediate fashion (the option of the right), or in a somewhat less brutal and somewhat more drawn out manner (what counts as the 'left liberal' agenda in contemporary politics). But there is another dynamic at work as well.

In general, countries with extensive surpluses are in a position to displace devaluations onto deficit regions.¹⁰ As a deficit region itself, the US is not in this position. As long as the dollar plays the role of world money, however, US capitals can be protected from devaluation through infusions of central bank liquidity to a greater extent and for a longer period than other capitals in the world market. This is a capitalist project, albeit one that could not be pursued on this scale in any previous period of world history. It essentially involves the state, but state involvement has *always* been a feature of capitalism's concrete historical development.

The relative advantages that neoliberal financialisation provides to US capitalism have not been eroded. As long as the dollar remains the major form of world money, the US will remain in a unique position to create credit money protecting its capitals from waves of devaluation in the global economy. And as long as the US possesses the most effective national innovation system, its national economy will remain in the strongest position to make good on the promise that a critical mass of the credit money created today will be valorised tomorrow and the day after. Most importantly, the US is absolutely unique in being able to combine both advantages simultaneously. If a new 'golden age' of capitalist development were to occur, it is most likely to occur in the US economy (and a handful of allies in symbiotic relationship with it), thanks to these advantages. But *these advantages cannot be generalised*. The flip side of these advantages is the displacement of the costs of destruction and devaluation of excess productive capacity elsewhere. No other region possesses a Central Bank serving as the de facto Central Banker of the world, with an unparalleled ability to determine where the horrors of financial crisis would fall with full force and where they would be alleviated.¹¹ This sort of power can only be comprehended with the aid of a concept of neo-imperialism, or empire, or something of that sort. Any version of liberal egalitarianism modi-

10 Germany's relationship to debtor regions in the euro zone provides a paradigmatic illustration of this point. See Lapavitsas et al. 2012; Wolf 2014, Chapter 2.

11 Toussaint 1999.

fied to the point of attempting to provide a normative legitimization of a global order with this sort of power at its heart has degenerated into mere apologetics.

I have been assuming for the sake of the argument that a US-led 'golden age' of capitalist development is feasible in the not-too-distant future. I shall now withdraw this assumption. There are good reasons to think that the future of capitalism will not be like the past in the respects relevant here. To put the point as strongly and provocatively as possible: *there will be no more 'golden ages' of capitalist development, anywhere*. Two sets of considerations underlie this claim, each of which is sufficient to establish it.

1 *Perpetual Overaccumulation Difficulties*

US capitalism will likely continue to hold relative advantages in the world market in the coming period, partly due to the fact that it continues to enjoy the most effective national innovation system. But in capitalism the relevant issue is not simply who has a competitive advantage in innovation, but how long surplus profits can be appropriated from successful innovations. Past 'golden ages' of capitalist development have occurred when high profits in key sectors of the world market have been appropriated for extended periods of time in particular regions as a result of their competitive advantages.¹² The days when the US possessed the only effective national innovation system are long over. As a result there has been a significant compression of the length of time high profits can be appropriated from superior technologies.

Today, four countries spend over three percent of their Gross Domestic Product on research and development, and another six devote over two percent of their annual economic output on R&D.¹³ While the US remains first in absolute spending on R&D by a wide margin, it has slipped from first in the world ranking of research intensity (measured by the ratio of R&D spending to GDP) to eighth.¹⁴ Other nations also provide relatively extensive public and private funding for scientific-technical training, have government procurement policies guaranteeing markets for innovative products, implement generous public policies encouraging private sector investment in technological change (e.g. accelerated depreciation of fixed capital embodying advanced

12 Arrighi 1994.

13 *The Economist* 2011, p. 97.

14 OECD 2011, p. 76. The ten largest economies in Asia now spend as much as the US (and more than Europe) on R&D (*The Economist* 2012, p. 71).

technologies), and have financial sectors capable of allocating credit rapidly to start-ups operating close to the technological frontier.¹⁵

In use-value terms this is a recipe for continued technological dynamism. In value terms things are much more complicated. There are now a sufficient number of effective national innovation systems to ensure that the time US capitals (or any other capitals, for that matter) can enjoy a monopoly on innovations is greatly compressed. The moment a cluster of innovations with great commercial potential emerges, a plethora of extensive research expenditures, tax breaks, and other direct and indirect subsidies will be set in motion more or less simultaneously in numerous regions. The period when high profits can be won as a result of technological advantages therefore tends to shorten, as innovating industries and sectors in the world market face overcapacity problems more quickly.¹⁶ The period when the commercialisation of new innovations spurs a sharply higher rate of investment is condensed as well.

All previous 'golden ages' of capitalism were ages when high rates of investment, economic growth, and real wages gains over an extended period were enjoyed in regions enjoying a competitive advantage (and therefore 'surplus profits from innovation') in the major sectors of the world market for an extended period, providing an 'engine' for (extremely uneven) growth in the world market as a whole. This is not likely to ever happen again, given the proliferation of reasonably effective national innovation systems and the resulting compression of the time extra profits can be won from innovations prior to the outbreak of overaccumulation difficulties. It follows that golden ages in the capitalist world market are also not likely to happen again, whether in the US or anywhere else.¹⁷

15 It should not be forgotten, however, that effective national innovation systems remain extremely costly. Only a relatively few regions can afford to establish them. This is still a major factor explaining uneven development in the world economy, that is, the ability of leading centres of accumulation to reproduce their advantages over time (Shaikh 2007, Smith 2010a, Westra 2012, and Chapters 6 and 8 above).

16 The fate of the 'new economy' of the late 1990s provides a textbook case; overcapacity issues quickly arose in almost every new sector (Brenner 2009).

17 The mainstream account of the failure of global capitalism to maintain customary levels of growth in recent years that has received the most attention is probably Robert Gordon's. He argues that the innovations making up the information technology revolution have failed to attain a level of importance comparable to the innovations of previous periods (Gordon 2012). This hypothesis concerns *use-values*. I myself do not regard it as a plausible account of innovative use-values, but that is neither here nor there. The real problem with

We know capital's response to this state of affairs, even if its spokespersons never articulate it. The tendency for the period when high profits can be appropriated from innovations to shorten can be checked if intellectual property rights are granted and enforced, transforming knowledge goods into excludable private property. A justification of these rights is close at hand: incentives must be provided for the production of information goods. The extension in scope and enforcement of intellectual property rights has accordingly been a defining feature of US-led globalisation in recent decades. This has allowed individual corporations with extensive portfolios of intellectual property to enjoy their own private 'golden age'. In the so-called 'knowledge economy', however, information is not simply an output. It is also an input into the production of new knowledge goods, as Newton acknowledged when he spoke of standing on the shoulders of giants. The more effective intellectual property rights are in providing incentives to produce information, the more the costs of the inputs of information production are raised, providing a strong *disincentive* for the production of new knowledge. The more effectively the capitalist 'knowledge economy' extends the commodity form to knowledge goods, in other words, the more its future development is hampered. The very extension in scope and enforcement of intellectual property rights that furthers valorisation on the level of particular firms hampers the future prospects of valorisation on the level of the 'knowledge economy' as a whole. It does this in a number of other ways besides raising the costs of acquiring necessary knowledge inputs for the production of new information goods:

- ever-more resources must be devoted to unproductive legal expenditures defending contested intellectual property claims;
- ever-greater efforts must be spent to design around existing intellectual property claims, generating systematic inefficiencies in scientific-technological research;
- firms are more able to claim rights to innovations even when they have no intention of developing them, but simply wish to block competitors from profitable opportunities;

the claim is that it attempts to answer a question in the value dimension by a direct appeal to use-value considerations. In capitalism what matters is not so much the quality of innovations, but rather the quantities of profits associated with innovations for particular periods of time. Trends regarding the latter can change for reasons that do not have much if anything to do with the former.

- the greater the monopoly profits from intellectual rights, the greater the incentive for established firms to use their considerable economic and political power to hamper breakthroughs threatening that monopoly; and
- large companies are in the best position to meet infringement suits with counter-suits, negotiate favourable cross-licensing agreements, and so on; as a result they are increasingly able to subordinate small innovating companies in emerging sectors, choking economic dynamism whenever profits in their profitable established lines are threatened.¹⁸

Individual companies associated with effective national innovation systems undoubtedly benefit from intellectual property rights. US capitals, associated with the most effective national innovation system of all, benefit most of all.¹⁹ But past a certain point the costs to capital of an extension in scale and enforcement of intellectual property rights begins to neutralise or outweigh the benefits to capital. This point will be reached well before the extension in scale or enforcement sets off a new golden age.²⁰

2 *A Crisis of the Wage Labour Form*

A second reason for calling into question the possibility of new 'golden ages' in capitalism has to do with the relationship between technological change and the social form of wage labour. There are good reasons to think that here too the future will not be like the past.

18 One hardly has to be a critical social theorist to recognise serious problems with the intellectual property rights system; see *The Economist* 2015a; Burgess 2015.

19 Apple is perhaps the paradigmatic example. Twelve core technical innovations are incorporated in 'i' products; all twelve were the fruit of publically-funded research and development (Mazzucato 2013, Chapter 5). The patents it has won from designs that integrate these core technologies have enabled it to appropriate an astounding 30 cents of every dollar spent on iPads/iPods/iPhones. These intellectual property rights have enabled an astonishingly small number of people to appropriate an astonishingly high percentage of the social wealth created by the national innovation system as a whole; the top nine Apple executives have made as much as the 17,000 workers in Apple stores (and the between 89,000 and 95,000 workers in China manufacturing Apple's products). Mazzucato aptly terms this state of affairs a 'parasitical innovation ecosystem'.

20 It is important to note that the period when high profits can be won from enjoying a monopoly in an innovation will tend to be compressed for green technologies no less than for others. As a result there will be no future 'golden age' of capitalism set off by investment in green technologies, although individual firms with strong property rights may do well. The level of investment in these technologies (and the associated 'built environments' required for their optimal use) will not come remotely close to what is required.

The introduction of machinery in the first technological revolution had devastating effects on labourers and their communities. The Luddite movement arose in protest against technologies that eliminated jobs at the very moment in history when workers and their families had become dependent on wages for access to subsistence goods. Generations of economists have viciously mocked what they termed 'the Luddite fallacy'. Technologies improving productivity, they concede, may eliminate jobs in the short-term. But these technologies also lower unit costs, tending to decrease prices and thereby extend market demand. As firms grow to meet this greater demand, they expand hiring. If market saturation is eventually reached, lower unit costs free capital to shift from low growth sectors to expanding sectors, expanding employment there. Technological change, most economists conclude, does not have any systematic long-term negative effect on employment. In fact, it tends to expand demand for wage labour over time. The historical record appears to fully corroborate this conclusion: the regions of the world market with the most advanced technologies have generally had relatively low rates of unemployment relative to regions that have fallen behind.

From a logical standpoint, the argument against the 'Luddite fallacy' is itself a fallacy if its conclusion is taken to be that labour-saving technological change in capitalism can never result in long-term unemployment. The argument merely shows that greater unemployment will be avoided *if* more new positions in the economy are created through expanded market demand than are eliminated through the labour-saving technologies. It also would be a fallacy to jump from the fact that technologically developed regions have in the past enjoyed relatively low unemployment to the conclusion that this must be the case everywhere and always. It could well be the case that technologically induced unemployment has been displaced from regions of the 'centre' of the world market to its periphery, rendering the 'surplus population' created by capital invisible to economists taking national economies as their units of analysis.²¹

Finally, we cannot exclude the possibility that future expansions of the market in the centre will no longer generate new employment opportunities at a rate comparable to earlier phases in the history of capitalism. There are in fact reasons to think that the relationship between technological change and wage labour is being significantly transformed:

21 See Patnaik 1997.

- i) The trajectory of advances in information technology, captured in ‘Moore’s Law’, has been unprecedentedly steep.²² There is every reason to expect this rapid rate of advance to continue into the indefinite future.²³
- ii) Given i), the range of informational processing tasks involved in the production and distribution of commodities presently accomplished by humans that machine intelligence can accomplish more reliably and cheaply than human intelligence will tend to increase over time.
- iii) Given i), there will also be an increasing range of tasks that can only be accomplished by machine intelligence.
- iv) Market pressures tend to lead firms to adopt the use of machine intelligence whenever it promises to accomplish tasks associated with production and distribution more reliably and cheaply than human intelligence, and whenever there are tasks associated with production and distribution that can only be accomplished by machine intelligence.
- v) The number of informational processing tasks involved in the production and distribution of commodities is systematically significant (that is, are crucial in the aggregate for social reproduction).
- vi) Given iii–v, the percentage of jobs that can be expected to be eliminated due to advances in machine intelligence is systematically significant. In other words, the ratio of new positions created in response to expanded markets to old position eliminated through labour-saving technologies will be considerably lower than it has been in the past.

It is therefore reasonable to foresee an immense increase of the ‘surplus population’ in both absolute and relative terms in the present epoch of world history.²⁴ ‘Surplus’, that is, relative to the needs of capital.

22 Moore’s Law states that the computing power of processors roughly doubles every 18 months. Analogous claims can be made regarding the trajectory of developments in other key elements of computer hardware, such as memory. Software appears to progress even faster than hardware: ‘Computer scientist Martin Groetschel analysed the speed with which a standard optimization problem could be solved by computers over the periods 1988–2003. He documented a 43 millionfold improvement ... Processor speeds improved by a factor of 1,000, but these gains were dwarfed by the algorithms, which got 43,000 times better over the same period’ (Brynjolfsson and McAfee 2012, p. 18; see also Brynjolfsson and McAfee 2014, Chapter 3).

23 This expectation is based on the promise of quantum computing, massively parallel processing, and so on.

24 ‘AI capability may start out by being built into the productivity applications used by workers, but over time, it will evolve to the point that these applications can perform much

The wage labour form is not about to be eliminated. Some tasks will remain extremely difficult and costly to automate in the foreseeable future. Others will prove impossible to duplicate with machine intelligence within any relevant time frame. We must also recall that from its inception capitalism has tended to generate a 'surplus population' (relative to the needs of capital), and that wage labour has never been the sole form of labour contributing to the reproduction of capitalist societies.²⁵ But there is still something new here: the *scale* in which the wage labour form is threatened by technological change. To invoke the hoary cliché, at some point quantity becomes quality, and the ability of capitalism to reproduce itself through the wage labour form in anything like the ways that have characterised it thus far in history is called into question, a development Marx anticipated in his excursus on the 'general intellect' in the *Grundrisse* manuscripts.²⁶

Marx points to an ineluctable tension in capitalism between the drive to reduce labour costs and the need to expand consumption as productive capacity increases. Historically, the wage labour market has provided an important (if very imperfect) mechanism for working out a rough balance of the two, at least for certain periods in certain places. That mechanism is now significantly less effective, due to the astoundingly steep trajectory of advance in information technologies. This generates a crisis of capitalism as a system of social reproduction, superimposed on the crisis of the neoliberal variant of capitalism. If a significantly lower percentage of the population were able to gain access to an adequate level of means of subsistence through labour markets,

of the work autonomously ... The result is likely to be substantial job losses for knowledge workers and a flattening of organizational charts that will eliminate large numbers of middle managers ... Many of these people will be highly educated professionals who had previously assumed that they were, because of their skills and advanced educations, beneficiaries of the trend toward an increasingly technological and globalized world' (Ford 2009, pp. 84–5; reaffirmed in Ford 2015). Frey and Osborne's exhaustive study for the Oxford Martin Programme on the Impacts of Future Technology estimated that roughly 47 percent of the existing jobs in the US could be performed by machines within the foreseeable future (Frey and Osborne 2013).

25 Non-wage forms of labour in capitalism fall under three main categories, all of which continue to be significant in contemporary capitalism. 1) The contribution to social reproduction of unpaid domestic labour has been literally incalculable (see Federici 2004, De Angelis 2007). 2) Capital has not been hesitant to directly coerce labour whenever that has promised the greatest returns and the balance of social forces allowed it. 3) No capitalist society has ever lacked an extensive 'informal sector' beyond the formal labour market. See Banaji 2010.

26 Marx 1987a, p. 92; Smith 2013a.

talk of a future 'golden age' in capitalism would obviously ring hollow indeed. And if a relatively high percentage of the jobs threatened with extinction in the near future have been especially crucial to the reproduction of capitalist society – those held by 'organic intellectuals' of capital, so-called 'middle class' professionals who have so often provided a strong conservative voice in favour of maintaining this social order – that too would justify talk of an incipient crisis of capitalist social relations.²⁷

Automation may contribute to a renaissance of US manufacturing. As it does so, however, it will also increase the 'surplus population' substantively in absolute and relative terms, both in the US and the global economy as a whole. It is simply not reasonable to assume that the most dynamic sectors of the world market in the remainder of the twenty-first century will be able to absorb the labour displaced in older sectors the way the factories of the twentieth century effectively absorbed rural labour displaced by the mechanisation of agriculture. This generates a powerful deflationary tendency in the world market, reinforced by the relentless pressure on real wages imposed by the growing surplus population.

Capital has numerous disciplinary mechanisms to control a surplus population; they may or may not prove successful. It also had an effective mechanism for checking the deflationary bias created by a rapidly growing surplus population, the vast expansion of household debt. That card, however, seems to have already been played.²⁸ In a world of persisting overcapacity in all major sectors, increased investment will also not overcome deflationary pressures. The

27 The use of information technologies to push 'knowledge work' into the informal sector of precarious labour is relevant here. Projects involving knowledge work will be disaggregated into small fragments. Information about the skill sets and work experiences of massive numbers of knowledge workers across the globe will be collected in huge databases. Programmed with mathematical models of labour processes and the skills required to complete them, algorithms will identify workers in the databases with the capacities to complete a particular fragment. These knowledge workers will then bid against each other for the privilege of being hired to complete the particular fragment (Baker 2008; O'Connor 2015). While agents in this position will not necessarily become radicalised in a progressive direction – they may become cynical, or apolitical, or turn to the irrational populism of the right – their least likely response is to affirm the normative justification of the situation they find themselves in.

28 Theorists concerned with the social effects of automation typically call for a basic income grant (e.g. Ford 2009, 2015). But as argued in Chapter 8, a level of basic income large enough to counteract the growing gap between the rate of increase of productivity and the rate of increase of real wages will almost surely prove incompatible with the capital/wage labour relation, based as it is on the compulsion of the latter to submit to the former.

level of government spending required to make up the difference would likely undermine capitalist social relations. That leaves the hyperconsumerism of the top strata. But the global plutocracy has been engaged in hyperconsumerism for quite some time now already. How much of an increase can be reasonably expected at this point?

A competitive advantage in productivity will not matter very much if the gap between productivity advances and real wages in the world economy becomes an ever-greater chasm. A competitive advantage in the technologies of mass customisation will not matter very much in a world market where the mass customer base has eroded. In the world economy as a whole there is an irresolvable tension between the drive to automate and the need to reproduce the capital/wage labour relationship. We appear to be approaching the period when this tension reaches a breaking point.

The Prospects of Commons-Based Peer Production

The second modified liberal egalitarianism discussed in the previous chapter appealed to a 'new mode of production', commons-based peer production.²⁹ Benkler insists that a social world including commons-based peer production alongside market based for-profit capitalist production would count as a significant normative advance from the standpoint of essential liberal egalitarian values, due to the manner in which commons-based peer production tends to further individual autonomy, democratic deliberation in the public sphere, and global justice. This is a contemporary twist on the traditional liberal egalitarian theme that a suitably reformed version of capitalism can be normatively defended. In this version the reforms in question do not overcome the serious normative shortcomings of capitalism, which are conceded to be intractable. The reforms instead simply aim to prevent incumbent firms and their political allies from eroding the space for commons-based peer production to flourish alongside capitalism. In my view, however, capitalism is a totalising system that will ceaselessly endeavour to shape commons-based peer production to serve its needs, severely limiting any gain in autonomous agency, a dynamic public sphere, and global justice. A normative assessment that does not fully acknowledge the severity of these limits is inadequate.

29 I discuss this position at greater length in Smith 2012b.

Autonomy

Benkler's discussion of autonomy focuses on the activities of those engaged in commons-based peer production. Insofar as participants in this practice choose what projects they wish to contribute to, the parts of the project they will work on, and how much of their free time they will devote to the project, it does indeed make sense to speak of autonomous agency here. But the limits to these gains in a world where capitalism remains in place are extremely significant from a normative point of view.

1. There is an ambiguity in Benkler's description of the place commons-based peer production can take in the social world. Sometimes he talks of the sphere of commons-based peer production as being at the 'core' of the contemporary economy. Other times he pictures it as merely operating 'alongside' for-profit market production. His offhand remark that 'someone needs to work for money, at least some of the time, to pay the rent and put food on the table', appears compatible with both descriptions, at least at first glance.³⁰ But matters appear differently when we reflect on his implicit admission that the time devoted to commons-based peer production does not come from a reduction in the time devoted to wage labour. Instead, 'the time can be drawn from the excess time we normally dedicate to having fun and participating in social interactions'.³¹ This must be seen as an implicit acknowledgement that *the capitalist/wage labour relation remains the central mechanism for social reproduction* after the rise of commons-based peer production. This implies that monetary reward is not simply one sort of psychological motivation among others, as Benkler also assumes.³² As we saw in Chapters 4 and 5, the acquisition of money remains an objective necessity in our world, whatever our subjective dispositions might be. The use of money may be a matter of mere convenience in *societies with markets*. But in *capitalist market societies* individuals are *compelled* to obtain access to money. To be without 'the god among commodities' is to be outside the social universe.³³

The economic agents Benkler discusses may own some of the means of production required for commons-based peer production (their personal computers) and have free or relatively inexpensive access to others (the Internet).

30 Benkler 2006, p. 100.

31 Benkler 2006, p. 101.

32 Benkler 2006, pp. 92 ff.

33 Marx 1986b, p. 54. Once again: '[E]ach individual ... carries his social power, as well as his connection with society, in his pocket' (Marx 1986b, p. 94).

But insofar as capitalism persists, they do not have access to their means of subsistence as a matter of right. Nor do they have access to the means of production required to produce these means of subsistence. Since the means of subsistence generally remain in the commodity form, these agents *must* acquire monetary resources to obtain them. However autonomous they may be while engaged in commons-based peer production, they, like other agents who do not own or control capital, *must* gain access to the money required to purchase means of subsistence. This is a form of social coercion, even if overt violence or its threat is absent. In the typical case they themselves will gain access to monetary resources by offering their labour power to capital as a commodity. In other cases, they will be economically dependent on someone in their household who sells his or her labour power as a commodity.

Since wage labourers will not be hired unless those who own and control capital foresee that the former will engage in surplus labour, that is, labour creating an amount of economic value exceeding the value of their wages, we may also speak of those who are engaged in commons-based peer production (or members of their household) as being forced into a situation of exploitation.³⁴ Participants in commons-based peer production may enjoy a certain degree of autonomy outside the capital/wage labour relation. Insofar as much of their remaining waking time is subject to structural coercion and exploitation inside the capital/wage labour relation, however, the restrictions on their autonomy remain profound. When we normatively assess the society as a whole, then, there are good reasons to weigh the latter more than the former.

2. In Benkler's words, once again, time devoted to commons-based peer production is 'time ... drawn from the excess time we normally dedicate to having fun and participating in social interactions'.³⁵ Having a choice about how those formally employed spend their time outside the capitalist workplace is not without normative significance. But once the topic of time has been introduced, we should not forget that the default setting in capital is to use productivity gains to increase output, rather than to decrease time spent in wage labour for a given level of output. Capital is accumulated through the production and sale of commodities, and not by the expansion of workers' free time. In Chapter 6 I argued that there is surely some point past which human flourishing would be better furthered by using productivity advances to limit the time spent in formal labour, leaving more time for relations with family and

34 Marx 1976a, p. 724.

35 Benkler 2006, p. 101.

friends, participation in community affairs, and projects of our own choosing. The rise of commons-based peer production greatly adds to the list of projects of our own choosing that could be an important part of living the sorts of lives we have most reason to value. But few indeed are the people who can both work 50, 55 or 60 hours a week in paid labour and then contribute to commons-based peer production projects when they go home.³⁶ Fewer still can continue to do so when they take on family responsibilities, or reach middle age. From this standpoint the most salient fact about commons-based peer production in capitalist societies is not their potential to further the human good. It is the way the human good continues to be systematically sacrificed for the good of capital.

3. In the present context it is also extremely important to recall that for Marx the powers of capital are not limited to the expropriated powers of wage labourers. The powers of nature mobilised by wage labour are also appropriated by capital as its powers, as are the heritage of pre-capitalist societies,³⁷ and the powers of scientific and technological knowledge.³⁸ Unpaid care labour in households also provides a free service for capital insofar as it contributes to the production and reproduction of capital's most important commodity, labour power. The 'free gifts' to capital provided by nature, history, scientific-technical knowledge, and care labour are within the broad scope of Marx's value theory in the sense that Marx fully recognised that the valorisation process would come to an immediate halt were it not for these 'free gifts'. The relevance of this to the present discussion is direct: *units of capital today are happy to appropriate the creative achievements of social labour outside the capital/wage labour relation as 'free gifts'*, just as they have always been happy to appropriate such gifts. Consider, for example, the countless lines of open software code used by corporations in their processes of production and distribution, the manner in which firms' marketing and design have taken advantage of countless hours spent by consumers providing evaluations of and design suggestions for commodities, or the new forms of commodities that open software has helped produce.³⁹

36 We must also remember to include time spent travelling to and from work, and the time necessary to prepare for and recover from the work process, as part of the time claimed by capital. See Cray 2014.

37 Marx 1976a, pp. 757, 647.

38 Marx 1976a, pp. 508–9.

39 Some examples: 'As well as tapping a valuable new source of ideas, an open approach can also lead to savings in market research, as users act as focus groups, indicating what new features they would like (and then help to develop them). Going open-source may

These examples of how commons-based peer production provides a stream of 'free gifts' furthering the powers of capital could be easily multiplied.

The rise of a form of living labour outside the capital/wage labour relation is potentially of world historical significance. But insofar as commons-based peer production is incorporated within capital circuits as a 'free gift', it too is subsumed under capital. When this occurs those engaged in this form of production in effect work for capital for free. They are therefore 'exploited' by capital (in a broader sense of the term than Marx's technical sense). The fact that they freely chose to engage in commons-based peer production complicates this state of affairs without changing the essential matter.⁴⁰ As long as capital reigns they are not free to prevent their living labour from being transformed into a power of capital. And insofar as capital has numerous effective ways of influencing the direction of commons-based peer production – for example, by holding out the lure of well-paid contract work to those engaged in writing open source software – the content of commons-based peer production and the paths it takes can be shaped to a considerable extent (or in many cases completely determined) by capital, even if the labour process remains 'outside' the capital/wage labour relationship. This too counts as a restriction of autonomous agency. And this strongly suggests that any adequate normative assessment of the social order must continue to centre on capital.

also help to keep customers ... "It builds a community that will buy our hardware," says Sridhar Vaqjapey, who runs Sun's Open SPARC program. "Is Sun making money on open-source hardware? Absolutely" (*The Economist* 2008, p. 31). 'Since an army of programmers around the world work on developing Linux essentially at no cost, IBM now has an extremely cheap and robust operating system ... Using open-source software saves IBM a whopping \$400m a year, according to Paul Horn, until recently the company's head of research' (*The Economist* 2007a, p. 14).

40 In an analogous manner, those performing unpaid care labour in households outside the capital/wage labour relation can also be said to be 'exploited' (in a broad sense of the term different from Marx's technical sense) insofar as they provide a necessary service for capital. The fact that those engaged in care labour typically do so voluntarily, out of a sense of obligation, empathy, and love, does not make it less appropriate to use that category (Federici 2004). A similar point can be made about scientists at publicly funded universities or state labs who engage in research that capital appropriates as a free gift. Like those engaged in commons-based peer production they may freely choose to perform this research out of intellectual curiosity, personal ambition, a desire for peer recognition, or any number of other sorts of motives. Their living labour is generally subsumed under capital regardless.

4. Chapter 6 examined a number of ways in which technology is essentially a means to further the accumulation of surplus value by providing a weapon to help capital maintain a favourable balance of power over wage labour. Technological changes can intensify the labour process, make successful strikes less likely, allow organised and combative sections of the labour force to be replaced, and enable workers in one region to be pitted against those elsewhere. While there are no guarantees that capital will always and everywhere successfully employ technological change to attain these ends, ownership and control of capital grants its holders the power to initiate and direct the innovation process in the workplace. As long as this power is in place technological change will necessarily tend to reinforce the structural coercion, domination, and exploitation at the heart of the capital/wage labour relation, subordinating human flourishing to the flourishing of capital.

What, if anything, in this account needs to be revised in light of the networked information economy? Not much.⁴¹ Benkler himself implicitly acknowledges that wage labour remains the main way in which individuals can gain access to the means of subsistence. The introduction of advanced information technologies in capitalist workplaces has been consistently correlated with an intensification (and often extension) of the workday. The workers' role in determining the design and use of machinery in the labour process continues to be radically restricted, despite all the rhetoric of worker 'empowerment'. The process of objectifying workers' skills in machinery has if anything accelerated, as has the use of technology to continue operations during workers' strikes. Information technologies have enabled cross-border production chains to proliferate, making it much easier for workers in one region of the globe to be played off against those of another. Information technologies have also made new sorts of disciplinary mechanisms possible, such as electronic monitoring of the workforce on a massive scale,⁴² extreme work process fragmentation, and extreme geographical dispersal of the labour process.⁴³ These contemporary developments can be easily accommodated within Marx's framework.

The considerations just mentioned must now be combined with the earlier point that capital will appropriate the results of commons-based peer production as 'free gifts' whenever they serve the end of capital accumulation. If the free gifts from commons-based peer production can be used to erode

41 Smith 2000, 2012a, Basso 2003, Head 2003, Huws 2003, 2007, 2008, Moody 1997, 2007, Crary 2014.

42 Darlin 2009.

43 Baker 2008; O'Connor 2015; see note 27 above.

autonomy in the capitalist workplace further, they will be used in this way. When combined with the restrictions on the autonomy of participants in commons-based peer production themselves, the truly important point to make here is how much the potential for commons-based peer production to further autonomy will be restricted by the persistence of capitalist social relations.

Public Discourse

The effects of commons-based peer production extend beyond labour processes. It has enabled new forms of active participation in public discourse, as Benkler rightly emphasises. If we ask whether participation in the public sphere can become more extensive thanks to commons-based peer production, the answer must be 'yes'. But the only question Benkler asks is not the only question worth asking. Anyone who accepts democratic participation in the public sphere as a core normative value must also investigate the systematic limits to commons-based peer production advancing this value when the valorisation imperative remains in place. There are, I believe, two significant limits, one imposed by the drive to commodification, the other by the artificial restriction on what counts as a 'political' matter.

There is in capitalism a necessary tendency for products taking the commodity form to proliferate, since 'the ceaseless accumulation of value' requires the sale of commodities. As Guy Debord so vividly described, the circulation of physical commodities has become enveloped by an endless circulation of images designed to elicit desires to possess and consume these commodities (he terms the result 'the spectacle').⁴⁴ The networked economy has intensified the proliferation of commodities in many ways. It has brought with it new sorts of commodities, such as the computer games whose sales now exceed revenues for movies and music combined. It has contributed to a significant compression of the product cycles of commodities.⁴⁵ Internet shopping has greatly expanded the set of commodities effectively available to consumers. Information technologies, in brief, provide a sophisticated mechanism for transmitting a heightened spectacle of commodities.⁴⁶ Clicking from one site laden with overt and covert advertising to another no more breaks the

44 Debord 2006.

45 'Gil Cloyd, chief technology officer at Procter & Gamble (P&G), the world's biggest consumer-products firm, studied the life cycle of consumer goods from 1992 to 2002 (before the internet's full impact was felt), and found that it had fallen by half' (*The Economist* 2007a, p. 8).

46 Hof 2009, pp. 52–3, Woo 2010.

spectacle's dominance than using a remote control to switch from one TV channel to another.

The internet does allow for consumers to act in new ways beyond being receptacles for advertisements. A significant amount of living labour outside (and sometimes inside) the capitalist workplace is devoted to the active sharing of information regarding the pros and con of various commodities. Another chunk of time is devoted to ordering customised products, directly shaping the production process as 'prosumers', in the inimitable poetry of business jargon. These sorts of activities should be conceptualised as an increasing important sort of 'free gift' to capital. They represent new ways in which capital accomplishes its very old objective of mobilising the collective energies of human subjects in order to further 'the ceaseless augmentation of value'.⁴⁷

Other forms of activity in the networked economy illustrate the commodification imperative in a more indirect fashion. Debord has taught us that those moments of the spectacle that are not themselves commodities or advertisements for them can still be part of the general process of the commodification of leisure. Much of the time spent on electronic networks pursuing information about areas of personal interest (sports, celebrities, etc.) fits under this heading. So too do the various forms of roleplaying in virtual worlds, even if that form of behaviour is qualitatively distinct from the passive reception of entertainment typifying industrial media. After all, immersion in the spectacle is more complete the more one actively participates in its construction.⁴⁸

I argued above that the results of commons-based peer production have contributed to the exploitation of living labour in the capitalist workplace, and that a normative assessment of the extent commons-based peer production furthers substantive autonomy in the contemporary social world must take this into account. The point here is analogous. The greater the power of the electronic spectacle, the greater the systematic restriction on the flourishing of the public sphere, as 'flourishing' is defined by Benkler and other liberal egalitarians. When the results of commons-based peer production are appropriated as 'free gifts' to capital, they will inevitably contribute to the subordination of leisure time to capital through the commodification of everyday life and its accompanying spectacle

What of cases when electronic networks do in fact further political discussion? As Debord observed, much of what counts as 'politics' in contemporary society is itself part of the spectacle rather than part of a truly flourishing demo-

47 See Cova and Dalli 2009, Willmott 2010, Muniz and O'Guinn 2001.

48 See the path-breaking analysis in Stallabrass 1993.

cratic public sphere. (Consider the gossip about the personalities of political elites and their personal transgressions, or the campaign rhetoric that has so little to do with post-election policies). Benkler, however, describes several examples that cannot be reduced to the circulation of gossip or ritualistic slogans, occasions when effective mass political mobilisation through electronic media effectively addressed progressive issues mainstream media had ignored.⁴⁹ No one committed to social change should dismiss the emancipatory promise of this dimension of commons-based peer production. Even in these sorts of cases, however, another sort of systematic restriction on the flourishing of the public sphere needs to be explicitly confronted, stemming from the artificial separation of political and the economic spheres referred to in Chapter 8 as the 'bifurcation of the political'.

In pre-capitalist class societies, the appropriation of the surplus product was inextricably intertwined with the political relationship of rulers/ruled. In contrast, class relations in capitalism are reproduced through transactions among (formally) free and equal individuals for their mutual benefit, rather than through the direct subjugation of slaves, serfs, or tribute-paying independent producers. As a result there is a fundamental split in how the social world appears, with the supposedly non-political economic relations among individuals assigned to a separate realm of civil society, distinct from the explicitly political sphere of states and international institutions. Liberal egalitarian

49 Benkler discusses two examples in detail (Benkler 2005, pp. 224 ff.). The first reveals the capacity of the networked public sphere to respond effectively to abuses of corporate media power. The Sinclair Corporation planned to run a documentary attacking John Kerry's Vietnam War service the night before the 2004 presidential election. At the time it owned television stations reaching one quarter of US households. This documentary overflowed with the spurious charges that introduced a new term in the vocabulary of media manipulation, 'swiftboating'. While a compelling case could be made that the programme was an illicit in-kind contribution to the Bush campaign, neither the Federal Elections Commission nor the Federal Communications Commission intervened. Within days, however, a handful of bloggers organised a national boycott of advertisers, many of whom then withdrew their sponsorship. The negative publicity also caused Sinclair's stock price to fall significantly. Sinclair was forced to present a somewhat more balanced programme, combining arguments from the other side alongside footage from the original (political ad disguised as) documentary. Benkler's second example reflects how the networked public sphere possesses generative as well as reactive capacities. For years even the most prestigious mass media outlets in the US ignored serious issues regarding the security and accuracy of electronic voting machines produced by Diebold Elections Systems. The dispersal of data on the workings of these machines, and the independent analysis of this data, on numerous internet sites forced these issues onto the public agenda for the first time.

theorists then assign public discourse the task of mediating between the particular and private interests of civil society, on the one hand, and the universal public interest that is the responsibility of political institutions, on the other (see Chapter 2). The system of class exploitation on the level of society as a whole, however, is inherently a political matter, even if it is reproduced through individual contracts.⁵⁰ And the supposedly universal political institutions are tied to that system of class exploitation 'all the way down' by the state form in a capitalist society. While the interests of capitalists and of state officials are too heterogeneous for a direct one-to-one correspondence between the two to always hold, any extended breakdown in the capital accumulation process brings with it the danger of political unrest. Also, the more the process of capital accumulation slows, the more difficult it is to raise the state revenues required for domestic administration and foreign affairs. If state policies significantly diverge from the perceived self-interest of investors, the more the latter have the power to throw the economy into chaos with a capital strike. As a result of these and many other considerations, state officials necessarily tend to implement policies designed to encourage capital investment and accumulation within the territory subject to their rule. It follows that the interests of capital will necessarily tend to shape the supposedly universalistic political sphere, holding sway not always, not everywhere, but 'proximately and for the most part', as Aristotle would say.

Information networks today provide new forums for participating in discussions regarding public issues, and the potential for a public sphere of vastly expanded scope and effectiveness is there. But the artificial restriction on what counts as 'political' systematically restricts activity within the public sphere by masking the inherently political nature of class rule, and by making the specifically capitalist nature of the capitalist state opaque. The rise of commons-based peer production does not in itself reverse this artificial split. More efficient forms of communication may even reproduce and reinforce the 'bifurcation of the political' that arises 'naturally' in capitalist society by focussing on especially egregious and therefore apparently contingent abuses by political elites, rather than the 'normal' operation of the capital form and the state form. As long as there is a systematic restriction on what counts as 'political', there is a systematic restriction on the flourishing of the public sphere. Any normative assessment of the public sphere that abstracts from this state of affairs is ultimately inadequate, however insightful its discussion of the potential of commons-based peer production might be.

50 Marx 1976a, pp. 1063–4.

Global Justice

Benkler is surely correct to assert that global justice requires that all individuals have access to basic nutrition and medical care across the globe.⁵¹ A social world where the scientific-technological knowledge underlying the production of foods and medicines circulates freely in global information networks would indeed be a tremendous advance from the present status quo. Benkler's call for a coalition against attempts to use stronger intellectual property rights to restrict such information flows warrants strong support. But a previous point must be repeated: to assess the normative significance of commons-based peer production in our social world it is not sufficient to examine it in isolation; we must ask what necessarily tends to occur when its results are appropriated by capital as a 'free gift'.

Scientific-technological knowledge is one of the most important weapons in competition in the capitalist world market. Units of capital operating at or close to the scientific-technological frontier are generally able to appropriate sufficient profits from innovations to enable them to operate at or close to that frontier in the future.⁵² Units of production without access to advanced scientific-technological knowledge necessarily tend to be trapped in the vicious circle first discussed in Chapter 6. Their inability to introduce significant innovations in a given period limits their ability to participate in advanced R&D in the succeeding period, along with their later opportunities for innovations and market success. From this perspective, the growth of scientific-technological knowledge is not the solution to severe inequality in the capitalist world market; it is a major contributing cause, as noted previously in this book. The new twist here comes from the fact that the leading units of capital from hegemonic regions of the global economy are generally in the best position to make use of the fruits of commons-based peer production, given their scientific-technical capabilities. When they then incorporate the 'free gifts' of commons-based peer production, the result will be a much *greater* competitive advantage vis-à-vis units of production in other regions of the global economy. The vicious circle trapping the latter will be reinforced. It is far more reasonable to foresee that commons-based peer production will *extend* the systematic tendency to uneven development in the capitalist world market than to hypothesise it will weaken that tendency.

51 Marxists who reject justice talk as a matter of (mistaken, in my view) principle can substitute 'global solidarity' here.

52 Benkler himself acknowledges the importance of such 'firm-specific advantages' (see Benkler 2006, pp. 45–6). He fails, however, to discuss their implications.

Benkler is correct that commons-based peer production has a tremendous potential to contribute to the nutritional and medical needs of the world's poor. Unfortunately, it is no less true that as long as it operates alongside a capitalist sphere it will be subsumed under capital such that its net impact will strengthen pernicious tendencies in global capitalism rather than check them.

At this point the focus should shift from autonomy, democratic debate, and global justice to a more general point: Social forms matter. Unless and until the social forms of capital are put out of play, the development of commons-based peer production will necessarily tend to be severely restricted in three important respects.

The first concerns *the allocation of financial resources*: investment in commons-based peer production will necessarily tend to be severely limited in a social order governed by the valorisation imperative for the simple reason that the output of the former is non-proprietary, while the latter demands profits from the sale of proprietary products. It is true that as the costs of computers and of communicating over information networks radically declines, increasing numbers of people can afford to purchase means of production required for commons-based peer production. But in a capitalist society these investments will be dwarfed by the financial resources devoted to investments in the production and distribution of commodities for profit. This pattern cannot be adequately explained by choices individuals make based on their conception of the good, or anything else having to do with the core normative values of liberal egalitarianism. The allocation is due to the simple fact that the production and circulation of commodities necessarily tends to be privileged in a capitalist order.

As long as the development of commons-based peer production is more or less complementary to the circulation of commodities, providing a steady stream of 'free gifts' to capital, no serious tensions arise. A 'peaceful coexistence' of the two spheres can be maintained, albeit one where capital is hegemonic. But if the resources devoted to commons-based peer production were somehow to grow to the point where they significantly affected the resources available to capital in a negative way, the economic system, based as it continues to be on 'the ceaseless augmentation of value', would fall into crisis (or an ongoing crisis would deepen). In the absence of a successful political movement to transform the capitalist sector into something quite different, investment in commons-based peer production would be eroded as resources were shifted to support capital's recovery.

The production and circulation of scientific-technical knowledge is itself an illustration of this dynamic. While Marx noted how scientific-technological knowledge developed outside capital circuits can provide valuable 'free gifts'

to capital, he also foresaw the increasing incorporation of scientific-technical knowledge production as a moment within capital circuits. Due to the competitive advantages it promises 'invention becomes a business, and the application of science to immediate production itself becomes a factor determining and soliciting science'.⁵³ Insofar as 'invention becomes a business' it is directed towards profit from the sale of proprietary products. So long as the capital form reigns, the subsumption of scientific-technological knowledge production under capitalist imperatives will not languish.

I have already noted that the greatest investment in information technologies outside of government has occurred in the financial sector, where it has been used to create objects of financial speculation. Massive amounts of funds have also been devoted to establishing intra- and inter-firm networks in non-financial sectors, connecting firms and plants with suppliers and distributors. And extensive networks have been established connecting manufacturers and marketers, on the one hand, with consumers, on the other. The resources devoted to these aspects of the 'networked information economy' dwarf those associated with commons-based peer production. If we subtract from the latter projects directly incorporated within valorisation circuits, the gulf is even more immense. There is a systematic bias in the flow of investment funds in capitalism that necessarily tends to severely restrict investment in the development of commons-based peer production, *whatever the promise of the latter might be from the standpoint of liberal egalitarian values*. However important it is to note the potential for commons-based peer production to further autonomy, a democratic public sphere, or global justice, it is no less important to note the degree to which this promise will not be fulfilled due to a bias in investment priorities as long as the social forms of capital are in place.

The same general point holds for the allocation of labour resources. To say that 'a billion people in advanced economies may have between two billion and six billion spare hours among them, every day' to contribute to commons-based peer production is true and rhetorically powerful.⁵⁴ But it is also undeniable that the time and energy people have to participate in commons-based production will be severely limited as long as most social agents face unrelenting financial pressure to sell their labour power and perform extensive surplus labour for capitalist firms.

One example should suffice. Profit-oriented pharmaceutical firms have not made the medical problems afflicting individuals in poorer sections of the

53 Marx 1987a, pp. 89–90.

54 Benkler 2006, p. 55.

globe a high priority, to put it mildly. In contrast, the potential for commons-based peer production to effectively address these problems is astounding, as Benkler correctly insists. But whose living labour is to be mobilised for that end? Here is Benkler's answer:

Most important by far are postdoctoral fellows. These are the same characters who populate so many free software projects, only geeks of a different feather. They are at a similar life stage. They have the same hectic, overworked lives, and yet the same capacity to work one more hour on something else.⁵⁵

When measured against the immensity of the social need, on the one hand, and the immense potential of commons-based peer production to meet that need, on the other, the inadequacy of relying on overworked postdocs should be immediately apparent.

Benkler's case that commons-based peer production possesses a tremendous potential to contribute to human welfare is convincing. This cannot be said of his assertion that this potential can be adequately developed while the capital/wage labour relation remains the dominant social relation, and most living labour remains forced to engage in surplus labour for capital. As Marx wrote, 'Since all *free time* is time for free development, the capitalist usurps the *free time* created by workers for society'.⁵⁶ The relatively limited time available for the 'free development' of commons-based peer production in capitalism is a striking illustration of Marx's thesis.⁵⁷ The immense emancipatory promise of commons-based peer production will only be fulfilled *after* a fundamental transformation of social relations *throughout* the society, and not just in the limited sphere of open source projects.

A final issue to consider here regards *the production and distribution of knowledge products*. Commons-based peer production makes use of knowledge goods as inputs, and produces knowledge goods as outputs. The flourishing of this form of production requires the free flow of these knowledge goods. This is feasible in principle, since additional units of knowledge goods can be produced and distributed within information networks at close to zero

55 Benkler 2006, p. 352.

56 Marx 1987a, p. 22.

57 The burden of unpaid care labour disproportionately borne by women limits the time available for free development as well. Few of the 'geeks' to whom Benkler refers have childcare responsibilities.

marginal cost. Many categories of products of the networked economy (software, information, literary, scientific, and cultural texts, music, videos, etc.) could in principle be treated as public goods and distributed freely to whoever wanted them. The potential for such free provision to enhance well-being is incalculable. As long as capital reigns, however, the actualisation of this potential will be severely restricted.

The main problem here is *not* the need to provide people with incentives to devote time to the production of knowledge products as free public goods. As Benkler rightly emphasises, it has already been proven that great numbers of individuals are willing to use a portion of their free time to cooperate in collective projects that interest them, using their own computers and taking advantage of inexpensive access to communication networks. It is also the case that most scientific-technological workers today are forced to sign away intellectual property rights as a condition of employment, further undercutting the argument that intellectual property rights are necessary in order to motivate people to engage in scientific-technological labour. The real difficulty here is that the commodification imperative and the valorisation imperative continue to be the main organising principles of the social world. As we have already seen, this implies that investment funds necessarily tend to flow predominantly to commodity production, whatever the potential of commons-based peer production to address human needs and further human flourishing might be. And, as we have also already seen, this implies that those engaged in formal labour necessarily tend to be trapped within the wage form most of their waking hours, however great the potential of living labour to further human ends outside the capital/wage labour relation. And it implies that there is a necessary tendency in any and all variants of capitalism for knowledge products to take the form of commodities. Even worse, finally, there is a derivative tendency for massive amounts of monetary and human resources to be devoted to technologies whose sole purpose is to *restrict* flows of knowledge products to privately appropriable commodities.⁵⁸

While the present intellectual property rights regime may be modified, significant restrictions on the development of commons-based peer production will undoubtedly remain as long as capital remains a dominant social form. And a crucial feature of the contemporary 'knowledge economy' makes it likely these restrictions will worsen in the twenty-first century in the absence of a move to a different sort of society: the unprecedented number of reasonably effective national innovation systems discussed earlier in this chapter. As we

58 Perelman 1998.

saw there, the proliferation of national innovation systems drastically compresses the time above-average profits can be appropriated from innovations, everything else being equal. The aggressive extension and assertion of formal intellectual property rights and informal trade secrets is a sure way to make everything else *not* equal.

In Benkler's view we are at a major crossroads today. As a society we could choose to establish a legal framework enabling commons-based peer production to flourish alongside for-profit market production. Or we could choose to protect incumbents in the for-profit sector by establishing a legal framework discouraging (or even criminalising) the open flow of knowledge products over information networks. Which path we choose, he says, will depend primarily on the balance of power between a coalition of incumbents and a counter-coalition including activists in the open source movement, manufacturers of the computers whose capacity for aiding commons-based peer production is a marketing advantage, and corporations that have made appropriation of the products of commons-based peer production part of their business plan. The future is open. All that is required for commons-based peer production to flourish alongside the for-profit market sector is to recognise how much the former furthers our core values, and then refrain from instituting the wrong sort of legislation and regulation.

This account of the future prospects of commons-based peer production exemplifies the main shortcoming of Benkler's framework, one shared with other liberal egalitarians: the lack of an adequate concept of capital. Lacking this concept, he lacks an adequate appreciation of the totalising force of the commodification and valorisation imperatives. Putting these imperatives out of play requires more than making or refraining to make a law or two. It requires a collective construction of a different historical form of human sociality, freed from the imperative of *M* to become *M'* on the macro scale. Capitalist competition spurs innovation, but the proliferation of national innovation systems tends to undermine the ability to appropriate high levels of profit from innovations for an extended period of time. Short of a world war or some other catastrophic occurrence, this state of affairs is not going to go away. This implies that the aggressive extension and enforcement of intellectual property rights is not about to go away either, since at the present moment of world history they are necessary conditions of the possibility of enjoying competitive advantages from innovation over an extended period.⁵⁹

59 Two (of countless) corroborating examples can be given here. 'Since 2006 it [China] has pursued a deliberate policy of gathering as many patents as possible and developing

Benkler comprehends fully that the more aggressively intellectual property rights are asserted, the less room there is for commons-based peer production to develop. What he lacks is an understanding of how the full development of commons-based peer production is incompatible with the property and production relations of capital.⁶⁰ Its future prospects will be severely restricted unless there is a world historical break from the valorisation imperative.

Conclusion

Marx, no less than the neo-Schumpeterians, profoundly appreciated the ‘creative’ dimension of capitalism. For an extended historical period the radical open-endedness of capital contributed to a radically open-ended development of human needs and human capacities, in stark contrast to the limits on needs and capabilities imposed in pre-capitalist societies. Marx, however, anticipated that over time this ‘creative’ dimension would erode, while the ‘destructive’ aspects of capitalism would come more and more to the fore. To the extent that this diagnosis is accurate, the defence of capitalist market societies provided by the modified – weaker and non-ideal – neo-Schumpeterian version of liberal egalitarianism over time loses whatever plausibility it might initially have claimed. And the hope that commons-based peer production

home-grown technologies – not least because Chinese companies pay around \$2 billion a year in licensing and royalties to American firms alone ... Chinese firms are also increasingly seeking patents abroad, a sign that they plan to protect their technology when exporting it to rich countries. They won 90 patents in American in 1999 but last year they received 1,225’ (*The Economist* 2009, p. 68). ‘IBM is another iconic firm that has jumped on the open-innovation bandwagon. The once-secretive company has done a sharp U-turn and embraced Linux, an open-source software language ... However it also continues to take out patents at a record pace in other areas, such as advanced materials, and in the process racks up some \$1 billion a year in licensing fees ... Kenneth Morse, head of MIT’s Entrepreneurship Centre, scoffs at IBM’s claim to be an open company: “They’re open only in markets, like software, where they have the fallen behind. In hardware markets, where they have the lead, they are extremely closed”’ (*The Economist* 2007a, pp. 13–14).

60 A number of contemporary theorists with roots in the Marxian tradition have taken the rise of commons-based peer production as proof that Marx’s theory does not apply to the networked information age, for example, Virno 2007 and Vercellone 2007. It should be clear from this chapter how strongly I reject this view. A critical examination of the position is found in Smith 2013a.

could develop new needs and new capacities to compensate for that destruction is doomed to frustration, given the restrictions capitalism imposes on its development.

Not all of Marx's expectations have proven true by any means (although all things considered the predictive power of his theory has been unmatched).⁶¹ But there are good reasons to hold that the 'destructive' dimensions of capitalism are in fact becoming increasingly prominent over time. The present period of world history is not solely a crisis of neoliberalism. It is a crisis of capitalism itself.

I do not mean to suggest that capitalism is approaching an ultimate breakdown, or that there is presently a crucial mass of agents in place with the motivation and organisational capacity to overthrow it. The claim is instead that:

- The course of capitalist development has reached a point where there may never again be a 'golden age' of capitalist development *whatever* the level of sacrifice inflicted on present generations.
- Social reproduction through the capital/wage labour relation has been made precarious to an unprecedented degree.
- The gulf between the technological potential to further autonomy, a democratic public sphere, and the well-being of humans on the global scale, on the one hand, and capitalism's inability to actualise that potential, on the other, has reached unprecedented heights.

Given its intrinsic importance, we should add one more item to this list:

- The planetary boundary conditions within which human civilisation emerged and developed are rapidly being exceeded as a direct consequence of the valorisation imperative, with potentially catastrophic consequences 'severely challeng[ing] the viability of contemporary human societies'.⁶²

Underlying all four points is the 'internal contradiction' Marx discerned long ago: the technological dynamism usually considered among capitalism's great-

61 Marx's predictions of recurrent crises in capitalism, the persistence of conflicts regarding the length of the working day and intensity of labour, and the ever-increasing concentration and centralisation of capital have been corroborated again and again, to mention just a few examples (see Smith 1997b).

62 Rockström et al. 2009, p. 473.

est strengths ironically proves to be its greatest weakness.⁶³ If there are good reasons to think that the future will not be like the past, as the 'creative' dimension of capitalism is increasingly stifled while the 'destructive' aspects come more and more to the fore, any normative social theorising adequate to our moment in world history must place that development at the very centre of reflections. By this measure a liberal egalitarian defence of capitalist market societies as an acceptable 'second best' is profoundly wanting. A critical theory for the twenty-first century cannot be content with the 'realistic utopia' of a more humane capitalism that will never be humane enough.

Can we conclude that it is past time for contemporary normative social theory to move 'beyond liberal egalitarianism' and embrace socialism? Not quite.

63 The future prospects of US capitalism must be considered in this context. They do not depend solely on US capitals' relative advantages. The world economy is not an aggregate of separate national economies. It is a higher-order complex whole with emergent properties of its own. If the world market is beset by perpetual overaccumulation difficulties, ever-increasing pressure on social reproduction through the capital/wage labour relation, the stifling of the creativity that could be mobilised within an electronic commons, and disruptions of ecosystems that may well 'severely challenge the viability of contemporary human societies', then whatever relative advantages the US may continue to enjoy in the coming period will be quite secondary considerations.

Property-Owning Democracy: A Liberal Egalitarianism beyond Capitalism?

Very recently a new variant of liberal egalitarianism has emerged. In his 2001 restatement of his position Rawls asserted that that no form of welfare-state capitalism could institutionalise the principles of justice adequately, and that he had defended a quite different social order, ‘property-owning democracy’, all along.¹

It is difficult to know what to make of this assertion. It is true that in *A Theory of Justice* Rawls affirmed that the allocation branch of government must have the authority to adjust the system of property rights when justice demands this be done. In the context of his discussion, however, the proposal refers to adjustments required to address market failure stemming from externalities: ‘The allocation branch is also charged with identifying and correcting, say by suitable taxes and subsidies and by changes in the definition of property rights, the more obvious failures of efficiencies caused by the failure of prices to measure accurately social benefits and costs.’² For example, if the present property rights regime allows property owners to inflict significant environmental harms, then that regime may have to be adjusted so that they no longer have a right to use their property in a way that inflicts significant harms, or if certain forms of financial investment generate excessive speculative risks, then the package of property rights defining ownership of financial assets may have to be modified. In itself this proposal is completely consistent with a defence of a reformed version of capitalism. Left liberal defenders of welfare-state capitalism have always granted the capitalist state the power to redefine property rights for the sake of justice, arguing that there are no pre-political (‘natural’) property rights to own units of production and distribution that the theory of justice must accept as given.

Rawls also assigned the distribution branch of government the task of making ‘the necessary adjustments in the rights of property’ to ensure ‘an approximate justice in distributive shares.’³ But this too is something defenders of

1 Rawls 2001, pp. 137–9.

2 Rawls 1971, p. 276.

3 Rawls 1971, p. 277.

welfare-state capitalism have always been committed to. *Any* new redistributive welfare policy will require an ‘adjustment’ to the rights of property holding before the implementation of the scheme.

For decades after the publication of *A Theory of Justice* Rawls was almost universally read as a defender of a strongly regulated form of capitalist market society.⁴ While Rawls devoted great energy to replying to what he considered misreadings of his position asserted by libertarian, utilitarian, feminist, communitarian, and fellow liberal egalitarian critics, I know of no publication in the 30 years between *A Theory of Justice* and *Justice As Fairness: A Restatement*, where he attempted to correct what is now said to be a fundamental misreading of his views. As late as the *A Law of Peoples* in 1999, Rawls’s texts did not provide readers with reason to think he had broken from the Keynesian claim that capitalism can be reformed in ways making it normatively acceptable (as reviews of the work at the time show). One must conclude, I think, that either Rawls just did not care about the institutionalisation of the principles of justice enough to bother to correct an almost universal misreading of his position on a matter of profound importance, or his disgust at the neoliberal degeneration of capitalism led to a radical rejection of capitalist market societies that were not in fact meant to be rejected previously. For whatever it is worth, the latter seems more likely.

Be that as it may, what matters here is that a number of younger liberal egalitarian social theorists influenced by Rawls have accepted his later judgement, and agreed that left liberal values are fundamentally incompatible with even the most reformist capitalist welfare state.⁵ On this extremely important point they agree with the Marxian position defended in this work. Another profound point of agreement was expressed in Rawls’s proclamation in *A Theory of Justice* that normatively acceptable forms of socialism are possible. His followers in this recent development of liberal egalitarian theory generally affirm this as well.

Nonetheless, there is still a gulf separating this position from Marxism. Its adherents disagree with the Marxian claim that there are fundamental problems with private ownership of units of production and distribution. Some insist that a ‘property-owning democracy’ with that form of private property could be no less normatively acceptable than a suitably liberal form of socialism. Others regard it as far superior. All prefer it on the grounds that it is far more compatible with the culture and traditions of societies such as the United

4 Krouse and McPherson 1988 is a notable exception.

5 O’Neill and Williamson 2014 includes a number of important contributions.

States. The Marxian critique of political economy plays no discernible role in their arguments for these claims.

The emergence of property-owning democracy is a significant development in contemporary normative social theory, deserving of a book-length treatment of its own. The overview and assessment that follows in this chapter is intended as a contribution to a dialogue, rather than the final word.

No less than ‘capitalism’ or ‘socialism’ (or any other key term in social theory) ‘property-owning democracy’ is an ambiguous term, used by different writers to refer to different sorts of institutional frameworks and social practices. I have tried to bring some order into the discussion by constructing three ideal types of property-owning democracy. The first diffuses private ownership of units of production and distribution, granting universal access to dividends from social wealth produced in the economy. The second goes a step further, incorporating a strictly egalitarian distribution of equity holdings. The third centres on worker self-management. I shall argue that while the various variants of property-owning democracy would reduce or even eliminate the role of *capitalists*, none would abolish *capital*.

Property-Owning Democracy (1)

The first form of form of property-owning democracy to be considered (POD_1) can be seen as an extension of the proposal considered in previous chapters to provide all adults with a lump sum upon reaching maturity. One possible use of these funds would be to invest in equity. This reform was designed to eliminate (or lessen to the point of normative insignificance) structural coercion in the capitalist labour market, without eliminating the structural position of the capitalist class or replacing the capital/wage labour relation as a dominant social form. In POD_1 , in contrast, the diffusion of equity would be universal and automatic, rather than the result of contingent particular choices. And it would be on a sufficient scale that the percentage of total wealth held by ‘the wealthy’ would shrink significantly. The underlying claim is that there is some point where quantitative changes in the distribution of assets representing private ownership of units of production and distribution would amount to a qualitative difference from capitalism profound enough to warrant considering it as a different sort of social order.⁶ Some of the most important arguments in favour of this proposal follow.

⁶ This proposal is defended in Williamson 2014.

- Since every adult would receive a significant second income from dividends in addition to any wage or salary he or she might obtain from paid employment, the substantive ability to make life choices free of the economic constraints so widely imposed today would be significantly increased.
- While generous welfare-state policies can also further the substantive ability to implement our life plans, they put citizens in the role of passive recipients of government largess. POD_1 , in contrast, is based on the principle that all members of society have a rightful entitlement to social wealth, derived from the fact that wealth is a collective social creation.⁷ Treating wealth as a social product generating a social dividend to which everyone has a legitimate claim is an appropriate way to acknowledge this state of affairs.
- A wider dispersion of ownership of units of production and distribution would counteract the disproportionate political power concentrated ownership grants its holders today.⁸ Welfare-state policies leave that concentrated ownership in place. And so, Rawls concluded at the end of his life, no capitalist welfare state can guarantee the fair value of political liberties justice demands, no matter how generous it might be.⁹ POD_1 can, or so its defenders assert.

POD_1 may include measures allowing greater choice between working in traditional enterprises (where managers are selected by Boards of Directors representing the interests of investors) and self-managed enterprises (with managers elected by the workforce). These measures may even include special inducements (tax breaks and subsidies) to encourage the latter. Advocates of this first variant of property-owning democracy, however, regard worker self-management as an option, and not a constitutive feature of a just society.

The first question to ask regarding POD_1 is how much private property ownership of units of production and distribution is to be diffused. ‘Far more than is the case today; enough to make a qualitative difference’ is the answer. There are reasons to consider this response as inadequate and not merely indeterminate.

7 This point is compellingly defended in Alperovitz and Daly 2008.

8 If the funds for this dispersion of ownership of productive resources come from a wealth tax, this effect would be reinforced.

9 Rawls 2001, p. 138. Welfare-state measures, of course, may still be required for a normatively acceptable version of POD_1 . The argument is that they are not sufficient in themselves. See O’Neill 2014.

The shortcomings of POD_1 are rooted in the fact that the proposal that all individuals enjoy a significant income from dividends is similar in essential respects to the basic income proposal and one time lump sum allocation of wealth proposal considered in Chapter 8. They too aim to provide adults with a second source of income, supplementing what is received from wage labour. I argued that basic income guarantees and one time lump sum wealth allocations would not be sufficient to make the decision to engage in wage labour a truly free decision, free from the structural coercion that advocates of such measures agree have beset the capital/wage labour relation thus far. The same conclusion holds for the diffusion of equity proposal defining POD_1 , and for the same reasons.

In POD_1 the goods and services required by working men and women – required for mere existence, required for a decent life in the given socio-historical circumstances, required to have a fair chance of living the sorts of lives they have most reason to choose – would still predominately take the commodity form. Suppose their income increases due to all adults being provided with dividends from equity holdings. Positive effects from a normative point of view would immediately follow. More people would have access to commodities enabling a minimally acceptable life; more would enjoy a measure of economic security. These results would be both good in themselves and good because of the new options for fulfilling lives they would open up. But as far as purchasing power goes, there is no difference in principle between income gains to non-elite households coming from a stream of dividends being added to wages and the same income gains from increases in wages. Past precedence suggests that such gains are not sufficient to count as a break from capitalist production and property relations.

There was a period of significant gains in real wages in many regions of the global economy in the 1960s and early 1970s. Since POD_1 calls in effect for something similar in relevant respects, it is worth recalling capital's response to those gains. The prices of commodities making up the wage basket increased more or less in direct proportion to the extra income received by working households, leaving them more or less in the same situation as before. Successful struggles to increase real wages in light of those price increases were met with further price increases. While this dynamic by no means provides a complete explanation of the stagflation that brought the so-called post-WWII 'golden age' to an end, it is surely one major component of an adequate account. We also know how the period of stagflation ended: technological change, corporate restructuring, and the increased reality (and constant threat) of capital flight combined to create tremendous deflationary pressures on real wages, restricting future gains.

In POD_1 ownership of productive assets would not be as concentrated as it was in the 1970s.¹⁰ But there would still be a capitalist class, even if wealth was more dispersed, and the capital/labour relation would still be a dominant social form. If shares are widely dispersed, it may be possible to claim effective control of an enterprise with relatively little ownership. We also know that as shares are more widely dispersed, in many cases it becomes easier for managerial power to be exercised.¹¹ Both wealthy investors with controlling shares and the managerial stratum would share an interest in raising the prices of wage goods to absorb most if not all of the income gains from new dividend streams in POD_1 , dividing up the revenue gains to enterprises between themselves. If the dividend streams somehow increased to neutralise the price rise, another price rise would follow. If the dividend streams somehow kept increasing, technological change, corporate restructuring, and the increased reality (and constant threat) of capital flight would likely once again be combined to create tremendous deflationary pressures on real wages, lowering the total sum of dividends and wages.

At the very least it is reasonable to conclude that any positive results from POD_1 would not be sufficient to reverse the normative problems in market societies today that advocates of POD_1 themselves invoke in its defence. This first variant of property-owning democracy does not in fact offer an adequate alternative to a politically regulated form of capitalist market society. It provides instead a (utopian) model of a capitalist market society with an indeterminately greater diffusion of equity.

I have just outlined what I take to be the proper historical materialist response to the POD_1 proposal. A quite different criticism can be made if for the sake of the argument we accept as our starting point something I consider pure fantasy. Suppose we imagine that the dispersion of private property ownership in means of production would somehow make decisions to engage in wage labour truly free decisions. In POD_1 this dispersion still leaves concentrated ownership of means of production in place, even if somewhat lessened. Alongside the second income stream workers receive from dividends, an even greater income stream would continue to go to those who own concentrated amounts of capital. In other words, a very significant share of the social surplus would continue to be appropriated by a relatively small percentage

10 Income gains from equity ownership would provide workers with more exit options than they had in the earlier period, and the support for worker-run firms would also make some difference.

11 The classic study remains Berle and Means 1991.

of the population, thanks to their private ownership of units of production and distribution.

If the choice to engage in wage labour were a truly free choice, why would workers accede to this arrangement? Defenders of POD_1 might regard the answer as obvious: because they too receive a dividend stream from ownership of equity. But wouldn't they then be in a position to notice and react to the difference between 1) workers across the economy collectively sharing in the social wealth that is a collective creation of social labour, and 2) non-workers appropriating a considerable proportion of that social wealth, due solely to the private property rights to corporate equity? If POD_1 somehow actually did eliminate structural coercion in labour markets, wouldn't the balance of social power shift fundamentally in favour of labour, so that it would be reasonable to expect (in the medium- to long-term, at least) that this residue of capitalism would be rejected?

Perhaps an analogy will help here. For centuries the nobility claimed a privileged right to determine the direction of political life. This was challenged by the call to disperse political power. Demands were made, for example, that parliaments no longer only be places for lords to petition the monarch and approve legislation, but places where ordinary people's interests were effectively represented. At first attempts were made to restrict suffrage rights to maintain the privileged position of traditional elites and servants of the crown.¹² But over time suffrage was extended until the principle of universal suffrage was theoretically unchallenged. There is no logical necessity that universal suffrage is ever instituted, no grand historical teleology making it inevitable. Nonetheless, once the principle had been introduced that the right to elect members to the legislature should be widely diffused, any limitation of adult suffrage must appear arbitrary, sooner or later. Similarly, once the egalitarian case for the diffusion of ownership of units of production and distribution has been accepted, are there any non-arbitrary grounds for accepting anything less than a fully egalitarian diffusion? It would seem not. Any defender of property-owning democracy who accepts this analogy should conclude that a full break from welfare-state capitalism requires more than POD_1 .

Left liberals who advocate the first variant of property-owning democracy call for a dispersal of influence over this dimension of social life by dispersing the ownership of units of production and distribution. But either the property rights to means of production allocated to ordinary citizens will be too limited to justify a normative affirmation of the order as a whole from the liberal

¹² Hegel's *Philosophy of Right* included one such scheme.

egalitarian standpoint (the proper conclusion from a historical materialist standpoint), or they will somehow be sufficiently strong to prove incompatible with allowing concentrated owners of equity to continue to hold a privileged right to influence the production, appropriation, and allocation of surplus wealth.¹³ The project should not merely be to weaken the ability of owners of concentrated private property in units of production and distribution to appropriate a major share of the surplus created by collective social labour. It should be to eliminate that power completely.

Property-Owning Democracy (2)

POD₁ attempts to reduce the power of the capitalist class to the point where talk of a capitalist market society is inappropriate. A second version of property-owning democracy (POD₂) abandons this project as quixotic and unequivocally affirms a strictly egalitarian dispersion of ownership of units of production and distribution. In POD₂ the wealth and power of the capitalist class is not simply to be kept within narrow bounds. It is to be eliminated entirely, parallel to the way the political power of traditional aristocracies has been eliminated in contemporary representative governments. Only then, its supporters would say, would managers not be beholden to a small group with a fundamental interest in raising prices to absorb any income gains workers might enjoy, or in neutralising those gains through the effects of technological change, workplace reorganisation, or capital flight.

Imagine a social order where upon reaching maturity every citizen receives an equal share of coupons that can only be used to purchase equity shares in enterprises.¹⁴ Shares cannot be bought and sold for ordinary money, but coupons – money-like things – can be used to exchange ownership claims. The distribution of coupons at any point in time represents an aggregate judgement of the future prospects of enterprises, providing enterprise with signals encouraging them to expand, contract, or go out of business. Investing coupons in a particular enterprise entitles holders to a stream of dividends

13 The case against POD₁ is far stronger than this; most of the criticisms to be raised against other forms of property-owning democracy below apply to it as well.

14 Readers will recognise John Roemer's model of 'coupon socialism' here (Roemer 1994, 1996). Up to a point, of course, one is free to use terms as one wishes. But others are no less free to recommend against a particular usage. It is very clear that Roemer's proposal counts as a form of property-owning democracy. For reasons to be considered below I consider it preferable to reserve the term 'socialism' for a different approach.

from that enterprise. Since more profitable firms will generally provide higher dividends than others, the flow of income going to individuals over the course of their lifetimes from their ownership of units of production and distribution will not be equal. But as long as estate laws prevent a concentration of coupon ownership over generations, property ownership of productive assets would be analogous to universal suffrage: everyone would in a sense have a 'vote', and all 'votes' would be counted equally. Far more than a metaphor is at stake here. The elimination of money-driven equity markets would eliminate (and not merely attenuate, as in POD_1) the disproportionate political influence and influence over the lives of others that concentrations of ownership of units of production and distribution invariably generate.

The task of selecting firms to invest in from the great number of possibilities would go beyond the expertise and time constraints of most people. We may assume a number of firms would arise that would recommend portfolios to their clients and invest their coupons for them. Over time, the firms that were most successful would aggregate the most coupons in their investments. Managers would continue to be categorised officially as agents of all those investing in their companies, with their performance overseen by the firms that invested their client's coupons in them. In some cases, however, managers would also be agents of a workforce that elected them. As in POD_1 , measures supporting worker self-management (the latter arrangement) would be compatible with, but not constitutive of, POD_2 . The main difference from POD_1 , once again, would be that the set of those holding private property rights in the society's means of production would no longer include a subset of wealthy holders of capital assets.

By definition, of course, if POD_2 eliminates the capitalist class, defined as the holders of concentrated wealth in the form of private ownership of units of production and distribution, then it eliminates the fundamental antagonism between the members of that class and the workforce. The question arises, however, whether the general social antagonisms of capitalist market societies would thereby be eliminated. There are reasons to suspect that this would not be the case, and that instead one particular form of those antagonisms would be replaced by another.

We can begin by considering a fairly banal feature of human life: trade-offs must be made. Not all important variables can be maximised simultaneously; oftentimes an acceptable balance is the best we can hope for. In the present context the relevant variables can be divided into two broad categories. On the one hand, each individual agent in POD_2 has an interest in increasing his or her income. POD_2 , after all, remains a market society and money remains the universal equivalent. On the other hand, each individual

also has a fundamental interest in avoiding structural coercion in the labour market, domination and exploitation in the labour process, overaccumulation and environmental crises, and arbitrary restrictions on the flow of information goods that could be produced and distributed at close to zero marginal cost.¹⁵ Trade-offs must be made, since there will be many (most?) cases where the more one of these objectives is furthered, the more the other is threatened. Can we discern any pattern in how these trade-offs would tend to be made in POD_2 ?

Recall that the vast number of small-scale equity holdings in POD_2 would be invested on a society-wide scale through the intermediation of financial firms aggregating the widely dispersed coupons.¹⁶ Each financial firm would be rewarded for investing in enterprises that effectively appropriated surplus value produced by their workforces. Managers who were not primarily concerned with extracting surplus value would either be replaced or see their firms suffer outflows of investment funds (coupons). Agents in financial firms and the managers of workplaces would both face an impersonal system of rewards and penalties necessarily tending to lead them to act in a manner that would reproduce a social order with capital accumulation as the dominant end holding on the level of society as a whole. Workers would be in the complex position of hoping the managers of *other* workplaces succeed in this goal, while hoping that their own managers failed whenever the drive to produce and appropriate surplus value conflicts with their own fundamental interests in autonomy and well-being in the workplace and beyond. Whatever their contradictory hopes, the valorisation imperative would be imposed on individual workers as an alien power through the mediation of managers subject to the oversight of the financial sphere. Everyone will be in the complex position of hoping various forms of crisis and artificial scarcity can be avoided. But the logic of the situation excludes that being a primary consideration in investment decisions.

15 This list is intended to be representative rather than comprehensive.

16 Rawls's concept of property-owning democracy can be traced directly back to James Meade, an economist who advised the Liberal Party in England in the 1960s. O'Neill writes: 'What Meade has in mind ... with regard to "suitable investment trusts" includes "financial intermediaries in which small savings can be pooled for investment in high-earning risk-bearing securities" thereby bringing the benefits of investment in financial instruments to all members of society' (O'Neill 2014, p. 95, note 12; the internal quote is from Meade 1964, p. 59). The structural power granted to these financial intermediaries is more worrying than either Meade or Rawls noted. This concern was raised in Malleson 2014.

Insofar as the interests of financial firms and managers, on the one hand, are in tension with those of the members of a particular workforce, on the other, the former would have a clear advantage in structural power. While *ownership* of units of production and distribution would be equitably dispersed, *control* over these resources is concentrated in the financial sector and managerial stratum, granting them structural advantages over working men and women. The supposed principal/agent relationship between the dispersed aggregate of individual owners of units of production and distribution, on the one hand, and financial intermediaries and managers, on the other, is inverted.

Despite striking differences from any form of property-owning democracy, recent developments in neoliberalism provide a clue to what would tend to result from the concentration in control over the production, appropriation, and allocation of the social surplus by the financial sector and the managers they appoint in POD_2 . A not insignificant dispersion of private property in financial assets occurred in the later part of the twentieth century due to the spread of pension plans. These plans resulted from a compromise between corporations (who saw pension plans as an alternative to wage increases) and workers hoping to avoid economic insecurity in old age. On the macro level, however, the most important consequence was a long wave of capital asset inflation that left financial firms with greater control over the 'commanding heights' of the economy.¹⁷ In the neoliberal period this power was used to renounce the class compromise, reward corporations that undertook a war on labour, and punish with disinvestment those firms that were not ruthless enough in that war. POD_2 , of course, would be quite different from neoliberalism in that the coupon system would in effect be a financial system where pension plans were the only source of funds, and not merely one strand. This difference, however, would not change what financial capital essentially is, or how it necessarily tends to operate, any more than the rise of pension funds did. And it would not take the 'commanding heights' of the economy away from the financial sector.

One of the most important characteristics of the neoliberal variant of capitalism is that the dispersion of capital ownership in contemporary capitalism through pension plans, limited as it has been, has enabled the financial sector and its allies in the managerial caste to redistribute an increasing share of surplus value from owners and investors to themselves in the disguised form of

17 Toporowski 2000.

salaries, bonuses, and perks (expense accounts, and so on).¹⁸ While the concentrated economic power in POD_2 would be different from that in today's status quo in important respects, it would be sufficiently analogous in the respects relevant here to anticipate that that these groups would also be able to appropriate a normatively unacceptable amount of surplus value in a disguised form in POD_2 .

In POD_1 a somewhat smaller and somewhat less wealthy capitalist class continues to exist after a diffusion of property rights to units of production and distribution (supposedly) great enough to consider this form of property-owning democracy a post-capitalist society. POD_2 is based on the thesis that transcending the normative shortcomings of capitalism requires a major further step: the outright elimination of the capitalist class and construction of a social order where everyone is in effect a capitalist. But this too would be inadequate from the standpoint of the normative concerns broadly shared by both liberal egalitarians and Marxists. The key point is simply that even without *capitalists* (at least as traditionally understood), *capital* would continue to reign. The trade-offs that would invariably need to be made would necessarily tend to be made in a manner biased in favour of the ends of capital, to the systematic neglect of essential human ends.¹⁹

Another critical point can be raised against both POD_1 and POD_2 . In both POD_1 and POD_2 there would be a variety of different sorts of firms; large, small, and everything in-between, some governed by worker self-management and some not. Both of these forms of property-owning democracy would be compatible with social policies providing worker-run enterprises with support. But both would fall far short of an adequate institutionalisation of the principle that authority relationships in the workplace are inherently political relation-

18 Duménil and Lévy 2011.

19 Rawls's discussion of property-owning democracy in *A Theory of Justice: A Restatement* is extremely brief and extremely vague. In my view, it is most naturally read as an endorsement of POD_1 , but he may have had POD_2 or some close relative of it in mind. In Smith 2005 I did not appreciate fully Rawls's rejection of the capitalist welfare state in his later writings. Whatever his intentions might have been, however, on my reading the property-owning democracy he advocates is essentially a politically regulated form of capitalist market society. (This conclusion is accepted by Malleson as well: '[E]ven though Rawls calls POD an "alternative to capitalism," it is, I think, most accurate to see it as in fact a particularly egalitarian form of capitalism, since it maintains the core components of capitalist economy: Private ownership of the bulk of the means of production, hierarchical control over production, finance and investment, and the market as the primary allocative mechanism (for goods, labor, and investment)' (Malleson 2014, p. 247, note 18). As such the critical assessment of his position provided in Smith 2005 largely holds).

ships. Advocates of property-owing democracy who recognise this must accept a different institutional framework from those considered in this chapter thus far. Unimaginatively enough, I shall refer to it as POD_3 .

Property-Owning Democracy (3)

Imagine how a left liberal would react to the idea that having a variety of forms of city government, some with democratic accountability to citizens and some without, is acceptable as long as people are free to move from one city to another as they wish. No left liberal would find that state of affairs acceptable. And it would remain unacceptable even if subsidies were provided to encourage the formation of democratic city governments. Yet liberal egalitarians who endorse POD_1 or POD_2 are endorsing an institutional framework analogous in relevant respects.

This consideration provides a first argument for a version of property-owing democracy incorporating worker self-management as a general social form, and not merely as a possible option. POD_3 is based on the idea that the workplace is a crucial site of political life, and so egalitarian private property in units of production and distribution must involve more than just widely dispersed (or even thoroughly egalitarian) ownership of equity. Places of work in some important sense *belong* to the members of the workplace analogous to the way cities belong to citizens. Reprising a phrase used earlier in this work, some defenders of property-owing democracy fully acknowledge the need to overcome the 'bifurcation of the political' that characterises POD_1 and POD_2 as well as capitalist market societies.

A second argument for POD_3 appeals to another core liberal egalitarian concern. Democratic values are not likely to permeate the culture as a whole if persons do not engage in democratic processes in everyday life. The effective adoption of civic republican values on the level of society as a whole requires support on the micro level of everyday experience.²⁰ Given that most of us still spend most of our adult waking lives in workplaces, if democratic mechanisms are not put in place there the long-term prospects for democratic cultural values in the society as a whole are bleak.

A third consideration in favour of worker self-management refers to an essential liberal egalitarian normative commitment as well. Rawls includes

20 As Thomas argues, the values of civic republicanism are fully compatible with those of liberal egalitarianism (Thomas 2014).

access to the social bases of self-respect on his list of primarily social goods. Other prominent left liberal social theorists grant self-respect comparable importance. Given the immense contribution that participating as an equal in the political community of the workplace would make to an individual's self-respect, an argument for POD_3 based upon fostering self-esteem follows directly.²¹

In principle, a property-owning democracy with worker self-management could give members of the workforce collective ownership of their enterprise. But that might mean that the economic prospects of workers in a particular enterprise would be tied almost completely to the fate of their company. Given the contingencies of market societies (and POD_3 remains a market society), it does not seem advisable for workers to put all their eggs in one basket, so to speak. We may initially suppose, then, that this third form of worker self-management is combined with a dispersal of equity ownership along the lines of POD_2 , enabling the benefits and the risks of economic life to be more widely shared. This, however, would raise its own difficulties.

First of all, as in POD_1 and POD_2 there would continue to be a financial sector. And it would continue to occupy the 'commanding heights' of the economy as the representative of capital in general. As a result the underlying antagonisms in POD_1 and POD_2 (and capitalist market societies) would simply mutate into a different form. The inherent antagonism in POD_2 between an alliance of investment firms and managers, on the one hand, and dispersed members of the workforce in their dual roles of investors and workers, on the other, would tend to break down. The managerial stratum would tend to shift from a *de facto* alliance with the financial sector to an institutionalised alliance with its own workforces. Squeezed between pressure from those allocating investment funds, on the one hand, and their own workforce, on the other, the ability members of the managerial stratum would possess in POD_2 to appropriate surplus value (albeit in the disguised form of salary, benefit and perks) would likely dissipate considerably. But this implies that the dominant tendency in POD_3 would be for those operating in the financial sector to appropriate a greater amount of surplus value (again in a disguised form, incapable of appearing as what it essentially is), appropriating the share that the managerial stratum can no longer claim due to its accountability to the workforce. A property-owning democracy with this feature would fail to be normatively acceptable from the standpoint of its own liberal egalitarian adherents.

21 Hsieh 2014.

What if POD_3 did not include equity markets, and therefore had no place for financial firms as intermediaries? A strong case can be made that this is demanded by the fundamental principle underlying POD_3 : workplaces are essentially a sort of political community. As such they are not the sort of entities that can appropriately be privately owned. Arguments in defence of private property rights in objects used for individual consumption are completely irrelevant here. To think otherwise is to commit the same category mistake that was made when political offices were seen as private property that could be bought and sold or given away.²² From the standpoint of POD_3 the same general point is applicable to private ownership of the units of production and distribution of society: the issue is not concentrated versus dispersed ownership, but the proper scope of what money cannot (should not) buy.

As noted above, forms of worker self-management involving direct worker ownership of their enterprises raise the problem of life chances being too closely tied to the fate of particular firms. There are other potential difficulties as well. If their entire future were at stake, the members of a particular workforce would be wary of undertaking expensive and high-risk long-term investments. There would also be a tendency to reproduce a form of false consciousness pervading contemporary capitalism. The members of particular enterprises that made successful investments would tend to give themselves excessive credit for their role in the inherently social process of wealth creation. As we see today, if that sort of particularistic perspective becomes too prevalent, the commitment to maintaining the general social preconditions of wealth creation can be eroded over time, along with the fairness of wealth distribution.²³ These difficulties, however, would not be fatal. Defenders of the third variant of property-owning democracy could respond that government programmes providing guaranteed pensions would remove much of the risk of tying workers' fates to their particular firms. And tax policies that transparently transferred a significant percentage of firms' returns on investments to support public spending on education, training, infrastructure, public research labs, and so on, could make the social dimension of wealth creation clear while ensuring that its beneficiaries helped reproduce this dimension over time. The real problem lies elsewhere. The version of POD_3 that grants private ownership

22 Proposals that would have dispersed private ownership of political offices more broadly throughout the population, or even equally throughout the population, would have been instantly dismissed by anyone accepting liberal egalitarian principles, even if they would have generated better results than treating political offices as the private property of monarchs, to be sold to whatever wealthy bidder was willing to pay the most for them.

23 Alperovitz and Daly 2008; Mazzucato 2013.

of enterprises to their workforces would not adequately escape the pernicious tendencies found in other forms of market society.

As argued above, in POD_1 and POD_2 the financial sector would have the power to allocate (money or coupon) capital to some enterprises rather than others. In general, investments will be made in firms and sectors that promise the greatest return. Under such circumstances the valorisation imperative would continue to hold. *Capital* would continue to reign, even if the *capitalist class* (understood as an extremely small proportion of the population owning an extremely large proportion of capital assets) would have been reduced or even abolished. How would things stand if capital markets for private ownership of units of production and distribution were lacking, and worker-managed workplaces were privately owned by the workforce? On this crucial point, matters would be essentially the same.

Worker-owned-and-run enterprises would need to make investments. In many cases retained earnings could provide the necessary funds. But there will be a significant number of cases where retained earnings do not suffice. If there were no capital markets to raise funds by issuing new equity, in a private property system the alternative would generally have to be debt instruments of some sort or other. The use of debt instruments means that a range of different concerns that could – should – be taken into account in firm-level decision will tend to become subordinate to a single consideration: the rate of return to the enterprise must exceed the rate of interest charged on the debt, since if the rate of return is not sufficiently high, sooner or later the debt will become unsustainable. In other words, M must become M' ; *the valorisation imperative continues to hold*, distorting the trade-offs that must be made. Capital continues to reign.

Debt would not be the only factor maintaining capital's reign. While POD_3 and the other variants of property-owning democracy would be different from capitalism today in some respects, they too would be societies of generalised commodity production and exchange. Units of production would need to validate the social necessity of their privately undertaken production through the sale of their output. And so it would continue to be the case that 'value' remained a defining social form, and that money remained a universal equivalent as the form in which value appears. If worker-run and owned enterprises did not make M' , a monetary quantity exceeding initial investment, the intrinsic end of their activities in a given circuit of production and exchange they would risk not having sufficient monetary resources to ensure that their privately undertaken production had a good chance of being socially validated in the next circuit. If they do not obtain an adequate M' in the given period they would risk not being able to fund the in-house R&D required to remain compet-

itive, or to fund a transition to new product or process innovations that should be made, or to meet any price hikes of necessary inputs they might face, or to cover increased expenses of any other sort (marketing, retaining/replacing managers, etc.).

In forms of property-owning democracy that include a financial sector, enterprises that failed to attain m' would be punished by that sector. Financial intermediaries would even anticipate such failure and punish enterprises before it occurred. This dynamic would force managers and workers of enterprises to internalise the valorisation imperative in their decision making so that they would further the ends of capital in general 'naturally'. The above considerations show that they would be forced to internalise capital's ends even in the absence of external oversight by financial firms.

This line of thought suggests another point of continuity to expect between property-owning democracy and neoliberalism. One important trend in neoliberalism has been a downsizing of the permanent workforce, quickly followed by contracting out to self-employed freelancers tasks that would previously have been done in-house. Often enough these contract workers have been victims of downsizing, doing the same sort of work they had recently performed as wage labourers. From a formal-legal standpoint a major change has occurred. Living labour is now 'outside' the hierarchical organisation, and the labour process is no longer subject to the immediate control of managers accountable to outside investors. But from a substantive standpoint, little has changed. Contracts are made with 'independent' contractors if and only if the firms offering them foresee it is profitable to do so, that is, that the labour of those being offered the contracts will allow surplus value to be appropriated. The transition to 'precarious' forms of labour has in fact been made precisely because capitalist firms anticipated they would enable even greater appropriation of surplus value than more familiar forms of the capital/wage labour relationship. If surplus value is a relevant category here, then 'exploitation' must be one too, even if it does not occur within a formal subsumption of living labour in a capitalist workplace. Forced to compete against each other for contracts with insane deadlines, forced to meet those deadlines however insane they might be if they ever hope to get contracts in the future, forced to accept forms of work that do not promise even minimal economic security, we can speak of 'real subsumption' without 'formal subsumption'.²⁴ The result of this real subsumption is that these 'independent' workers are forced to internalise capital's interests, forced

24 The crucial terms 'real subsumption' and 'formal subsumption' are discussed by Marx in 1976b.

to subordinate their own ends under the end of valorisation, forced to engage in a self-disciplining that mirrors disciplining in the hierarchical workplace. The complex category for this complex state of affairs is *capitalist exploitation through self-exploitation*.²⁵

In POD_3 capital markets would be absent, and those exercising authority in the workplace would be accountable to those over whom their authority was exercised. There would therefore be no formal subsumption of wage labour under capital, and there could be no exploitation of labour by capitalists and their agents. But the need to meet debt obligations (taken on to cover the costs of investments exceeding what can be covered by the retained earnings of an enterprise) would result in the retention of capital as a regulating principle of the social world. And the ceaseless competitive pressure to socially validated privately undertaken production, imposed by the competition of other worker-run enterprises, would ensure the retention of capital as a higher-order 'thing' with 'its' own ends. The proper categories for comprehending POD_3 therefore include the real subsumption of living labour under capital without formal subsumption, and exploitation by capital through self-exploitation.

We can return once again to the issue of how important trade-offs tend to be made in a given institutional framework. The main issue can be framed in terms of Marx's distinction between the realm of necessity and the realm of freedom.²⁶ The realm of necessity is defined in terms of the time spent working to meet the reproduction needs of workers and their dependents along with general social needs, such as the time devoted to replacing and expanding means of production, building necessary infrastructure, providing needed reserves for social insurance, and so on. We should also include in the realm of necessity all the time necessary to prepare for and recover from activities in that realm. The time spent without access to the material preconditions for a decent life in the given historical context should also be counted as time within

25 See Crary 2014. The category of self-exploitation has been applicable throughout the history of capitalism. The so-called 'putting out' system – where materials are brought to workers' homes, and they are then paid per unit of output – was never completely eliminated by the formal subsumption of living labour in factories and offices. The (formally) independent agricultural producer has never been completely replaced by corporate farms with their real subsumption of waged farm workers. Contemporary information technologies have made the real subsumption of living labour under capital without formal subsumption profitable for an increasing range of occupations. Part of the neo-liberal project is to take full advantage of these possibilities.

26 Marx 1981, pp. 958–9.

the realm of necessity. The realm of freedom, in contrast, refers to waking time spent outside the realm of necessity, including especially time spent by those with guaranteed access to the material preconditions for a decent life in social relations with family and friends, in participating in community life, and in projects of their own choosing.²⁷

This distinction is profoundly historical. The increasing development of the *general intellect*, that is, the collective intelligence and creativity mobilised in the community, potentially transforms both realms over time.²⁸ As scientific-technological knowledge in the broadest sense advances, the ability to embody collective social intelligence in systems of machinery increases. As a result, it becomes possible to produce increasing social wealth while simultaneously decreasing the aggregate number of hours that must be devoted to necessary labour. This, however, is no more than a mere possibility; no advance in the general intellect in itself determines what proportion of human life will be spent in the realm of necessity, and what proportion will be lived in the realm of freedom. A trade-off must be made. How to make the trade-off is an essentially political matter, involving the good of a community and its members. (There is a sense in which all political questions ultimately concern the politics of time). In certain circumstances there may be good reasons to use an advance in the general intellect to expand the realm of necessity. In others there may be reasons to expand the realm of freedom.

In market societies this profound political matter is profoundly depoliticised. Market societies are governed by the valorisation imperative of capital. As a result the dominant tendency will be to use the achievements of the general intellect to increase the time spent in the production of surplus

27 There will obviously be many cases where it would be difficult to say whether a particular activity should be categorised one way rather than another. Often both will be applicable in certain respects. An especially interesting and important case is the freely undertaken labour that results in knowledge that can be mobilised in the realm of necessity. (Benkler's analysis of commons-based peer production is relevant here; see Chapter 9 above). Here as elsewhere the cogency and importance of a general distinction are not necessarily undermined by ambiguity in particular cases.

28 Marx 1987a, p. 92. While the term 'general intellect' is not used in *Capital*, the underlying concept certainly is. When Marx calls for a realm of necessity in which 'socialized man, the associated producers, govern the human metabolism with nature in a rational way, bringing it under their collective control instead of being dominated by it as a blind power; accomplishing it with the least expenditure of energy and in conditions most worthy and appropriate for human nature', he is referring to a development of what he had previously termed the general intellect; so too when he speaks of the 'true realm of freedom' as the 'the development of human powers as an end in itself' (Marx 1981, p. 959).

value. This systematically limits the expansion of basic needs that do not fit the commodity form, as well as the extent each individual can be provided with access to the material preconditions for meeting expanded needs. It also systematically limits the extent advances in the general intellect can be used to expand the realm of freedom. Most importantly of all, perhaps, it systematically limits the extent this particular way of making the trade-offs is subject to democratic discussion and decision making by those most affected by it.²⁹

The general intellect would surely continue developing in POD_3 and other forms of property-owning democracies. Property-owning democracies would also surely transform the realm of necessity in positive ways. What counted as 'basic' needs would undoubtedly expand, as would efforts to universalise access to the material preconditions for meeting those expanded needs. But POD_3 would remain a market society, subject to the valorisation imperative. This would significantly depoliticise the politics of time. And it would systematically limit an expansion of the realm of freedom in sync with the general intellect's development. The structural power of the financial sector would prevent that from happening in the forms of property-owning democracy where it was present. But that expansion would be restricted even in a property-owning democracy that abolished equity markets. The worker-run and worker-owned enterprises in POD_3 , systematically subject to a fear of being unable to meet debt repayments and becoming uncompetitive, would necessarily tend to the same result. Forced to make monetary accumulation the de facto end of economic life, worker-run and worker-owned enterprises would be forced to use productivity advances to increase output in the hope of increasing market share, rather than reduce working time. (Whether this is done out of aggression or as a defensive measure is fairly irrelevant).³⁰ In POD_3 too the question of what trade-off might

29 This does not mean that no reductions in working time are possible. They have taken place in market societies when sufficient political pressure has been mobilised. Usually, however, they have been accompanied by increasing intensification of labour, increasing the time spent in recovery from wage labour – which remains in the realm of necessity. And they have been precarious achievements, threatened with reversal in periods of overaccumulation and financial crises, or when it is possible to shift to forms of precarious labour not covered by legal restrictions on the length of workdays. For the most part labour set free by the advance of the general intellect in market societies has not escaped the realm of necessity. It has remained trapped in that realm as part of the surplus population not needed by capital.

30 David Schweickart rightly points out that if returns minus costs and investments are distributed among workers, they will not gain if a doubling of output requires a doubling

best further human ends in the given context is taken off the table in the sense that there is a structural bias against taking full advantage of the advance of the general intellect to expand the realm of freedom, even when it is reasonable to think that such an expansion might best further workers' well-being. The ends of capital, in brief, would necessarily tend to trump human ends.

In property-owning democracies, the state could impose a reduction of work time externally, as it can today. Given the relentless pressure to meet debt repayments and maintain competitive advantages, however, the response to any state-imposed reduction of working hours would tend to be comparable to the familiar capitalist response: an intensification of the labour process. Intensified self-exploitation would better the odds of meeting debt repayments. It would enable more productive enterprises to take market share from others, were they so inclined. If they were not so inclined, they would still be prepared to do it anyway as a pre-emptive defensive move against the possibility (likelihood) that others would attempt to take market share away from them. The fact that the need to take this path would be internalised within worker-run and worker-owned enterprises does not imply that the alien power of the law of value would be put out of play. It simply means that in the circumstances the law of value would be manifested through self-exploitation within worker-managed firms.

As I have stressed throughout this work, the reign of capital is accompanied by other features that are problematic from a normative point of view besides those directly concerning living labour. POD_3 would be accompanied by them as well, since they stem from the generalised commodity production and exchange that remain defining features of POD_3 . They include:

- A tendency to overaccumulation crises. The reasons underlying overaccumulation difficulties in contemporary capitalism – the desire to enjoy a return on circulating capital given that fixed capital is already in place; the sector-specific skills of the workforce and management, the hope of eventually leap-frogging over more efficient competitors, the desire of owners and lenders to not destroy their balance sheets by writing off assets, and so on – would continue to hold in POD_3 . In fact, the desire to remain operating might even be stronger in POD_3 than it is today, when investors and managers are much less likely to take into account workers' desires to retain employment

of the workforce. This is not the full story, however. In the absence of public control of investment levels there would still be a drive to expand, stemming from the need to capture market share from others or risk one's own share being captured by those others (Schweickart 2008).

in their communities. Also, without a market in financial assets, the possibility of engineering bouts of financial speculation to defer the destruction and devaluation of excess productive capacity would not be available. This would make disruptions from overaccumulation a more regular occurrence than it has been in the most privileged regions of the global economy during the neoliberal era.

- The systematic tendency to uneven development would also remain in place. As in contemporary capitalism, there would be no guarantee that successful firms continue to enjoy success over time. But – as in contemporary capitalism – they would have an advantage in POD_3 , having greater monetary resources to devote to the R&D that leads to successful product and process innovations. Regions with a number of successful innovations undertaking complementary R&D and sharing results within formal and informal networks would tend to become privileged in the world market. Nothing in POD_3 (or any other variant of property-owning democracy for that matter) would tend to reverse the tendency for regions with ‘innovation clusters’ to enjoy significant and persisting advantages over other regions.
- Concentrated private ownership of units of production and distribution creates a class that will 1) rationally calculate that the (immediate) harms it would suffer from effective regulation outweigh any (discounted) benefits it might receive, and 2) tend to have sufficient political influence to effect state policy.³¹ If concentrated ownership were replaced with a property-owning democracy like POD_3 , those considerations would no longer be relevant, making it likely that political regulation could lower the amount of pollution per unit more effectively than political regulation in contemporary capitalism has been able to do. But the amount of pollution per product is not the only thing that matters.³² The number of products matters as well, and the alien imposition of the valorisation imperative on enterprises would tend to keep that number high, whether managers are appointed by investors or elected they by the workforce. The need to ‘grow or die’ remains in either case; there is no upper limit to the benefits of monetary returns in market competition, and monetary returns increase from the sale of additional units at any given price. Nothing in POD_3 (or any other form of property-owning democracy) prevents the growth of output from swamping any given reduction in pollution per unit of output. Property-owning democracies leave market competition as the regulatory principle of society. The pressure

³¹ Roemer 1994.

³² See the discussion of the ‘Jevons Paradox’ in Chapter 8.

- on worker-managed firms to use productivity advances to increase output rather than reduce working time has more effects than just those on the well-being of the present generation of workers. It also restricts attempts to address the environmental threats to the well-being of the human species.
- In market societies public goods that directly provide necessary background conditions for the operation of markets – the physical security of market agents, the rule of law establishing property rights and rights of contract, and so on – are granted priority. Other public goods are granted a secondary status as a matter of principle. All forms of property-owning democracy place private goods produced and exchanged in proprietary markets at the heart of social life. As a result they too would tend to grant priority to public goods providing necessary background conditions for the operation of market system. They too would treat other sorts of public goods as secondary matters – even when they would significantly further human flourishing and agency.

It is now time to conclude this discussion of property-owning democracy. I have argued that while the various variants of POD abolish *capitalists* to some degree or other, none abolish *capital*. And capital is the root of serious difficulties from a normative point of view that must be addressed in the coming period of world history. The main reasons advocates of property-owning democracy fail to recognise this is their lack of an adequate concept of capital. It follows that we must go beyond even the most progressive forms of liberal egalitarianism.

Beyond Liberal Egalitarianism

The Argument Thus Far

The first chapter of this work surveyed the dimensions of social life that matter most according to the most prominent proponents of liberal egalitarianism: human flourishing, autonomous agency, access to the resources required for the development of the essential capabilities that underlie agency and well-being, the actual development of those capabilities, and the shared ‘space of reasons’ within which alternative actions, policies, practices, institutions and goals can be compared and evaluated. All persons are equally worthy of concern and respect, from which it follows that all should have an equally fair opportunity to attain well-being, exercise agency, obtain resources, develop essential capabilities, and engage in public discourse.

There is a general consensus among most liberal egalitarian theorists regarding the ‘basic structure’ best providing the normatively required fair opportunities. It includes non-patriarchal households, the use of (capitalist) markets to organise the production and distribution of most goods and services, a democratic constitutional state, a civil society with numerous voluntary associations and a dynamic and open public sphere, and a regime of global governance based on universal human rights. Some important differences among liberal egalitarian theorists on these matters were noted in the discussion of this normative theory of institutions in Chapter 2. But from the standpoint of this book the key point is the general consensus on the ‘core thesis’ of liberal egalitarianism: *A capitalist market society is compatible with the institutionalisation of the moral equality principle so long as the systematic tendencies of markets to generate results incompatible with that principle are put out of play by effective political regulation.*

I argued in Chapter 3 that a number of criticisms Marxists routinely make against liberalism simply do not apply to liberal egalitarianism. In contrast, the main reasons liberal egalitarian theorists do not identify more closely with Marx’s legacy cannot be immediately dismissed (although sufficient reasons to dismiss them were presented later).

Chapters 4 and 5 were devoted to the Marxian challenge to the core thesis of liberal egalitarianism on the level of systematic theory. I argued that Marx’s concept of capital remains essential for comprehending our social world. It remains essential for contemporary normative social theory as well, since any

acceptable normative social theory must be based on a satisfactory comprehension of the social world. The contributions of liberal egalitarian theorists to our understanding of crucial normative categories such as autonomous agency, the human good, and the material preconditions of human flourishing, have been immense. But in our social world, human ends, the human good, and human flourishing are systematically subordinated to the end, the good, and the flourishing of capital. Liberal egalitarians have ignored this state of affairs. This does not make their writings mere ideology; they retain a critical orientation to many dimensions of the contemporary social order. But it does suggest that liberal egalitarian discourse is in great danger of degenerating into mere rhetoric, as empty of substance as appeals by Roman writers to the virtues of republican citizenship were in an age of emperors. A normative social theory without an adequate theory of capital is like Hamlet without the Prince, as the cliché goes.

Chapter 6 discussed specific tendencies in capitalist market societies of special relevance to normative evaluations: the systematic tendencies to coercion, domination, and exploitation in the capital/wage labour relation, and the systematic tendencies to overaccumulation, financial, and environmental crises and to uneven development in capitalist markets. Chapter 7 discussed the heart of the liberal egalitarian responses to the Marxian challenge, the claim that if the proper background conditions were put into place any systematic tendencies towards normatively unacceptable results would be put out of play. The critical examination of these liberal egalitarian arguments in Chapter 8 revealed the key premise underlying the core thesis of liberal egalitarianism: both capital and the state in a capitalist society are unrestrictedly open-ended. They are not. Capitalist development can take an indeterminate range of paths. An indeterminate range of state policies can be adopted and implemented with confidence that capital, an expanding homeostatic system, will adjust. State 'interference' can even push capitalism to a new path of dynamic development. But indeterminacy is not unrestrictedness. Capital's homeostatic process cannot adjust to *any* disturbance in its social environment, and the state in a capitalist society cannot adopt policies with *any* content whatsoever. The indeterminate range of paths is restricted by the capital form and the state form in a capitalist society.

There have been more and less humane forms of capital. The indeterminacies of capital and the capitalist state suggest that reforms bringing about more humane variants are possible.¹ But there were more and less humane

1 The considerations discussed in Chapter 11, however, suggest that this is not very likely to occur again in our historical horizon.

forms of slavery and feudalism also, without any form of slavery or feudalism being 'a society in which the full and free development of every individual forms the ruling principle' or 'the free development of each is the condition for the free development of all'. The same holds for societies subject to the valorisation imperative. No form of capitalist market society can effectively eliminate structural coercion in labour markets, domination and exploitation in the labour process, or powerful tendencies to overaccumulation crises, financial crises, environmental crises, and uneven development. No liberal egalitarian should assert that a social order systematically sacrificing the autonomous agency and well-being of persons to the 'self-valorisation of value' is normatively acceptable. It follows that the principle of equal concern and respect and the core thesis of liberal egalitarianism cannot be affirmed together without falling into incoherence.

In Chapter 9 the debate shifted to the more concrete level of historical developments since World War II, focussing on the rise of neoliberalism since the 1970s. The standard liberal egalitarian account of its emergence was contrasted with a Marxian account. In the former perspective the key normative problems of contemporary neoliberalism – the erosion of the post-World War II capital/labour accord, the financialisation of the economy, global injustice, and so on – all stem from the same root: the lack of political will to regulate markets effectively. In the contrasting Marxian narrative, neoliberalism is not a result of the state's abdication. It arose instead as a political project, the result of a desperate search for a way to overcome the overaccumulation crisis of the 1970s while somehow avoiding a massive 'slaughter of values'. This project was driven by the US state, which rightly feared that a destruction and devaluation of capital at that point in time on the level required to remove excess productive capacity in the world market would have led to the demise of US hegemony in the world market and interstate system.

From this perspective, liberal egalitarianism fails to reflect adequately on its own historical preconditions and limits. The liberal egalitarian 'moment', represented by the publication of Rawls's magisterial *A Theory of Justice* in 1971, occurred just as the post-World War II 'golden age', when the 'American Dream' had come true for at least some sectors of the populace and promised to be extended to others, was concluding. At that very moment the prospects of moving closer towards anything like the sort of just society Rawls called for were undermined by the rise of overaccumulation difficulties in the world market. If neoliberalism had not provided a path for capital to recover from the slowdown of the 1970s, the all but inevitable alternative would have been a 'great' recession or depression that destroyed or devalued truly massive amounts of excess productive capacity. There is no compelling reason to think this path

would have been less incompatible with liberal egalitarian precepts than the path taken by neoliberalism. The ultimate problem is capitalism itself, and not a particular variant.

Chapters 10 and 11 then examined two more modest versions of liberal egalitarianism. A neo-Schumpeterian version holds that the 'destructive' aspects of capitalism's 'creative destruction' are simply the price that must be paid for the benefits of its 'creative' dimension. On this account the historical development of capitalist societies cannot ever fully actualise liberal egalitarian values; the core thesis of liberal egalitarianism cannot be accepted, at least not without extremely significant qualification, since the benefits and burdens of technological change cannot in principle be distributed in a fair manner. Entrepreneurs, investors, workers, and regions associated with a new technological revolution are able to appropriate a wildly disproportionate share of its benefits, while other agents and regions in the world economy must bear an extremely disproportionate share of its costs. These disparities are mostly due to factors thoroughly arbitrary from a moral point of view. Nonetheless, neo-Schumpeterians affirm, a social order characterised by such unfairness may still be an acceptable 'second best'. Capitalism has in the past provided the material preconditions for human agency and flourishing far more effectively and on a far greater scale than any other mode of production in human history. Why could this not continue to be the case in the future?

The idea that the benefits enjoyed by some compensate for the 'destruction' imposed on others is clearly in tremendous tension with the liberal egalitarian commitment to the claim that all persons are equally worthy of concern and respect as ends in themselves. Putting that important point aside, no one would dispute that there is *some* point past which the destructive dimensions of capitalism outweigh its creative elements, ruling it out as even a normatively acceptable 'second best'. There are good reasons to hold that we have reached that point.

While there are far too few effective national innovation systems in place to put the systematic tendency to uneven development in the world market out of play, it is also the case that there are far too many for any one region of the global economy to appropriate above-average profits from investments in a technological revolution for an extended period of time. Every previous 'great surge' of capitalist development and every previous 'golden age' has centred on a region that enjoyed such a competitive advantage for an extended period. The proliferation of effective national innovation systems tends to drastically compress the time it takes for overaccumulation difficulties to arise in the new sectors associated with a technological revolution. An extension of intellectual property rights in scope and enforcement enables particular

firms to appropriate above-average profits for long periods, but at a cost to the dynamism of the system as a whole. The coercion, domination, and exploitation of the capital/wage labour relation can be expected to intensify in the face of increased pressure for short-term profits.

Other problems confronting capitalism today are no less serious. Technological developments associated with automation are undermining the ability of social reproduction to occur through the capital/wage labour relation in an unprecedented manner. With perpetually low rate of investment in non-financial sectors due to the compression of the time in which innovations can win high profits, credit money will continue to flow to financial speculations, resulting in more financial bubbles, along with the social disruptions that inevitably follow from their bursting. Most worryingly, the continued reign of the valorisation imperative appears to be rapidly pushing beyond the 'planetary boundaries' that have been in place for the 10,000 years of human civilisation. The long-term environmental effects of allowing the valorisation imperative to continue its reign are unknown. But no normative social theorist should discount the danger to human flourishing posed by an increase in global temperature of 3 degrees Celsius or more. In the light of all these considerations, any assumption that technological revolutions will continue to spark 'great surges' of development spreading the material preconditions for human flourishing to ever-greater numbers of persons falls somewhere between unreasonably optimistic and simply ludicrous.

Another modified version of liberal egalitarianism focuses on the rise of a new mode of production, commons-based peer production, alongside capitalism. Its emergence does not remove the normative problems of capitalism. Benkler, its leading advocate, grants that restrictions on autonomy, democracy in the public sphere, and global justice are intrinsic to proprietary for-profit production. But if, the argument goes, those with extra time and the relevant interests freely agreed to cooperate in producing information goods, and if these goods were then distributed freely to anyone who wished to use them, then autonomy, democratic participation, and global justice could be significantly advanced, justifying a normative affirmation of a social order combining capitalism and commons-based peer production as a feasible 'second best' option.

Unfortunately, however, commons-based peer production cannot flourish in a world where intellectual property rights are extended in scope and enforcement, and this extension is a 'rational' (from the standpoint of capitalist rationality) response to the compression of the time in which high profits can be won from innovation due to the proliferation of national innovation systems. As long as the valorisation imperative remains in force, the free flow of know-

ledge goods will be hampered, systematically restricting commons-based peer production. Nor can free cooperation outside the capital/wage labour relation flourish when social reproduction continues to depend on wage labour. Far too many of those engaged in wage labour will not have the time or energy to participate significantly in collective projects outside the workplace as long as capital persists, while too many unemployed will lack the resources for participation. Further, many of the fruits of commons-based peer production will be appropriated by capital as 'free gifts' and used to further the ends of capital. They will, in other words, tend to further the structural exploitation, domination, and exploitation of wage labour, the commodification of leisure, the depoliticisation of inherently political matters, environmental harms, and uneven development in the world market. The world historical potential of commons-based peer production will not and cannot be actualised in anything like an adequate fashion as long as the social forms of capital are in place. This modified version of liberal egalitarianism is no more acceptable than the first.

Finally, in Chapter 12 a recent variant of liberal egalitarianism took centre stage. Rawls explicitly asserted towards the end of his life that no form of welfare-state capitalism could institutionalise the principles of justice adequately. While he granted that a liberal form of socialism could in principle be normatively justified, Rawls and those following his path have opted instead for 'property-owning democracy' (POD) with private ownership of the means of production.

No generally accepted model of property-owning democracy has been developed. After examining a number of possible variants, the following conclusions were defended:

1. Forms of property-owning democracy that retain capital markets and labour markets are clearly still market societies. But variants that eliminate capital markets, or labour markets, or even both, are still market societies, regulated on the macro level by the imperatives of commodification, monetarisation, and capital accumulation.
2. Any form of POD including an active role for capital markets where private ownership rights to units of production and distribution are bought and sold in some manner or other is inadequate from the normative point of view, no matter how dispersed that ownership might be, and no matter whether money-like things (coupons) are used as the means of purchase rather than ordinary money. Financial intermediaries would enforce the continued reign of capital with its subordination of human ends to the overriding end of valorisation.

3. Any form of POD that makes worker self-management merely optional is inadequate; authority relationships in the workplace are essentially political relationships, and those exercising authority must be accountable to those over whom it is exercised.
4. Any form of POD centring on worker-owned and worker-run enterprises in market societies is inadequate because the valorisation imperative would remain in force, internalised by managers and the workforce and manifested in forms of self-exploitation.

While the various variants of POD abolish *capitalists* to some degree or other, none of them abolishes *capital*. And capital is the root of the problem.

To actualise liberal egalitarian normative commitments adequately we must go beyond even the most progressive forms of non-socialist liberal egalitarianism. What might this mean?

Beyond Liberal Egalitarianism

Abstract principles always underlie normative assessments of institutional frameworks, policies, and social practices. Marx's call for a society in which 'the full and free development of every individual forms the ruling principle' and 'the free development of each is the condition for the free development of all' makes explicit the principles underlying his normative assessments, as does his acceptance of the '*the categorical imperative to overthrow all relations in which man is a debased, enslaved, forsaken, despicable being*'.² Liberal egalitarians have repeated, clarified, elaborated, and complemented these same principles, or principles in the close neighbourhood of them, in various ways. Further clarifications, elaborations, and supplementary developments are surely to come. They are not likely to call into question the claim that the normative commitments underlying Marxian social theory and those elaborated by liberal egalitarians broadly coincide. There is no need to go 'beyond liberal egalitarianism' in this important dimension.

Turning to the normative implications of Marx's critique of political economy, his main claim is straightforward: capitalist market societies have not been, are not now, and in principle can never be societies in which 'the full and free development of every individual forms the ruling principle' and 'the free

² Marx 1976a, p. 739; Marx and Engels 1976, p. 506; Marx 1975b, p. 182.

development of each is the condition for the free development of all'. Most liberal egalitarians reject this judgement, asserting that capitalist market societies are capable in principle of being such societies if the proper background conditions are established through political regulation. Some adherents of liberal egalitarian principles, however, reject this thesis. One current concedes that no form of capitalism can be normatively justified in any full sense, even in principle, while still insisting its technological dynamism can make it normatively acceptable as a 'second best' for a non-ideal world. A third group regards even this much weaker thesis as unsupportable, insisting that capitalist market societies must be transformed into a different sort of market society, property-owning democracy.

Building upon Marx's critique of political economy, I have argued against all three streams of left liberalism. All leave the reign of capital in place, including the limit case of capital without capitalists. Market societies are governed by the imperatives of commodification, monetarisation, and valorisation. The force with which these imperatives are imposed in market societies will always institutionalise an alien conception of the good on the level of society as a whole, capital's good, the 'self-valorisation of value'. Such a social world rules out 'the full and free development of every individual'. Normative social theory in the twenty-first century must move 'beyond liberal egalitarianism' by acknowledging this essential emergent property of market societies.

The most important practical implication of this theoretical acknowledgement follows immediately: the great task of the coming period of world history is to construct a viable and normatively acceptable alternative to market societies and the reign of capital. It would be ludicrous to attempt to construct a detailed blueprint of what a future socialist society might look like, even if space allowed. A few general remarks, however, can be made.

Any acceptable post-capitalist society must overcome the dualism separating the supposedly private and non-political realm of 'free' agreements (but which is in fact the realm of capital, an alien power dominating social life) from the public and political realm supposedly transcending society (but whose very form is essentially shaped by its relationship to capital). The process of producing and allocating social wealth (including especially the social surplus) is inherently a *political* matter, even when it occurs through supposedly 'private' and 'non-political' contracts among formally free and equal agents enforced by an allegedly 'neutral' state.

The abolition of labour markets, that is, the abolition of wage labour as a social form, would contribute greatly to overcoming the 'bifurcation of the political'. It is also required if we are to ever attain a world in which the 'all per-

sons are equal, so far as the importance of their basic interests are concerned'.³ To accomplish this, the production and distribution of goods and services could be undertaken by worker co-operatives, with managers democratically elected by, and accountable to, those over whom they exercise authority. Workers' share in the fruits of these enterprises could then be allocated in a transparent fashion, with the principles underlying these allocations subject to democratic discussion and approval among members of the workforce themselves. A number of defenders of property-owning democracy (in specific, those who defend POD₃) would agree.

Capital markets where private property rights to units of production and distribution are bought and sold must be abolished as well.⁴ To advocate granting workers ownership of their place of work (as opposed to use rights) is to commit the same category confusion of public and private as granting ownership rights to investors of money (or special money-like things). It would be like saying city workers should privately own City Hall. The latter is collectively 'owned' by the local community today; workplaces should be seen as 'owned' by communities tomorrow. Scare quotes are appropriate here because the term 'ownership' seems inappropriate in this context. The proper term to use here is *the commons*, where various use rights are allocated to various groups according to rules collectively agreed to by the community as a whole, without any agent or set of agents being able to claim exclusive private property rights.⁵

If ownership of the production facilities is assigned to local communities, with decisions regarding their use delegated to the workforce at those sites and their elected managers, 'stakeholder interests' could be represented within them to a degree that simply is not possible when units of production and distribution are categorised as the sorts of things that can be privately owned. In the latter case, Boards of Directors will invariably tend to primarily represent some combination of the interests of owners and managers. When the inherently public and political nature of these units is institutionally acknowledged, in contrast, Boards of Directors will be far more capable of effectively representing the broad community interests, including other enterprises with which the workplace is networked, its customers, environmental groups, and so on. Con-

3 Buchanan 2004, p. 42.

4 It should go without saying that going 'beyond liberal egalitarianism' does not mean that all private property rights to personal consumption goods are abolished. No one should fear that their toothbrush would ever be considered common property.

5 It might make sense to reserve the use of 'commons' to workplaces exceeding a certain size. Those that do not involve exercises of authority might be appropriately considered as 'private', although other considerations may be in play that would rule against this.

siderations of far wider range of interests would tend to become second nature in firms' decision making. Matters of public import that are treated as externalities when units of production and distribution are privately owned would tend to be internalised. (The workings of community banks described below would reinforce this tendency).

Most contemporary political philosophers believe that Marx's rejection of private ownership of units of production and distribution conflated political and economic power, and that such a conflation is a recipe for authoritarianism at best, totalitarianism at worst. This conflation was, after all, a feature of both fascism and Stalinism. Whatever the limits of democratic capitalism might be, it institutionalises a separation of political and economic power that most philosophers regard as an irreplaceable protection against tyranny, no less important than the separation of state powers or the universal franchise. Of the objections raised against Marx listed in Chapter 3, this one remains unanswered.

A first response is to note Marx's insistence on the importance of elections, universal franchise, and representative institutions throughout his life, from his earliest writings on the state through his late essay on the Paris Commune.⁶ Intellectual honesty demands that the immense gulf between this commitment and the foundations of fascism and Stalinism be acknowledged. The most important question, however, is not what Marx intended. It is whether attempts to surpass the limits of democratic capitalism are doomed to produce something far worse. Given the horrors of the twentieth century, this issue cannot be dismissed with a blithe reference to Marx's scorn for blueprints of the future.⁷

A first requirement is to overcome the drive to accumulate money capital as an end in itself, which in market societies holds on the macro level, overriding all other social ends. As argued in the previous chapter, this overcoming requires the abolition of capital markets, and not merely the diffusion of private ownership of capital assets. Decisions regarding the level of overall new investment, the main priorities for new investment, and the overall level of resources to be devoted to public goods must be made within democratically elected bodies after extensive public debates. In the absence of compelling reasons to do otherwise, funds for new investment should then be distributed to regions

6 See Marx 1986a, where Marx unequivocally defends the Commune's requirement that those exercising authority be elected, subject to recall, and paid only average workers' wages. No society lacking such features should ever be referred to as 'Marxist'.

7 Interested readers are urged to consult Schweickart 1993, 2002, 2014; Smith 2000, Chapter Seven; and Smith 2005, Chapter 8, for more extended discussions.

on a per capita basis. The actual allocation of new investment funds to enterprises could then be undertaken by community banks, also 'owned' by local communities, with Boards including representatives of a broad range of social groups affected by the banks' decisions.⁸ In this institutional framework the market – with its law of value – would not be the primary regulator of social life.

In a socialist society with public control of new investment flows and democratic workplaces, there would not be a dominant structural tendency for increases in productivity to lead to greater output with no reduction in labour time, whether or not those affected have good reasons to value time spent with family and friends, engaged in community activities, or other projects of their own choosing more. With productivity advances tied more closely to reductions in the labour time spent in formal workplaces (with no loss of living standards), the time that could be spent contributing to commons-based peer production would tend to expand significantly. The systematic tendency for the results of commons-based peer production to be used in a manner that advances the structural coercion, domination, and exploitation of the workforce would also be eradicated.

Democratising decisions regarding the levels and priorities of new investments would in addition allow for greater coordination of investments, eroding the systematic tendency to overaccumulation crises. The elimination of 'private' markets in capital assets would simultaneously eliminate financial crises. And with the 'grow or die' valorisation imperative put out of force as a result of democratic social control over the level of overall new investment, the main factor underlying environmental crises today would be checked.

Allocations of new investment funds to regions on a per capita basis would lead to quite a different social world from one based on allocations governed by the valorisation imperative. The equal moral worth of all individuals implies that all individuals should have fair access to the material preconditions for

8 Common assumptions about the role of capital markets today are myths. In particular, private capital markets are simply not necessary to fund enterprises. Established enterprises mostly fund new investments through retained earnings. Start-up firms, of course, by definition cannot rely on retained earnings. But venture capitalists typically do not bestow private funding until relatively late in the game, after public funding has provided the crucial support to keep start-ups operating until they have reached the crucial proof of concept phase (Block and Keller 2011; Mazzucato 2013). The main function of capital markets is to provide a mechanism for gaining control of enterprises, for distributing social wealth to privileged 'inside' groups (the top executives and others enjoying stock options), and for distributing social wealth to privileged 'outside' groups (mostly a small group of wealthy investors and their financial agents), all based on parasitically free-riding on public investments.

human flourishing. Nothing would further this desideratum more than a social order in which all regions had a (*prima facie*) equal right to a per capita share of new investment funds. This measure will automatically dissolve the systematic tendency to uneven development that is an emergent property of market societies. That desideratum would also be greatly furthered by treating all forms of scientific-technological knowledge as the public goods they inherently are, rather than as just another form of private property; lack of access to such knowledge maintains the vicious circle reproducing severe poverty and inequality in global capitalism. All information goods that can be provided at next to no cost once the necessary infrastructure has been put into place should be categorised as free public goods, and the required infrastructure should be considered as a public good as well. Without an intellectual property rights regime and its accompanying predatory rent extraction, commons-based peer production could also truly flourish, with all its profound consequences for human autonomy and flourishing.

In the institutional framework sketched here, the sector devoted to producing free public goods to meet social needs directly (the 'commons') could be as big as the members of society collectively wished. In this alternative framework there would undoubtedly be a dominant tendency to *decommodify* an increasingly wide range of goods and services. Those meeting basic needs should be provided to all individuals as a matter of right, with the list of goods and services categorised as basic needs expanding over time as the general intellect (the collective intelligence and creativity mobilised in the community) develops.

It is not the mere presence of markets that establishes the alien power of capital. What makes capitalist *market societies* so different from pre-capitalist *societies with markets* is the society-wide compulsion to place the accumulation of surplus value above all other ends. The democratising of decisions regarding the levels and priorities of new investments, combined with full employment and basic income guarantees that are not feasible in capitalism, removes the compulsion. While capital markets and labour markets would be abolished, there could still be a role for producer and consumer markets to play in a post-capitalist social order, alongside an (expanding) sector of decommodified provision. The socialisation of investment does not imply the top-down central planning of all producer inputs and outputs, or the distribution of all consumer goods. A practical commitment to socialising investments and thereby dismantling 'the law of value' can be combined with an open mind on the extent to which a form of decentralised planning can be implemented that is not ultimately inefficient and/or excessively time-consuming. That is for historical experience to decide.

Many aspects of this very brief sketch will almost assuredly have to be supplemented, modified, or abandoned in the light of public discussion and collective experience.⁹ That is a matter for a later day (or rather, for a host of later days). There are, however, a few comments that can be added here before concluding.

First of all, there is simply no case for denying that something along the lines sketched above is possible in principle. A democratic society beyond the reign of capital is not ruled out by logic, by biology, by anthropology, or by the historical fact that it has not been institutionalised yet (after all, no institutional framework that has ever existed has always existed). A dogmatic insistence that a feasible and normatively superior alternative to capitalist market societies is impossible is just that: dogmatic. Perhaps the radically pessimistic view that human intelligence and creativity is incapable of constructing a superior alternative to capitalist market societies will prove true. Perhaps there will never be a social world where autonomous agency and human flourishing are furthered in a less partial and precarious manner than any possible variant of capitalism allows. If so, that depressing result will be contingent, knowable only *a posteriori*. From our present historical perspective as practical agents, however, our assumption must be that ‘another world is possible’.

Would the sort of socialism sketched above erode economic liberties? Many left liberal theorists believe it would. Consider the following speculation regarding how Rawls might reply to the complaint that private ownership of units of production and distribution in a property-owning democracy would still impose a ‘structural constraint’ on the democratic polity:

A sketch of a Rawlsian response to this worry might begin by stressing that the value of democratic self-direction is not absolute, and must always be balanced by the sometimes countervailing value of individual liberty in the economic sphere. Such a line of argument would stress that any proposal which secured the complete autonomy of the democratic sphere from economic ‘structural constraints’ only at the price of excess-

9 See McNally 1993, Ollman 1998, and Westra 2015 (Chapters 6–7) for discussions of alternative perspectives on socialism. It should go without saying that no form of socialism would establish a Garden of Eden. Personal conflicts, grudges, petty jealousies, insecurities, aggressive impulses, losses of temper, self-aggrandizement, and so on, would not magically disappear from social life, or suddenly cease to have pernicious impacts on households, workplaces, neighbourhoods, voluntary associations, and every other type of community. The claim is that there can be a profound normative advance on the level of institutional frameworks nonetheless.

ively truncating citizens' economic liberties would have thereby failed to strike a satisfactory balance between these various competing political values.¹⁰

But precisely whose economic liberties would be 'truncated' if investment decisions were socialised along the lines sketched above? Consumers would be free to choose the goods and services that best fit with the lives they have most reason to value. Workers would enjoy freedom of occupation, plus the freedom to hold those exercising authority in the workplace accountable. Citizens would be collectively free to decide (directly or through directly accountable representatives) the appropriate level of growth, investment priorities, the proportion of productive resources to be devoted to providing public goods (that is, the rate at which the public sector should expand and commodified goods and services are decommodified), and so on. Entrepreneurs would be free to request funding from community banks. Community banks would be free to allocate investment funds to enterprises operating in their regions that they think would further democratically agreed priorities the most. And they would be free to shift investments if their estimations proved incorrect according to intersubjective criteria. Most of all, we would all be free from the alien compulsion to subordinate human ends to capital accumulation as an inhuman end in itself on the level of society as a whole.

It is true, of course, that those claiming a right to privately own enterprises as a means for furthering their private self-interests would not have the liberty to do so. But those claiming a right to privately own political offices do not have the 'liberty' to do so once political offices are categorised as public matters, and those who claim a right to privately own other persons do not have the 'liberty' to do so once slavery is abolished. What left liberal would say that 'truncated liberty' is the appropriate category in those cases? If there is not a legitimate liberty right, then it cannot be 'truncated' in any normatively relevant sense of the term. If 1) there is a categorical imperative to create a world where 'the free development of each is the condition for the free development of all', 2) such a world is incompatible with one governed by the valorisation imperative, and 3) the valorisation imperative is an emergent property of market societies with private ownership of competing units of production and distribution, then there cannot be a legitimate liberty right to own such property.

Marx affirmed that the objective material preconditions for a society where 'the free development of each is the condition for the free development of

10 O'Neill 2014, p. 83.

all' were (or would soon be) in place.¹¹ Marx also held that the course of capitalist development would generate the necessary subjective preconditions, that is, new forms of social agency capable of bringing about such a world. This dimension of Marx's normative social theory is not refuted by simply pointing out the demise of the nineteenth-century industrial working class in England. A full defence of Marx's claim, however, would demand another vast project far outside the scope of the present study. I shall only comment here on an aspect of the present work directly relevant to that project: the concept of capital presented in Chapter 4 leaves space for the required social agency that other concepts of capital close off. The importance of this point, and the general importance of the concept of capital for the present work, justifies one final elaboration of that concept.

The concept of capital is even more bizarre and paradoxical than the sub-atomic entities that are somehow simultaneously particles and waves. Capital may be Everything, but it is also Nothing. Capital may be a Dominant Subject, but it is also a mere pseudo-subject, a parasite, a 'vampire', to use Marx's powerful images. It is extremely difficult to get the balance just right. On the one hand, there is the view associated with Antonio Negri that living labour in the age of immaterial production has already become autonomous from capital and capital's measure. This makes capital an utter Nothing, maintained in artificial existence only through the external power of the state. There is then no difficulty accounting for social agency apart from capital. In a sense, communism is already here; the only thing that remains to do is dismantle the alien power of the external state. On the other hand, there is what may be termed the 'one-dimensional society' view that Lukács among others at least sometimes appears to accept, according to which capital shapes human subjectivity 'all the way down', moulding it to fit capital's needs, trapping consciousness in the (objective) appearances of reification and fetishism. Capital is Everything in this framework, making any talk of an autonomous subjectivity apart from capital a residue of illusionary romantic humanism. There is no space here for social agency resisting capital's domination.¹²

11 Marx's affirmative answer can be traced back to his reflections on the world historical role of the 'general intellect'. Those reflections anticipate the work of liberal egalitarians who have studied the material preconditions of social change most closely, especially the contemporary neo-Schumpeterians and advocates of common-based peer production discussed in Chapter 10. The latter too affirm that objective material preconditions for significant social change are emerging. There is no reason to move 'beyond liberal egalitarianism' on this point.

12 Authors defending this view typically invoke crisis (financial, military, environmental) as

Marx's concept of capital avoids both extremes. On the one hand, activities furthering human ends – the engineer wanting to know how a technical problem can be solved, the parent hoping to provide adequately for children, the consumer interested in experiencing a new book or movie – are undoubtedly shaped by the fact that capital is the main organising principle of the social world. Solving a technical problem, working to obtain household income, or buying a book or movie ticket, are generally moments in capital's circuit, contributing to capital's end of self-valorisation. Capital is the dominant force of our social world. It has a totalising drive to invade every nook and cranny of social life, and the way social life is organised (the separation of living labour from its objective preconditions) grants it a tremendous ability to extend its dominance. In a real sense capital creates the human capacities mobilised as part of the process of capital accumulation, and in principle there are no human capacities that cannot be mobilised as part of the process of capital accumulation. From this point of view these capacities are capacities of capital.¹³

On the other hand, however, capital's nature as pure form is also its pure emptiness in itself; capital in itself has no determinate content. In this sense capital accumulation is completely dependent on social agents having human ends that do have determinant content. And capital, as pure form, has no capacities on its own, and is completely dependent on the mobilisation of human capacities. *Once mobilised, the capacities of living labour remain capacities of living labour*, even after they have been incorporated within capital circuits. These capacities are ontologically 'other' than capital. There is always an objective potential in these capacities for them to be actualised in ways that are not subordinate to capital's end. If capital can only attain its end through humans pursuing their ends, and if the so-called capacities of capital remain the collective capacities of living labour (even as they take on the alien form of capacities of capital), then the pursuit of human ends and the development of human capacities are always more than merely moments of capital's self-valorisation.

a mechanism of radical social change, a *deus ex machina* that will somehow make new forms of social life emerge on the world stage. But if the schematism of capital is truly all-powerful, social agents would continue to act as moments of capital in the wake of crisis, war, and environmental devastation. In the stark alternative posed by Rosa Luxemburg, they would be determined to choose barbarism, not socialism.

- 13 Lotz 2014 insightfully talks of capital imposing its 'schema' on human experience, shaping it in a manner somewhat analogous to how the transcendental ego of Kant supposedly shaped our experience.

In their concrete lived experience people regularly have a sense of profoundly important shared ends that are irreducible to the ends of capital. Capital may reach 'all the way down', but the capacities it initially mobilises can be directed to ends distinct from capital's ends, different value practices with different measures of success. When these ends are forcibly subordinated to the demands of capital, people regularly feel that something has gone wrong, even if they lack the conceptual framework to articulate exactly what has gone wrong and why. All social movements against capital that have ever arisen, and all that ever will arise, start from this lived experience.¹⁴ This experience is not a mere subjective delusion. An adequate concept of capital must take into account how this experience reveals something objective about the complex ontology of capital, and about the capacity for agency beyond capital's imperatives.

Capital's ability to commodify and monetarise dissatisfaction with capital should never be underestimated. Capital also has tremendous resources to discipline social agents so that their ends either serve capital's ends or are marginalised or destroyed. But capital's disciplinary mechanisms are effective in various degrees; they are not always and everywhere maximally effective. If they were, then we would truly be a 'one-dimensional society' without any way out; all agency would be thoroughly subsumed under capital. There are always new spaces opening up for struggles against capital. A social ontology of capital needs to account for the fact that progressive social movements regularly arise with an objectively anti-capital dimension. These struggles may eventually be co-opted in various ways. That does not make them less struggles against capital's measure, or less capable of opening possible alternative paths of development.

If the arguments presented in this book are accepted, the normative justifications of market societies defended by liberal egalitarians cannot be. If resistance to capital is an objective possibility in the ontology of capital, and if this resistance can be expected to increase in a historical period when the destructive elements of capitalism's creative destruction have become evermore threatening, then the problem of social agency is not irresolvable, however daunting the problems of creating appropriate forms of organisation, leadership strategies, and tactics remain.¹⁵ These considerations are based on a

14 See De Angelis 2007 on this crucial point.

15 One final point relevant to agency can be added: those asserting the one-dimensional society thesis cannot account for their own activity. If the power of capital were all encompassing, if the reification and fetishisation of capital were inescapable, then that

concept of capital missing in the work of even the most progressive liberal egalitarians. Any consideration of social agency incorporating these considerations is therefore 'beyond liberal egalitarianism'.

The concluding comment concerns what is to be done right here and right now. What follows practically in the short-term from the multi-levelled theoretical critique of liberal egalitarianism presented in this work? The answer is 'almost nothing' in one sense, and 'just about everything' in another.

Nothing changes in that the sorts of policy proposals left liberals advocate should generally still be defended. Refusing to endorse any political agenda that does not centre on the immediate dismantling of the reign of capital would be foolish and irresponsible in present circumstances. Far too many still believe capitalism can be reformed in a manner making it normatively acceptable, and will respond to more radical agendas with some combination of indifference, disbelief, mockery, and hostility. In contrast, a critical mass of social agents today could foreseeably be brought to support liberal egalitarian proposals for basic income guarantees, full employment, significantly reduced workdays, co-determination in workplaces, strong environmental regulations, and so on. I do not see how anyone wishing to build on Marx's legacy could fail to support social movements for these sorts of reforms.

But these policies cannot be endorsed on the grounds that they will bring about a normatively defensible variant of capitalism. Capitalism never was and never will be normatively defensible by liberal egalitarian standards, not even as a 'second best'. Those who have learned the relevant lessons from Marx's critique of political economy must continually explain why these reforms will show that they cannot be implemented adequately as long as the social forms of capital are in place. Struggles to institute them are a form of learning process whose most important results will hopefully be new forms of political consciousness, new forms of political agency, new forms of organisation, new strategies and tactics to create the other world that we hope may still be possible (while knowing there are no guarantees). A normative social theory for the twenty-first century must contribute in every possible way to this collective process of transformation and radicalisation.

It must, in other words, move 'beyond liberal egalitarianism'.

power, that reification, and that fetishisation, could not be recognised as such, let alone subject to critique. If capital were a closed totality, as opposed to a totalising principle, it would be impossible to grasp it as such ... and this book could not have been either written or understood.

Bibliography

- Ackerman, Bruce 1980, *Social Justice in the Liberal State*, New Haven: Yale University Press.
- Ackerman, Bruce and Anne Alstott 1999, *The Stakeholder Society*, New Haven: Yale University Press.
- Ackerman, Bruce, Anne Alstott and Phillippe Van Parijs 2006, *Redesigning Distribution: Basic Income and Stakeholder Grants as Cornerstones for an Egalitarian Capitalism*, New York: Verso.
- Admati, Anat and Martin Hellwig 2014, *The Bankers' New Clothes: What's Wrong with Banking and What to Do about It*, Princeton: Princeton University Press.
- Adorno, Theodor 2006 [1951], *Minima Moralia: Reflections from Damaged Life*, London: Verso.
- Albert, Daniel 2013, *The Age of Oversupply*, New York: Penguin.
- Albo, Greg, San Gindin and Leo Panitch 2010, *In and Out of Crisis: The Global Financial Meltdown and Left Alternatives*, Oakland: Spectre.
- Albritton, Robert 2009, *Let Them Eat Junk: How Capitalism Creates Hunger and Obesity*, New York: Pluto.
- Alperovitz, Gar and Lew Daly 2008, *Unjust Deserts: Wealth and Inequality in the Knowledge Economy*, New York: The New Press.
- Anderson, Elizabeth 1999, 'What is the Point of Equality?', *Ethics*, 109: 287–337.
- Arneson, Richard 1989, 'Equality and Equal Opportunity for Welfare', *Philosophy and Public Affairs*, 19, no. 2: 158–94.
- Arneson, Richard 2010, 'Two Cheers for Capabilities', in *Measuring Justice: Primary Goods and Capabilities*, edited by Harry Brighouse and Ingrid Robeyns, New York: Cambridge University Press.
- Arneson, Richard 2015, 'Liberalism and Equality', in *The Cambridge Companion to Liberalism*, edited by Steven Wall, Cambridge: Cambridge University Press.
- Arrighi, Giovanni 1994, *The Long Twentieth Century*, New York: Verso.
- Arrighi, Giovanni 2007 *Adam Smith in Beijing: Lineages of the 21st Century*, New York: Verso.
- Arthur, Chris 2002a, *The New Dialectic and Marx's Capital*, Leiden: Brill.
- Arthur, Chris 2002b, 'Capital in General and Marx's *Capital*', in *The Culmination of Capital: Essays on Volume III*, edited by Geert Reuten and Martha Campbell, New York: Palgrave.
- Backhaus, Hans-Georg 1997, *Dialektik der Wertform: Untersuchungen zur Marxschen Ökonomiekritik*, Freiburg: Ca ira.
- Baker, Stephen 2008, *The Numerati*, New York: Houghton Mifflin Harcourt.
- Banaji, Jairus 2010, *Theory As History: Essays on Modes of Production and Exploitation*, Leiden: Brill.

- Barry, Brian 1973, *The Liberal Theory of Justice: A Critical Examination of the Principle Doctrines in A Theory of Justice*, Oxford: Oxford University Press.
- Barry, Brian 1978, 'Circumstances of Justice and Future Generations', in *Obligations to Future Generations*, edited by Richard Sikora and Brian Barry, Isle of Harris: White Horse Press.
- Barry, Brian 1989, *Theories of Justice*, Oakland: University of California Press.
- Barry, Brian 1995, *Justice as Impartiality*, Oxford: Oxford University Press.
- Barry, Brian 2002, *Culture and Equality: An Egalitarian Critique of Multiculturalism*, Cambridge, MA: Harvard University Press.
- Barry, Brian 2005, *Why Social Justice Matters*, New York: Polity.
- Basso, Pietro 2003, *Modern Times, Ancient Hours: Working Lives in the Twenty-First Century*, London: Verso.
- Baumol, William 2003, *The Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism*, Princeton: Princeton University Press.
- Beitz, Charles and Robert Goodin 2009, *Global Basic Rights*, Oxford: Oxford University Press.
- Bellofiore, Riccardo 2005, 'The Monetary Aspects of the Capitalist Process in the Marxian System', in *Marx's Theory of Money*, edited by Fred Moseley, New York: Palgrave Macmillan.
- Benkler, Yochai 2006, *The Wealth of Networks*, New Haven: Yale University Press.
- Benoit, Angeline, Manuel Baigorri, and Emma Ross-Thomas 2013, 'Ich bin Ein Madri-leño?', *Bloomberg Businessweek*, 7 January, 11–12.
- Berger, Suzanne [with the MIT Task Force of Production and Innovation] 2013, *Making in America: From Innovation to Market*, Cambridge, MA: MIT Press.
- Berle, Adolf and Gardiner Means 1991 [1932], *The Modern Corporation and Private Property*, Piscataway, NJ: Transaction Publishers.
- Berlin, Isaiah 1990 [1969], *Four Essays on Liberty*, New York: Oxford University Press.
- Bernstein, Eduardo 2013 [1899], *Evolutionary Socialism*, New York: Prism Key Press.
- Blaug, Mark 1980, 'A Methodological Appraisal of Marxian Economics', in *Economic Theories: True or False*, Aldershot: Edward Elgar.
- Blinder, Alan 2013, *After the Music Stopped*, New York: Penguin.
- Block, Fred and Matthew R. Keller 2011, 'Where do Innovations Come From?', in *State of Innovation: The US Government's Role in Technology Development*, edited by Fred Block and Matthew R. Keller, Boulder, CO: Paradigm Publishers.
- Brenner, Robert 2006, *The Economics of Global Turbulence*, New York: Verso.
- Brenner, Robert 2009, 'What's Good for Goldman Sachs is Good for America: The Origins of the Present Crisis', Center for Social Theory and Comparative History UCLA, available at: <http://www.sscnet.ucla.edu/issr/cstch/papers/BrennerCrisisTodayOctober2009.pdf>
- Brock, Gillian 2009, *Global Justice: A Cosmopolitan Account*, Oxford: Oxford University Press.

- Bryan, Dick and Michael Rafferty 2006, *Capitalism with Derivatives: A Political Economy of Financial Derivatives*, New York: Palgrave Macmillan.
- Brynjolfsson, Erik and Andrew McAfee 2012, *Race Against the Machine*, Lexington, MA: Digital Frontier Press.
- Brynjolfsson, Erik and Andrew McAfee 2014, *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*, New York: W.W. Norton.
- Buchanan, Alan 2004, *Justice, Legitimacy, and Self-Determination*, New York: Oxford University Press.
- Burgess, Kate 2015, 'Astronomical Costs of Intellectual Property Rights Patently Wrong', *Financial Times*, 27 September.
- Burkett, Paul 1999, *Marx and Nature*, New York: Palgrave Macmillan.
- Burtless, Gary, Robert Lawrence, Robert Litan and Robert Shapiro 1998, *Globophobia: Confronting Fears About Open Trade*, Washington: Brookings Institution.
- Callinicos, Alex 2000, *Equality*, London: Polity Press.
- Callinicos, Alex 2006, *The Resources of Critique*, Cambridge: Polity Press.
- Campbell, Martha 1997, 'Marx's Theory of Money: A Defense', in *New Investigations of Marx's Method*, edited by Fred Moseley and Martha Campbell, Atlantic Highlands, NJ: Humanities Press.
- Campbell, Martha 2002, 'The Credit System', in *The Culmination of Capital: Essays on Volume III*, edited by Geert Reuten and Martha Campbell, New York: Palgrave.
- Christiano, Thomas 2007, 'A Foundation for Egalitarianism', in *Egalitarianism: New Essays on the Nature and Value of Equality*, edited by Nils Holtug and Kasper Lippert-Rasmussen, Oxford: Oxford University Press.
- Christman, John 2009, *The Politics of Persons: Individual Autonomy and Socio-historical Selves*, New York: Cambridge University Press.
- Chui, Michael, Markus Löffler and Roger Roberts 2010, *The Internet of Things*, New York: McKinsey Quarterly.
- Cobb, John and Herman Daly 1997, *For the Common Good*, Boston: Beacon Press.
- Coggan, Philip 2013, *Paper Promises: Debt, Money, and the New World Order*, New York: Public Affairs.
- Cohen, Gerald A. 1978, *Marx's Theory of History: A Defence*, Princeton, NJ: Princeton University Press.
- Cohen, Gerald A. 2009, *Rescuing Justice and Equality*, Cambridge, MA: Harvard University Press.
- Cohen, Marshall, Thomas Nagel and Thomas Scanlon (eds.) 1980, *Marx, Justice and History*, Princeton, NJ: Princeton University Press.
- Cova, Bernard and Danielle Dalli 2009, 'Working Consumers: The Next Step in Marketing Theory?', *Marketing Theory*, 9, no. 3: 315–39.
- CNN Money 2015, 'Fed's Profit Jumps 30% to \$101 Billion', available at: <http://money.cnn.com/2015/03/20/investing/fed-profit-balance-sheet/>

- Coy, Peter 2012, *The \$67 Trillion Mystery*, *Bloomberg Businessweek*, 26 November, 54–5.
- Crary, Jonathan 2014, *24/7: Capitalism and the End of Sleep*, New York: Verso.
- Cudd, Ann and Nancy Holmstrom 2011, *Capitalism For and Against: A Feminist Debate*, New York: Cambridge University Press.
- Daniels, Norman 2010, 'Capabilities, Opportunity, and Health', in *Measuring Justice: Primary Goods and Capabilities*, edited by Harry Brighouse and Ingrid Robeyns, New York: Cambridge University Press.
- Darlin, Damon 2009, 'Software That Monitors Your Work Wherever You Are', *New York Times*, 12 April.
- Das, Satyajit 2011, *Extreme Money: Masters of the Universe and the Cult of Risk*, Upper Saddle River, NJ: FT Press.
- Davidson, Paul 2002, *Financial Markets, Money and the Real World*, Northampton, MA: Edward Elgar.
- Davidson, Paul 2009, *The Keynes Solution: The Path to Global Economic Prosperity*, New York: Palgrave Macmillan.
- Davis, Mike 1986, *Prisoners of the American Dream*, New York: Verso.
- De Angelis, Massimo 2007, *The Beginning of History: Value Struggles and Global Capitalism*, London: Pluto Press.
- De Brunhoff, Susan 1976, *Marx on Money*, New York: Urizen Books.
- Debord, Guy 2006, *The Society of the Spectacle*, Oakland: AK Press.
- Desai, Radhika 2013, *Geopolitical Economy: After US Hegemony, Globalization and Empire*, London: Pluto.
- Diamond, Jared 2011, *Collapse: How Societies Choose to Fail or Succeed*, Revised Edition, New York: Penguin.
- Dobbs, Richard, Susan Lund, Jonathan Woetzel and Mina Mutafchieva 2015, *Debt and (Not Much) Deleveraging*, London: McKinsey Global Institute.
- Dowding, Keith, Robert E. Goodin and Carole Pateman (eds.) 2004, *Justice and Democracy: Essays for Brian Barry*, New York: Cambridge University Press.
- Drechsler, Wolfgang, Rainer Kattel and Erik Reinert 2011, *Techno-Economic Paradigms: Essays in Honour of Carlota Perez*, London: Anthem Press.
- Duménil, Gérard and Dominique Lévy 2004, *Capital Resurgent: Roots of the Neoliberal Revolution*, Cambridge, MA: Harvard University Press.
- Duménil, Gérard and Dominique Lévy 2011, *The Crisis of Neoliberalism*, Cambridge, MA: Harvard University Press.
- Duncan, Richard 2012, *The New Depression*, Hoboken, NJ: Wiley.
- Dworkin, Ronald 1981, 'What is Equality? Part 2: Equality of Resources', *Philosophy and Public Affairs*, 10, no. 3: 185–246.
- The Economist* 2007a, 'A Special Report on Innovation', 13 October.
- The Economist* 2007b, 'R&D', 17 November.
- The Economist* 2008, 'The Economist Technology Quarterly', 7 June.

- The Economist* 2009, 'Intellectual Property in China: Battle of Ideas', 25 April, 68.
- The Economist* 2011, 'R&D Spending', 1 October, 97.
- The Economist* 2012, 'Brain Gain', 21 January, 71.
- The Economist* 2013, 'The Federal Reserve at 100', 21 December, 113.
- The Economist* 2014, 'The Big Issue: Are Credit Markets Getting Frothy Again?', 15 March, 68.
- The Economist* 2015a, 'Intellectual Property: A Question of Utility', 8 August, 50–2.
- The Economist* 2015b, 'Fighting the Next Recession: Unfamiliar Ways Forward', 20 February, 16–20.
- Elson, Diane 1980, *Value: The Representation of Labour in Capitalism*, London: CSE Books.
- Elster, Jon 1985, *Making Sense of Marx*, Cambridge: Cambridge University Press.
- Evans, Fred 2008, *The Multivoiced Body: Society and Communication in the Age of Diversity*, New York: Columbia University Press.
- Federici, Silvia 2004, *Caliban and the Witch: Women, the Body and Primitive Accumulation*, New York: Autonomedia.
- Feenberg, Andrew 2010, 'Marxism and the Critique of Social Rationality: From Surplus Value to the Politics of Technology', *Cambridge Journal of Economics*, 34, no. 1: 37–49.
- Flannery, Kent and Joyce Marcus 2012, *The Creation of Inequality: How Our Prehistoric Ancestors Set the Stage for Monarchy, Slavery, and Empire*, Cambridge, MA: Harvard University Press.
- Ford, Martin 2009, *The Lights in the Tunnel: Automation, Accelerating Technology, and the Economy of the Future*, Acculant Publishing.
- Ford, Martin 2015, *Rise of the Robots: Technology and the Threat of a Jobless Future*, New York: Basic Books.
- Foster, John Bellamy 1999, *The Vulnerable Planet* New York: Monthly Review Press.
- Foster, John Bellamy and Fred Magdoff 2009, *The Great Financial Crisis*, New York: Monthly Review Press.
- Foster, John Bellamy, Brett Clark and Richard York 2010, *The Ecological Rift: Capitalism's War on Earth*, New York: Monthly Review Press.
- Frank, Thomas 1998, *The Conquest of Cool: Business Culture, Counterculture, and the Rise of Hip Consumerism*, Chicago: University of Chicago Press.
- Frey, Carl Benedikt and Michael A. Osborne 2013, 'The Future of Employment: How Susceptible are Jobs to Computerisation', Oxford: Oxford Martin Programme on the Impacts of Future Technology.
- Galama, Titus and James Hosek 2008, *US Competitiveness in Science and Technology*, Washington, D.C.: Rand Corporation.
- Gat, Azar 2006, *War in Human Civilization*, Oxford: Oxford University Press.
- Geras, Norman 1985, *Marx and Human Nature: Refutation of a Legend*, London: New York.

- Gordon, Kate 2014, 'A Climate Risk Assessment for the United States', New York: Risky Business Project.
- Gordon, Robert 2012, 'Is US Economic Growth Over? Faltering Innovation Confronts the Six Headwinds', Cambridge, MA: National Bureau of Economic Research (Working Paper no. 18315).
- Gowan, Peter 1999, *The Global Gamble*, New York: Verso.
- Gowan, Peter 2010, *A Calculus of Power: Grand Strategy in the Twenty-First Century*, London: Verso.
- Grazani, Augusto 2003, *The Monetary Theory of Production*, Cambridge: Cambridge University Press.
- Guttman, Robert 1994, *How Credit-Money Shapes the Economy: The United States in a Global System*, Armonk, New York: Sharpe.
- Habermas, Jürgen 1985, *The Theory of Communicative Action, Volume 2: Lifeworld and System*, translated by Thomas McCarthy, Boston: Beacon Press.
- Habermas, Jürgen 1994, *Justification and Application: Remarks on Discourse Ethics*, translated by Ciaran P. Cronin, Cambridge, MA: MIT Press.
- Habermas, Jürgen 1996, *Between Facts and Norms: Contributions to a Discourse Theory of Law and Democracy*, translated by William Rehg, Cambridge, MA: MIT Press.
- Habermas, Jürgen 1998, *The Inclusion of the Other: Studies in Political Theory*, edited and translated by Ciaran Cronin and Pablo de Greiff, Cambridge, MA: MIT Press.
- Habermas, Jürgen 2001, *The Postnational Constellation*, edited and translated by Max Pensky, Cambridge, MA: MIT Press.
- Hardt, Michael and Antonio Negri 2009, *Commonwealth*, Cambridge, MA: Belknap Press.
- Harman, Chris 2010, *Zombie Capitalism*, Chicago: Haymarket Press.
- Hart-Landsberg, Martin and Paul Burkett 2005, *China and Socialism: Market Reforms and Class Struggle*, New York: Monthly Review Press.
- Harvey, David 1991, *The Condition of Postmodernity*, Hoboken, NJ: Wiley-Blackwell.
- Harvey, David 1996, *Justice, Nature and the Geography of Difference*, Malden, MA: Blackwell.
- Harvey, David 2003, *The New Imperialism*, New York: Oxford University Press.
- Harvey, David 2011, *The Enigma of Capital and the Crisis of Capitalism*, Oxford: Oxford University Press.
- Hayek, Friedrich 1976, *Law, Legislation, and Liberty, Volume 2: The Mirage of Social Justice*, Chicago: University of Chicago Press.
- Head, Simon 2003, *The New Ruthless Economy: Work and Power in the Digital Age*, New York: Oxford University Press.
- Hedrick, Ted 2010, *Rawls and Habermas: Reason, Pluralism, and the Claims of Political Philosophy*, Stanford, CA: Stanford University Press.
- Hegel, Georg Wilhelm Friedrich 2008 [1820], *Outlines of the Philosophy of Right*, translated by Tom M. Knox, New York: Oxford University Press.

- Held, David 1995, *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance*, Stanford, CA: Stanford University Press.
- Held, David 2004, *Global Covenant: The Social Democratic Alternative to the Washington Consensus*, Cambridge: Polity Press.
- Helpman, Elhanan 2004, *The Mystery of Economic Growth*, Cambridge, MA: Belknap Press.
- Hof, Robert 2009, 'Google's New Ad Weapon', *Business Week*, 22 June.
- Holtug, Nils and Kasper Lippert-Rasmussen (eds.) 2007, *Egalitarianism: New Essays on the Nature and Value of Equality*, Oxford: Oxford University Press.
- Honneth, Axel 2014, *Freedom's Right: The Social Foundations of Democratic Life*, New York: Columbia University Press.
- Hsieh, Nien-hé 2014, 'Work, Ownership, and Productive Enfranchisement', in *Property-Owning Democracy: Rawls and Beyond*, edited by John O'Neill and Thad Williamson, Hoboken, NJ: Wiley-Blackwell.
- Hudson, Michael 2012, *The Bubble and Beyond: Fictitious Capital, Debt Deflation, and Global Crisis*, Dresden: ISLET-Verlag.
- Huws, Ursula 2003, *The Making of a Cybertariat: Virtual Work in a Real World*, New York: Monthly Review Press.
- Huws, Ursula (ed.) 2007, *Defragmenting: Towards a Critical Understanding of the New Global Division of Labour*, London: Merlin.
- Huws, Ursula (ed.) 2008, *Break or Weld? Trade Union Responses to Global Value Chain Restructuring*, London: Merlin.
- Itoh, Makoto and Costas Lapavistas 1998, *Political Economy of Money and Finance*, New York: Palgrave Macmillan.
- Jagger, Alison (ed.) 2010, *Thomas Pogge and His Critics*, Malden: Polity.
- Jameson, Fredric 1990, *Postmodernism, or, The Cultural Logic of Late Capitalism*, Durham, NC: Duke University Press.
- Johnson, Simon 2014, 'The Fed in Denial', Project Syndicate, available at: <http://www.project-syndicate.org/commentary/simon-johnson-is-not-sure-that-america-s-central-bank-knows-how-to-protect-its-independence>
- Kalecki, Michał 1971 [1943], 'Political Aspects of Full Employment', in *Selected Essays on the Dynamics of the Capitalist Economy*, Cambridge: Cambridge University Press.
- Kant, Immanuel 1991, 'Idea for a Universal History', in *Kant: Political Writings*, second edition, edited by H.S. Reiss, translated by H.B. Nisbet, Cambridge: Cambridge University Press.
- Keynes, John Maynard 1973 [1936], *The General Theory of Employment, Interest and Money: The Collected Writings of John Maynard Keynes, Volume VII*, Cambridge: Cambridge University Press.
- Kindleberger, Charles P. 2011 [1978], *Manias, Panics and Crashes: A History of Financial Crises*, sixth edition, New York: Palgrave Macmillan.

- Klein, Naomi 2008, *The Shock Doctrine: The Rise of Disaster Capitalism*, New York: Picador.
- Koo, Richard 2009, *The Holy Grail of Macroeconomics: Lessons from Japan's Great Recession*, Singapore: Wiley.
- Kremer, Michael 2002, 'Pharmaceuticals and the Developing World', *Journal of Economic Perspectives*, 16, no. 4: 67–90.
- Krier, Dan 2005, *Speculative Management: Stock Market Power and Corporate Change*, Albany, NY: SUNY Press.
- Krier, Dan 2009, 'Speculative Finance Capital, Corporate Earnings and Profit Fetishism', *Critical Sociology*, 35, no. 5: 657–75.
- Krouse, Richard and Michael McPherson 1988, "'Property-Owning Democracy" and the Welfare State', in *Democracy and the Welfare State*, edited by Amy Gutmann, Princeton, NJ: Princeton University Press.
- Krugman, Paul 2011, 'Everyone Has An Ideology', *New York Times*, 13 April.
- Krugman, Paul 2013, *End This Depression Now!*, New York: W.W. Norton.
- Kymlicka, Will 2001, *Contemporary Political Philosophy: An Introduction*, New York: Oxford University Press.
- Lacher, Hannes 2006, *Beyond Globalization: Capitalism, Territoriality and the International Relations of Modernity*, New York: Routledge.
- Lapavitsas, Costas 2013, *Profiting Without Production: How Finance Exploits Us All*, London: Verso.
- Lapavitsas, Costas (ed.) 2012, *Financialisation in Crisis*, Leiden: Brill.
- Lapavitsas, Costas et al. 2012, *Crisis in the Eurozone*, London: Verso.
- Lebowitz, Michael 2010, *The Socialist Alternative: Real Human Development*, New York: Monthly Review Press.
- Levine, Andrew, Elliott Sober and Erik Olin Wright 1987, 'Marxism and Methodological Individualism', *New Left Review*, 1/162: 67–84.
- Locke, John 1980 [1690], *Second Treatise of Government*, Indianapolis, IN: Hackett.
- Lotz, Christian 2014, *The Capitalist Schema: Time, Money, and the Culture of Abstraction*, Lanham, MD: Lexington Books.
- Lukács, Georg 1972 [1923], *History and Class Consciousness: Studies in Marxist Dialectics*, translated by Rodney Livingstone, Cambridge, MA: MIT Press.
- Lund, Susan, James Manyika, Scott Nyquist, Lenny Mendonca and Sreenivas Ramaswamy 2013, *Game Changers: Five Opportunities for US Growth and Renewal* New York: McKinsey Global Institute.
- Malleson, Tom 2014, 'Rawls, Property-Owning Democracy, and Democratic Socialism', *Journal of Social Philosophy*, 45, no. 2: 228–51.
- Mandel, Ernest 1995, *Long Waves of Capitalist Development: A Marxist Interpretation*, New York: Verso.
- Manyika, James, Michael Chui, Brad Brown, Jacques Bughin, Richard Dobbs, Charles

- Roxburgh and Angela Hung Byers 2011, *Big Data: The Next Frontier for Innovation, Competition, and Productivity*, New York: McKinsey Global Institute.
- Marx, Karl 1971 [1956], *Theories of Surplus-Value, Volume III*, edited by S. Ryazanskaya, translated by Renate Simpson and others, Moscow: Progress Publishers.
- Marx, Karl 1975a [1844], 'On the Jewish Question', in *Marx and Engels Collected Works*, Volume 3, New York: International Publishers.
- Marx, Karl 1975b [1844], 'Contribution to the Critique of Hegel's Philosophy of Law. Introduction', in *Marx and Engels Collected Works*, Volume 3, New York: International Publishers.
- Marx, Karl 1976a [1867], *Capital*, Volume 1, translated by Ben Fowkes, New York: Penguin.
- Marx, Karl 1976b [1933], 'Results of the Immediate Process of Production', appendix to *Capital*, Volume 1, translated by Ben Fowkes, New York: Penguin.
- Marx, Karl 1978 [1885], *Capital*, Volume 2, translated by David Fernbach, New York: Penguin.
- Marx, Karl 1980 [1851–2], 'The Eighteenth Brumaire of Louis Napoleon', in *Marx and Engels Collected Works*, Volume 11, New York: International Publishers.
- Marx, Karl 1981 [1894], *Capital*, Volume 3, translated by David Fernbach, New York: Penguin.
- Marx, Karl 1983 [22 February 1858], 'Letter to Lassalle', in *Marx and Engels Collected Works*, Volume 40, New York: International Publishers.
- Marx, Karl 1985 [1864], 'Inaugural Address of the Working Men's International Association', in *Marx and Engels Collected Works*, Volume 20, New York: International Publishers.
- Marx, Karl 1986a [1871], 'The Civil War in France', in *Marx and Engels Collected Works*, Volume 22, New York: International Publishers.
- Marx, Karl 1986b [1939], 'Outlines of the Critique of Political Economy' [*Grundrisse*, beginning], in *Marx and Engels Collected Works*, Volume 28, New York: International Publishers.
- Marx, Karl 1987a [1939], *Economic Manuscripts of 1857–58* [*Grundrisse*, conclusion], in *Marx and Engels Collected Works*, Volume 29, New York: International Publishers.
- Marx, Karl 1987b [1842], 'On Freedom of the Press', in *Marx and Engels Collected Works*, Volume 1, New York: International Publishers.
- Marx, Karl 1989 [1875], 'Critique of the Gotha Program', in *Marx and Engels Collected Works*, Volume 24, New York: International Publishers.
- Marx, Karl and Frederick Engels 1976 [1848], 'The Communist Manifesto', in *Marx and Engels Collected Works*, Volume 6, New York: International Publishers.
- Mattick, Paul 1991–2, 'Some Aspects of the Value-Price Problem', *International Journal of Political Economy*, 214: 9–66.

- Mazzucato Mariana 2013, *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*, London: Anthem Press.
- McKibben, Bill 2013, 'The Great Carbon Bubble: Why The Fossil Fuel Industry Fights So Hard', *TomDispatch*, available at: <http://www.tomdispatch.com/post/175499/>
- McNally, David 1993, *Against the Market: Political Economy, Market Socialism and the Marxian Critique*, London: Verso.
- McNally, David 2010, *Global Slump*, Oakland: PM Press.
- Mead, James 1964, *Efficiency, Equality and the Ownership of Property*, London: George Allen & Unwin.
- Minsky, Hyman 2008 [1986], *Stabilizing an Unstable Economy*, New York: McGraw-Hill.
- Mohun, Simon 2009, 'Aggregate Capital Productivity in the US Economy, 1964–2001', *Cambridge Journal of Economics*, 33, no. 5: 1023–46.
- Moody, Kim 1997, *Workers in a Lean World*, London: Verso.
- Moody, Kim 2007, *US Labor in Trouble and Transition: The Failure of Reform from Above, the Promise of Revival from Below*, New York: Verso.
- Moran, Michael 2012, *The Reckoning: Debt Democracy, and the Future of American Power*, New York: Palgrave Macmillan.
- Morris, Ian 2010, *Why the Rest Rules – For Now*, New York: Farrar, Straus, and Giroux.
- Moseley, Fred 1993, 'Marx's Logical Method and the "Transformation Problem"', *Marx's Method in Capital*, edited by Fred Moseley, Atlantic Highlands, NJ: Humanities Press.
- Moseley, Fred 2002, 'Hostile Brothers: Marx's Theory of the Distribution of Surplus-Value in Volume III of *Capital*', in *The Culmination of Capital: Essays on Volume III*, edited by Geert Reuten and Martha Campbell, New York: Palgrave.
- Moseley, Fred 2009, 'The US Economic Crisis: Causes and Solutions', *Marxism* 21, 13: 296–317.
- Moseley, Fred 2015a, 'Introduction', in Marx, Karl [1863–5], *Economic Manuscript of 1863–5*, translated by Ben Fowkes, Leiden: Brill.
- Moseley, Fred 2015b, *Money and Totality: A Macro-Monetary Interpretation of Marx's Logic in Capital*, Leiden: Brill.
- Moseley, Fred and Tony Smith (eds.) 2014, *Hegel's Logic and Marx's Capital: A Reexamination*, Leiden: Brill.
- Muniz Jr., Albert M. and Thomas C. O'Guinn 2001, 'Brand Community', *Journal of Consumer Research*, 27: 412–32.
- Murphy, Liam and Thomas Nagel 2004, *The Myth of Ownership: Property and Justice*, New York: Oxford.
- Murray, Patrick 1988, *Marx's Theory of Scientific Knowledge*, Atlantic Highlands, NJ: Humanities Press.
- Murray, Patrick 2000, 'Marx's "Truly Social" Labour Theory of Value. Part I, Abstract Labour in Marxian Value Theory', *Historical Materialism*, 6: 27–65.

- Murray, Patrick 2002, 'The Illusion of the Economic: The Trinity Formula and the "Religion of Everyday Life"', in *The Culmination of Capital: Essays on Volume III*, edited by Geert Reuten and Martha Campbell, New York: Palgrave.
- National Research Council 2012, *Rising to the Challenge: US Innovation Policy for the Global Economy* Washington, D.C.: The National Academies Press.
- Nelson, Richard (ed.) 1993, *National Innovation Systems*, Oxford: Oxford University Press.
- Nielsen, Kai and Steven Patten 1981, *Marx and Morality*, Alberta: Academic Printing and Publishing.
- Nozick, Robert 1974, *Anarchy, State, and Utopia*, New York: Basic Books.
- Nussbaum, Martha 1990, 'Aristotelian Social Democracy', in *Liberalism and the Good*, edited by Gerald Mara, Henry Richardson and Bruce Douglass, New York: Routledge.
- Nussbaum, Martha 2000, 'Aristotle, Politics, and Human Capabilities: A Response to Antony, Arneson, Charlesworth, and Mulgan', *Ethics*, 111: 102–40.
- Nussbaum, Martha 2001, *Women and Human Development*, New York: Cambridge University Press.
- Nussbaum, Martha 2006, *Frontiers of Justice*, Cambridge, MA: Belknap Press.
- Nussbaum, Martha and Joshua Cohen (eds.) 2002, *For Love of Country*, Boston: Beacon Press.
- O'Connor, Sarah 2015, 'The Human Cloud: A New World of Work', *Financial Times*, 8 October.
- OECD 2011, *Science, Technology and Industry Scorecard 2010*, Paris: Organization for Economic Co-operation and Development.
- Okin, Susan Moller 1989, *Justice, Gender, and the Family*, New York: Basic Books.
- Ollman, Bertell 1976, *Alienation: Marx's Conception of Man in Capitalist Society*, New York: Cambridge University Press.
- Ollman, Bertell 1993, *Dialectical Investigations*, New York: Cambridge University Press.
- Ollman, Bertell (ed.) 1998, *Market Socialism: The Debate Among Socialists*, New York: Routledge.
- O'Neill, John and Thad Williamson 2014, *Property-Owning Democracy: Rawls and Beyond*, Hoboken, NJ: Wiley-Blackwell.
- O'Neill, John 2014, 'Free (and Fair) Markets without Capitalism: Political Values, Principles of Justice, and Property-Owning Democracy', in *Property-Owning Democracy: Rawls and Beyond*, edited by John O'Neill and Thad Williamson, Hoboken, NJ: Wiley-Blackwell.
- Panitch, Leo and Martijn Konings (eds.) 2008, *American Empire and the Political Economy of Global Finance*, New York: Palgrave Macmillan.
- Panitch, Leo and Sam Gindin 2012, *The Making of Global Capitalism: The Political Economy of American Empire*, New York: Verso.

- Parfit, Derek 2011, *On What Matters*, 2 Volumes, Oxford: Oxford University Press.
- Patnaik, Prabhat 1997, *Accumulation and Stability Under Capitalism*, Oxford: Clarendon Press.
- Patnaik, Prabhat 2009, *The Value of Money*, New York: Columbia University Press.
- Perelman, Michael 1998, *Class Warfare in the Information Age*, New York: St. Martin's Press.
- Perez, Carlota 2002, *Technological Revolutions and Financial Capital*, Northampton, MA: Edward Elgar.
- Perez, Carlota 2009, 'The Double Bubble at the Turn of the Century: Technological Roots and Structural Implications', *Cambridge Journal of Economics*, 33, no. 4: 779–805.
- Pettis, Michael 2013, *The Great Rebalancing*, Princeton: Princeton University Press.
- Pettit, Philip 2012, *On The People's Terms: A Republican Theory and Model of Democracy*, New York: Cambridge University Press.
- Piketty, Thomas 2014, *Capital in the Twenty-First Century*, translated by Arthur Goldhammer, Cambridge, MA: Belknap Press.
- Pinkard, Terry 2013, *Hegel's Naturalism: Mind, Nature, and the Final Ends in Life*, New York: Oxford University Press.
- Pippin, Robert 2008, *Hegel's Practical Philosophy: Rational Agency as Ethical Life*, Cambridge: Cambridge University Press.
- Pogge, Thomas 1989, *Realizing Rawls*, Ithaca, NY: Cornell University Press.
- Pogge, Thomas 2001, 'Eradicating Systematic Poverty: Brief for a Global Resources Dividend', *Journal of Human Development*, 2, no. 1: 59–77.
- Pogge, Thomas 2002, *World Poverty and Human Rights*, Malden, MA: Polity Press.
- Pogge, Thomas 2009, 'Shue on Rights and Duties', in *Global Basic Rights*, edited by Charles Beitz and Robert Goodin, Oxford: Oxford University Press.
- Pogge, Thomas 2010a, 'Response to the Critics', in *Thomas Pogge and His Critics*, edited by Alison Jaggar, Malden, MA: Polity.
- Pogge, Thomas 2010b, 'A Critique of the Capability Approach', *Measuring Justice: Primary Goods and Capabilities*, edited by Harry Brighouse and Ingrid Robeyns, New York: Cambridge University Press.
- Pontussen, Jonas 1987, 'Radicalization and Retreat in Swedish Social Democracy', *New Left Review*, 1/165: 5–33.
- Postone, Moishe 1993, *Time, Labor, and Social Domination*, New York: Cambridge University Press.
- Prasad, Eswar 2014, *The Dollar Trap: How The US Dollar Tightened Its Grip on Global Finance*, Princeton, NJ: Princeton University Press.
- Rawls, John 1971, *A Theory of Justice*, Cambridge, MA: Harvard University Press.
- Rawls, John 1993, *Political Liberalism*, New York: Columbia University Press.
- Rawls, John 1999a, *The Law of Peoples*, Cambridge MA: Harvard University Press.

- Rawls, John 1999b [1985], 'Justice as Fairness: Political not Metaphysical', in *Collected Papers*, edited by Samuel Freeman, Cambridge, MA: Harvard University Press.
- Rawls, John 1999c [1993], 'The Law of Peoples', in *Collected Papers*, edited by Samuel Freeman, Cambridge: Harvard University Press.
- Rawls, John 1999d [1997], 'The Idea of Public Reason Revisited', in *Collected Papers*, edited by Samuel Freeman, Cambridge, MA: Harvard University Press.
- Rawls, John 2001, *Justice as Fairness: A Restatement* Second Edition, Cambridge, MA: Belknap Press.
- Rawls, John 2007, *Lectures on the History of Political Philosophy*, Cambridge, MA: Belknap Press.
- Raz, Joseph 1986, *The Morality of Freedom*, Oxford: Clarendon Press.
- Raz, Joseph 2014, *From Normativity to Responsibility*, New York: Oxford University Press.
- Reinert, Erik 2008, *How Rich Countries Got Rich and Why Poor Countries Stay Poor*, New York: Public Affairs.
- Reuten, Geert 1991, 'Accumulation of Capital and the Foundation of the Tendency of the Rate of Profit to Fall', *Cambridge Journal of Economics*, 15, no. 1: 79–93.
- Reuten, Geert 2000, 'The Interconnection of Systematic Dialectics and Historical Materialism', *Historical Materialism*, 7: 137–65.
- Reuten, Geert 2002, 'The Rate of Profit Cycle and the Opposition between Managerial and Finance Capital', in *The Culmination of Capital: Essays on Volume III*, edited by Martha Campbell and Geert Reuten, London: Palgrave.
- Reuten, Geert 2015, 'Finance and Management of Capital', presented at *Money, Capital and Faces of Contemporary Capitalism* seminar, University of Amsterdam.
- Reuten, Geert and Michael Williams 1989, *Value-Form and the State*, New York: Routledge.
- Ricardo, David 1970, *On the Principles of Political Economy and Taxation The Work and Correspondence of David Ricardo*, Volume 1, edited by Piero Sraffa, Cambridge: Cambridge University Press.
- Roberts, Dexter 2014, 'Corporate China's Black Hole of Debt', *Bloomberg Businessweek*, 19 November, 15–16.
- Rockström, John et al. 2009, 'A Safe Operating Space for Humanity', *Nature*, 24 September, 472–5.
- Roediger, David 1999, *The Wages of Whiteness: Race and the Making of the American Working Class*, revised edition, New York: Verso.
- Roemer, John 1994, *A Future for Socialism*, Cambridge, MA: Harvard University Press.
- Roemer, John et al. 1996, *Equal Shares: Making Market Socialism Work*, London: Verso.
- Rosenberg, Justin 1994, *The Empire of Civil Society: A Critique of the Realist Theory of International Relations*, New York: Verso.
- Roubini, Nouriel 2009, 'The Mother of All Carry Trades Faces an Inevitable Bust', *Financial Times*, 1 November.

- Roubini, Nouriel and Stephen Mihm 2010, *Crisis Economics: A Crash Course in the Future of Finance*, New York: Penguin.
- Rubin, Isaak Illich 1973, *Essays on Marx's Theory of Value*, Detroit: Black Rose Books.
- Sandel, Michael 1982, *Liberalism and the Limits of Justice*, Cambridge: Harvard.
- Sandel, Michael 2013, *What Money Can't Buy*, Cambridge, MA: Harvard University Press.
- Scanlon, Thomas 2000, *What We Owe To Each Other*, Cambridge, MA: Belknap Press.
- Scanlon, Thomas 2014, *Being Realistic About Reasons*, New York: Oxford University Press.
- Schweickart, David 1978, 'Should Rawls be a Socialist?', *Social Theory and Practice*, 5, no. 1: 1–28.
- Schweickart, David 1993, *Against Capitalism*, Cambridge: Cambridge University Press.
- Schweickart, David 2002, *After Capitalism*, Lanham, MD: Rowman & Littlefield.
- Schweickart, David 2008, 'Is Sustainable Capitalism an Oxymoron?', *Synthesis/Regeneration*, 47, available at: <http://www.greens.org/s-r/47/47-03.html>
- Schweickart, David 2014, 'Property-Owning Democracy or Economic Democracy?', in *Property-Owning Democracy: Rawls and Beyond*, edited by John O'Neill and Thad Williamson, Hoboken, NJ: Wiley-Blackwell.
- Sen, Amartya 1999, *Development as Freedom*, New York: Knopf.
- Sen, Amartya 2009, *The Idea of Justice*, Cambridge, MA: Belknap Press.
- Sen, Amartya 2010, 'The Place of Capability in a Theory of Justice', in *Measuring Justice: Primary Goods and Capabilities*, edited by Harry Brighouse and Ingrid Robeyns, New York: Cambridge University Press.
- Shaikh, Anwar 2007, 'Globalization and the Myth of Free Trade', in *Globalization and the Myths of Free Trade: History, Theory, and Empirical Evidence*, edited by Anwar Shaikh, New York: Routledge.
- Sheng, Andrew 2011, 'The Coming Global Credit Glut', *Project Syndicate*, available at: <http://www.project-syndicate.org/columnist/andrew-sheng>
- Shue, Henry 1996, *Basic Rights: Subsistence, Affluence and Us Foreign Policy*, second edition, Princeton, NJ: Princeton University Press.
- Sirkin, Harold, Michael Zinser and Douglas Hohner 2011, *Made in America, Again*, Boston: Boston Consulting Group.
- Smith, Richard 2013, 'Capitalism and the Destruction of Life on Earth: Six Theses on Saving the Humans', *Real-World Economics Review*, 64: 125–50.
- Smith, Tony 1990, *The Logic of Marx's Capital: Replies to Hegelian Criticisms*, Albany, NY: SUNY Press.
- Smith, Tony 1997a, 'A Critical Comparison of the Neoclassical and Marxian Theories of Technical Change', *Historical Materialism*, 1, no. 1: 113–33.
- Smith, Tony 1997b, 'Marx's Theory of Social Forms and Lakatos's Methodology of Scientific Research Programs', in *New Investigations of Marx's Method*, edited by Fred Moseley and Martha Campbell, Atlantic Highlands, NJ: Humanities Press.

- Smith, Tony 2000, *Technology and Capital in the Age of Lean Production: A Marxian Critique of the 'New Economy'*, Albany, NY: SUNY Press.
- Smith, Tony 2003, 'Technology and History in Capitalism: Marxian and Neo-Schumpeterian Perspectives', in *Essays on Volume 1 of Marx's Capital*, edited by Riccardo Bellofiore and Nicole Taylor, New York: Palgrave Macmillan.
- Smith, Tony 2005, *Globalisation: A Systematic Marxian Account*, Leiden: Brill.
- Smith, Tony 2007, 'Technological Dynamism and the Normative Justification of Global Capitalism', in *Political Economy and Global Capitalism*, edited by Robert Albritton, Richard Westra and Bob Jessop, London: Anthem Press.
- Smith, Tony 2010a, 'Technological Change in Capitalism: Some Marxian Themes', *Cambridge Journal of Economics*, 34, no. 1: 203–12.
- Smith, Tony 2010b, 'Karl Marx', in *The Routledge Companion to Nineteenth Century Continental Philosophy*, edited by Dean Moyer, New York: Routledge.
- Smith, Tony 2012a, 'New Economy/New Technology', in *The Elgar Companion to Marxist Economics*, edited by Ben Fine and Alfredo Saad-Filho, Northampton, MA: Edward Elgar.
- Smith, Tony 2012b, 'Is Socialism Relevant in the "Networked Information Age"? A Critical Assessment of *The Wealth of Networks*', in *Taking Socialism Seriously*, edited by Richard Schmitt, Lanham, MD: Lexington Books.
- Smith, Tony 2013a, 'The "General Intellect" in the *Grundrisse* and Beyond', in *In Marx's Laboratory: Critical Interpretations of the Grundrisse*, edited by Peter Thomas, Guido Starosta and Riccardo Bellofiore, Leiden: Brill.
- Smith, Tony 2013b, 'Beyond "The Keynes Solution"', *Rethinking Marxism*, 25, no. 1: 70–86.
- Smith, Tony 2014, 'Hegel, Marx, and the Comprehension of Capitalism', in *Hegel's Logic and Marx's Capital: A Reexamination*, edited by Fred Moseley and Tony Smith, Leiden: Brill.
- Smith, Tony 2015a, 'Hegel and Capitalism: Some Marxian Themes', in *Hegel and Capitalism*, edited by Andrew Buchwalter, Albany, NY: SUNY Press.
- Smith, Tony 2015b, 'The End of One American Century ... and the Beginning of Another?', in *The Future of Capitalism After the Financial Crisis: The Varieties of Capitalism Debate in the Age of Austerity*, edited by Richard Westra, Dennis Badeen and Robert Albritton, New York: Routledge.
- Stallabrass, Julian 1993, 'Just Gaming: Allegory and Economy in Computer Games', *New Left Review*, 198: 83–106.
- Steedman, Ian 1977, *Marx after Sraffa*, London: New Left Books.
- Stern, Nicholas 2007, *The Economics of Climate Change: The Stern Review*, Cambridge: Cambridge University Press.
- Stiglitz, Joseph 2002, *Globalization and Its Discontents*, New York: W.W. Norton.
- Stiglitz, Joseph 2012, 'The Price of Inequality', *Project Syndicate*, available at: <http://www.project-syndicate.org/commentary/the-price-of-inequality>

- Stiglitz Joseph and Bruce Greenwald 2014, *Creating a Learning Society: A New Approach to Growth, Development, and Social Progress*, New York: Columbia University Press.
- Streeck, Wolfgang 2014, *Buying Time: The Delayed Crisis of Democratic Capitalism*, London: Verso.
- Tan, Kok-Chor 2006, 'The Problem of Decent Peoples', in *Rawls's Law of Peoples: A Realistic Utopia?*, edited by Rex Martin and David A. Reidy, Malden, MA: Blackwell.
- Thomas, Alan 2014, 'Property-Owning Democracy, Liberal Republicanism, and the Idea of an Egalitarian Ethos', in *Property-Owning Democracy: Rawls and Beyond*, edited by John O'Neill and Thad Williamson, Hoboken, NJ: Wiley-Blackwell.
- Toporowski, Jan 2000, *The End of Finance: The Theory of Capital Market Inflation, Financial Derivatives and Pension Fund Capitalism*, New York: Routledge.
- Toporowski, Jan 2005, *Theories of Financial Disturbance: An Examination of Critical Theories of Finance from Adam Smith to the Present Day*, Northampton, MA: Edward Elgar.
- Toussaint, Eric 1999, *Your Money or Your Life! The Tyranny of Global Finance*, London: Pluto Press.
- Turner, Adair 2015, *Between Debt and the Devil: Money, Credit, and Fixing Global Finance*, Princeton, NJ: Princeton University Press.
- Van Parijs, Phillipe 1998, *Real Freedom for All*, Oxford: Oxford University Press.
- Varoufakis, Yanis 2010, *The Global Minotaur*, New York: Zed Books.
- Varoufakis, Yanis, Joseph Halevi and Nicholas J. Theocarakis 2011, *Modern Political Economics: Making Sense of the Post-2008 World*, New York: Routledge.
- Vercellone, Carlo 2007, 'From Formal Subsumption to General Intellect: Elements for a Marxist Reading of the Thesis of Cognitive Capitalism', *Historical Materialism*, 15, no. 1: 13–36.
- Virno, Paolo 2007, 'General Intellect', *Historical Materialism*, 15, no. 3: 3–8.
- Volcker, Paul 2012, 'Is Global Financial Reform Possible?', *Project Syndicate*, available at: <http://www.project-syndicate.org/commentary/is-global-financial-reform-possible->
- Von Platz, Jeppe and John Tomasi 2015, 'Liberalism and Economic Liberty', in *The Cambridge Companion to Liberalism*, edited by Steven Wall, Cambridge: Cambridge University Press.
- Walzer, Michael 1983, *Spheres of Justice: A Defense of Pluralism and Equality*, New York: Basic Books.
- Weber, Max 1994, *Political Writings*, edited by Peter Lassman, translated by Ronald Speirs, Cambridge: Cambridge University Press.
- Weeks, John 2010, 'Miracles and Crisis: Boom, Collapse and Recovery in East and Southeast Asia', in *Confronting Global Neoliberalism: Third World Resistance and Development Strategies*, edited by Richard Westra, Atlanta, GA: Clarity Press.

- Westra, Richard (ed.) 2010, *Confronting Global Neoliberalism: Third World Resistance and Development Strategies*, Atlanta, GA: Clarity Press.
- Westra, Richard 2012, *The Evil Axis of Finance*, Atlanta, GA: Clarity Press.
- Westra, Richard 2015, *Exit from Globalisation*, New York: Routledge.
- Westra, Richard, Dennis Badeen and Robert Albritton 2015, *The Future of Capitalism After the Financial Crisis: The Varieties of Capitalism Debate in the Age of Austerity*, New York: Routledge.
- Williamson, Thad 2014, 'Realizing Property-Owning Democracy', in *Property-Owning Democracy: Rawls and Beyond*, edited by John O'Neill and Thad Williamson, Hoboken, NJ: Wiley-Blackwell.
- Willmott, Hugh 2010, 'Creating "Value" Beyond the Point of Production: Branding, Financialization and Market Capitalization', *Organization*, 17, no. 5: 517–42.
- Wolf, Clark 2009, 'Intergenerational Justice, Human Needs, and Climate Policy', in *Justice Between Generations*, edited by Axel Gosseries and Lucas Meyer, New York: Oxford University Press.
- Wolf, Martin 2008, *Fixing Global Finance*, Baltimore, MD: Johns Hopkins Press.
- Wolf, Martin 2014, *The Shifts and the Shocks*, New York: Penguin.
- Woo, Tim 2010, *The Master Switch: The Rise and Fall of Information Empires*, New York: Knopf.
- Wood, Ellen Meiksins 2002, *The Origin of Capitalism: A Longer View*, London: Verso.
- Wood, Neal 1984, *John Locke and Agrarian Capitalism*, Berkeley, CA: University of California Press.
- Woodward, Bob 2000, *Maestro: Greenspan's Fed and the American Boom*, New York: Simon and Schuster.
- Worrell, Mark 2010, *Why Nations Go to War: A Sociology of Military Conflict*, New York: Routledge.
- Wray, L. Randall 2012, *Modern Money Theory*, New York: Palgrave Macmillan.
- Zittrain, Jonathan 2008, *The Future of the Internet – and How to Stop It*, New Haven, CT: Yale University Press.

Index

- Abstract labour 81, 83–4, 88n30, 90
Ackerman, Bruce 34, 68n35, 166, 168, 198
Agency 7–10, 100, 101n
 Of workers 139–40
 See also freedom
Arneson, Richard 18, 39
Atomism (Social) 51–2, 54–7, 115
Autonomy *See* agency; freedom
- Barry, Brian 2, 19, 40n31, 55
Basic income 48, 65, 67, 166, 167, 170, 192–4,
 198, 292n28, 316–17
Benkler, Yochai 269–78, 330n27, 301n49
Blaugh, Mark 125
Brock, Gilliam 47
Buchanan, Alan, 2
- Capability theory 15–18
 See also Nussbaum
- Capital
 dominant subject 111, 127
 end of 114–19, 122, 131, 142, 262, 308, 336,
 342, 346
 indeterminacy of 116–18, 185
 property-owning democracy and 323,
 329–34
 pseudo-subject 120–30, 349
 value in process 108–13, 120
 See also financial capital; technology in
 capitalism; valorization imperative;
 value theory; world market
- Care labour 23–4, 128n46, 297n40
Central banks 155, 202, 224, 225, 235, 242,
 256, 258, 284
Civil society 41–4, 55, 169, 186
 Global 49
 See also public sphere; will-formation
Cohen, G.A. 15n34
Commodity, generalized production of 74–
 9, 103
Commons 271–2, 273, 277, 343, 346
Communitarianism 38, 39, 40n31, 52, 56–8,
 115, 118, 259–61
Comparative advantage 176–7, 213
Consumption 26, 291–3
Cosmopolitanism 46–9, 174–5
- Debord, Guy 299–300
Debt trap 212n37, 242–3
Developmental state 178–80, 209–15, 217
Dworkin, Ronald 13–15, 53–4, 92n37, 166,
 266
 Wage labour and 65
- Economic crisis 28–9, 33, 268
 commons-based peer production and
 304
 See also overaccumulation
Economic justice 12–13
Economic reductionism 68, 101, 183–91
Egoism 6
Environmental crisis 27, 97, 156–7, 173, 206–
 9, 251–3, 288n20, 339
 Property-owning democracy and 333–4
Equality 8, 11, 44
 Marxist critique of 61–2
 Of opportunity 3, 4, 7, 11–12, 15, 21, 30, 35,
 45n41, 59, 166, 267, 325
 See also moral equality principle
Evans, Fred 55n15
Exploitation 124–5, 301–2
 See also wage labour
Externalities 27–8, 33, 173, 312
- Fetishism 84n23, 97, 101–2, 103, 104, 124
 In financial capital 149
Financial Capital 33–5, 148–52, 221, 267, 305
 Property-owning democracy and 320–3,
 325, 328
Financial Crisis 152–5, 171–2, 204–9, 221n36,
 220–1, 225–7, 241–2
Financialisation 155–6, 223–6, 238–47, 266,
 282, 284
Freedom 8, 10, 11, 22, 25
 Commons-based peer production and
 270, 275, 294–9
 Formal versus substantive 10, 15, 29, 33,
 47, 124, 132, 196, 198, 220, 315
 Markets and 26–7, 29, 33, 124
- General intellect 185n5, 330–2, 346, 349n11
Global governance 44–9
Global imbalances 227–8, 247–51, 284

- Globalization 209–15, 236–8, 240n47
See also global imbalance; global justice;
 world market
- Global justice 174–82, 209–15, 217, 271, 276,
 303–6
See also world market
- Greenspan, Alan 236, 242n54
- Held, David 2, 47–8
- Habermas, Jürgen 2, 19, 20n41, 42–3, 55,
 57n19
 On money 92n37, 99–100, 98n38, 101–2,
 109n8
- Harvey, David 112n18, 237n41
- Hayek, Friedrich 105, 113
- Hegel, G.W.F. 9n22, 52n5
 Marx's concept of capital and 111–12
 Method 73n
 Reconciliation of communitarianism and
 liberalism in 115n22
- Hobbes, Thomas 31, 51, 55
- Household 22–4, 76, 128n46, 190n12,
 297n40
- Hudson, Michael 198n22
- Inequality 29–31, 35–6, 239
 Global 45–7, 157–60
 In US 222
- Intellectual property rights
 Peer production and 277, 303, 307–8,
 339
 Response to spread of national innovation
 systems 287–8
 Uneven development and 214n41, 223
- Intergenerational justice 280
- Kalecki, Michal 153, 154, 198n21, 202
- Kant, Immanuel 51, 52, 80n14
- Keynes, J.M. 29, 33, 34, 152, 220, 221
 World money and 181, 227–8
- Krier, Dan 240n48
- Liberalism (traditional) 6, 25–6, 52, 58, 70,
 114–15, 166
 Marxist critique of 51–61
 Money and 105
- Libertarianism 2n2, 27, 29, 39n29, 58, 64,
 105, 160, 174, 259
- Locke, John 31, 53–4, 60
- Marx, Karl 52–4
 Critique of liberalism 54–62
 Economic reductionism and 68, 78, 162–
 5, 183–9, 187–91
 Liberal egalitarian criticisms of 63–70
 Methodological framework 73, 77–8, 90
 Money and 85–90, 93–5, 97, 106–8
 Normative dimension of x, 59, 91–8
 World market and 157–8
See also capital; value theory; valorization
 imperative; wage labour
- Means of production, private ownership of
 65–70, 313–15, 317–20, 326–33, 340, 344
- Methodological individualism 74–5, 93, 98–
 9
- Minsky, Herman 153–4
- Money 42, 85, 88–98, 100, 103
 Credit money in neoliberalism 232–3,
 254–8
 End versus means 105–8, 113
 Coercion and 121, 294–5
 Property-owning democracy and 327
- Moral equality principle 1–3, 4, 6, 10, 13, 18,
 19, 31, 35, 38, 41–2
 Bargaining power and 29–30
 Households and 22, 23
 Markets and 29–31
- Moseley, Fred 89n34, 126n40, 150n38
- Murray, Patrick 83n19, 83n21
- National innovation systems 158–9, 179–81,
 209–14, 285–6, 338–9
 In US, 281–2, 283–6, 288, 308, 311n
- Negri, Antonio 130n48, 349
- Neoliberalism ix–x, 329n25
 Credit in 232–3, 254–6
 Environmental crises and 247–51
 Financialization and 223–7, 238–47, 332–
 3
 Global imbalances in 247–51
 Globalization and 222–3, 236–8
 Liberal egalitarian interpretation of 222–
 9
 Response to overaccumulation 230–4,
 244–5, 258–9
 Role of state in 228–9, 231–2, 243–4, 247,
 337
 War on labour and 222, 234–6, 240, 328–
 9

- Neo-Schumpeterians 263–9, 338
- Nozick, Robert 39n29, 58, 60, 114, 259, 260
- Nussbaum, Martha 2–3, 7, 16–17, 39, 166
- Okin, Susan 22, 24n4
- Ollman, Bertell 52n6
- Overaccumulation 144–8, 151–2, 169–71, 201–5, 230, 244–5, 247, 250, 254, 256–7, 259, 265–6, 285–6, 292, 339
 In China 250n73
 In Property Owning Democracy 332, 333, 345
- Parfit, Derek 11, 5, 8, 14n33, 49n54
- Peer production (commons-based) 129n47, 269–78, 293–311, 339, 345, 346
- Perez, Carlota 264–9, 279–80, 283
- Perfectionism 6, 18, 40
- Pogge, Thomas 46–7, 49n55, 175–6
- Political, bifurcation of 187–91, 194, 207, 216–17, 301–2, 324, 342–3
- Post Keynesianism 99n47
- Postone, Moishe 111
- Preferences 5–6, 8, 24, 40n32, 41, 56–7, 118
- Prioritism 14n33
- Property-Owning Democracy 36n25, 109n8, 312–34
- Public sphere 41–3, 101, 173, 270–1, 275–6, 299–302
 See also will-formation
- Rawls, John 2, 10–11, 14, 15n34, 17, 19, 62n30, 192n14, 221, 258, 260n93
 Branches of government 32–6, 147, 167, 169–70, 201, 228
 Difference principle 12–14, 46, 166, 174, 203
 Equality of opportunity 11–12
 Global poverty and inequality, explanation of 44–5
 Households and 22
 Individualism in 52, 55–6, 99
 Law of peoples 44–6, 174
 Liberties 11, 31, 58
 On money 92n37
 Original position 2, 10–11, 19, 55–6
 Priority of right over good 39, 114
 Property-owning democracy and 36n25, 66, 109n8, 312–13, 321n16, 323n19, 347
 Stationary state 171, 201, 203–4
 See also resourcism
- Raz, Joseph 18, 39, 40
- Research and development 28, 158–9, 271, 281, 285
 In property-owning democracy 333
 See also national innovation system, technological change in capitalism
- Resourcism 10–15, 16, 17–18
- Reuten, Geert 83n21, 144n30, 150n38
- Ricardo, David 176–7
- Rights 53–4, 58–60, 61, 196
 And indeterminacy of capital 117, 229
- Sandel, Michael 38n26, 52, 57n19, 92n38, 101, 259–60
- Scanlon, Thomas 2, 19, 55
- Schweickart, David 124n32, 331n30
- Social democracy 220
 In Scandinavia 200n23
- Socialism 70n38, 342–6
 Coupon socialism 319n14
 Liberty and 347–8
 Preconditions for 349–52
 Rawls's views on 313, 340
- Spectacle 299–300
- State
 Democracy in 133
 Indeterminacy of 184, 185, 190, 199, 210, 216
 In liberal egalitarianism 31–40
 Marxian theory of 183–92
 Neutrality of 37–40
 Non-reducibility of 163–5, 185–91
 Role in neoliberalism 243–4, 246–7, 260
 See also developmental state; political
- State of nature 53–4, 60
- Sufficientarianism 14
- Technological revolutions 264–6, 279–80
- Technology in capitalism 135–43, 285–6, 304–5
 Financialisation and 241
 Labour relations and 196, 170–1, 197, 234–5, 289–91, 298
 Overaccumulation and 145
 World market and 159–60, 177–80, 214, 303

- See also* environmental crisis; national innovation systems; technological revolution; technology transfer
 Technology transfer 210–11, 213, 213–17
 Time, politics of 136, 143, 295–6, 305–6, 329–31, 340, 345
 Toporowski, Jan 154, 239n
 Transformation problem 82–3, 85, 89, 126n40

 Unemployment 29, 33
 See also wage labour
 Uneven development
 See world market
 Utilitarianism 4, 5, 8, 11, 38

 Valorisation imperative 106–8, 121, 196, 197, 199, 204, 205, 216–17, 236, 245, 253, 345, 348
 Environment and 310
 Peer production and 308, 309
 Property-owning democracy and 321, 327–9, 330–1, 333
 Technology and 142
 Wage labour and 124–5, 126
 Value theory 63, 84–90, 93, 103, 122n31, 265
 Van Parijs, Phillipe 34, 166

 Wage labour 199–201, 240n47
 Coercion and 64–5, 121–2, 124, 128, 132, 166–7, 188, 192–5, 216, 222–3, 294–5, 314–18
 Domination and 122, 133–7, 167–8, 195–8
 Exploitation and 122–4, 137–43, 168, 198, 234–9, 240n47, 245n63
 Reforms in 64–5, 219
 Technology and 289–93
 Walzer, Michael 76
 Weber, Max 70n38, 76n
 Well-being 3–7, 26, 49
 Westra, Richard 213n38
 Will-formation 19–21, 41–2, 43, 101, 173, 191, 270, 275–6, 299–302
 See also civil society; public sphere
 Workplace democracy 196–8, 323–9, 331–2, 342–3
 World market 157–60, 174–81, 209–15, 217, 231, 246n64, 266, 268, 276, 303
 In property-owning democracy 333, 346
 See also global imbalances; globalization; global justice
 World money 181–2, 232–3, 246, 248–51, 283–4