The Anti-Samuelson

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Macroeconomics:

BASIC PROBLEMS OF THE CAPITALIST ECONOMY

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A four-volume edition of this book was first published in a German translation in 1974 by Politladen, Erlangen, under the title Der Anti-Samuelson. The joint decision of the publisher and author to condense the work was dictated by the desire to reduce costs and thus bring its price within reach of both students and teachers. Inevitably, in so radical a scaling-down, a great deal of textual elaboration, annotation, and bibliographical data had to be sacrificed. Those who wish to pursue the author's ideas and argumentation in greater depth are referred to the unabridged German-language edition.
2 Central Ideological Problems of all Economic Theories of Capitalism Based on Nonfundamental Relations of the Capitalist Mode of Production: the "Market" Approach
S's Chapters 2-4

... GM long ago recognized that it wasn't in the auto business; rather, its business is making money, using products as the means.
—Wall Street Journal, September 1, 1971

Although we believe that the material touched on in Part I of S's book merits attention, its organization is somewhat ambiguous. One might claim some pedagogic justification for beginning with matters familiar to the student from everyday life, and gradually going on to theory. The problem with this approach, however, is the way in which it uses, or rather exploits, that familiarity. Instead of transcending the prescientific notions the student brings with him, S in fact reproduces that superficiality, but this time more perniciously, lending it a scientific gloss.

Not only does S's discussion in these early chapters fail to deal with the student's prescientific notions about capitalism, but the theoretical elaborations of the later chapters are also inadequate to that task. Thus, for instance, the discussion of money in Chapter 3 rests and builds on the most superficial views imposed on all agents of the capitalist sphere of circulation. Having giving scientific sanction to these views, S thus wins the reader over for their subsequent elaboration in national-income theories
(Chapter 10), banking and credit (Chapters 15-18), and the international monetary system (Chapters 33 and 36). Or again, unquestioning and convenient presuppositions are made about certain widespread notions about the autonomy, equality, and dominant position of "consumers" in capitalist societies in order to prepare the reader for accepting theories of demand, price, and production factors offered in later chapters (22-32).

Even within the methodological framework of bourgeois economics, S's discussion of supply and demand remains meaningless unless the factors "lying behind the supply and demand curves" (consumer preferences and production factors) have been explained. But the students who only take a "macro course" will never be given this basic explanation. They will have to make do with the slightly more polished version of their own circulation-sphere notions of the opening section, chapters which only strengthen existing prejudices by reinforcing beliefs about the alleged freedom, equality, and democracy of consumer sovereignty, etc.

For those who do go on to the "micro analysis," the implausible theories of Chapters 22-23 are made more palatable by the beliefs cultivated in the early chapters. (For what else could be the purpose of Chapter 4 on supply and demand and its recapitulation in Chapters 20 and 22? Interestingly enough, the first edition did not have an introductory chapter on supply and demand.)

The chapter sequence of S's textbook has confronted the authors of this critique with a difficult procedural problem. For just as supply and demand make little sense by themselves, an introductory critique of supply and demand by itself, without a prior analysis of the theoretical base, also is inadequate. Unfortunately, however, the critiques of demand theory and production factors belong to the more difficult theoretical parts of our critique, and at any earlier stage would most likely prove a hindrance rather than a help. For this reason we have decided to retain the chapter-by-chapter format and have combined the relevant material from Chapters 2-4 into this one. We have tried to
restrict ourselves as much as possible to an analysis of the primarily ideological function of these early chapters, leaving the basic theoretical critique to Chapters 22-32. But we have also tried to anticipate the later discussion by pointing out where the assumption and conclusions of the introductory ideology foreshadow later arguments.

In brief, we have structured our critique thus: We begin by analyzing those factors which S presents as the ultimate determinants of economic activity in all societies. We do so not because of the intrinsic merit of the material but rather with a view toward the basis S is trying to lay for the jump to the specific capitalist determinants of economic activity. We then proceed to an examination of S’s definition of the specific capitalist response to the “economic problems”; we will emphasize the superficiality and distortion growing out of the ambiguous attempt to reduce the complicated mediations between consumption and production in a society characterized by class relations of wage labor and capital to a “market economy” oriented toward the satisfaction of consumer needs.

I / THE SUPRAHISTORICAL DETERMINANTS OF ECONOMIC ACTIVITY

Chapter 2 is largely devoted to spelling out the purported fundamental constrictions valid for all forms of economic activity. The ostensible reason for this description relates to the light it will shed on the specific manner in which the mixed economy copes with these constrictions. Although later on, in Chapter 4, S contends that this discussion responds to the “basic problems of economic organization” alternative to that of a “system of markets and prices,” they are merely referred to as “extremes” (“custom, instinct, command”; 18) without further comment. This gives the impression that the “market” is not an extreme but the normal way of life, an impression or suspicion strengthened by the fact that neoclassical economics singles out the “market system” as the most, or perhaps, only rational economic approach.
In large part, the methodological restrictions we imposed on ourselves in the first chapter also apply here; that is to say, the insubstantial nature of S's discussion make a plausible critique very difficult without engaging in the same sort of sterile, insubstantial methodologizing.

The connection to Chapter 1 becomes obvious when we look at the use to which its "definition" of economics is put here. Leaving a fuller discussion to Chapter 7, we notice that the central terms from that definition, as far as the present context is concerned, are "choice" and "scarcity." For S, these two notions are very tightly bound up with each other. Since in this conception causality appears to run from scarcity to choice, we will start with scarcity.

The most significant aspect of S's notion of scarcity—and one it shares with most other points of this chapter—is that he constructs it without reference to historical or societal development. It appears to arise from the human condition of constantly discovering new needs once old ones have been satisfied. Thus S's notion of scarcity might be called absolute. At first glance it cannot, strictly speaking, be considered totally ahistorical, since S explicitly asserts the existence of scarcity and its consequences in all known economic formations. Ironically, it is precisely this superficial sprinkling of history which gives us the key to an awareness of the profound ahistoricity of S's conception.

In contrast to what we have just called the absolute aspect of scarcity (namely, in the sense of its application to all societies at all times), S also offers a relative concept, apparently valid at any given time. In general, scarcity is relative in the sense that there is not enough of something for the purpose of, or relative to, something else. S defines this something else as "prescribed ends" (15). But we find no completely unambiguous answer to the question of what precisely these "prescribed ends" are. On one level, S tells us that these ends are society's desired volume and pattern of consumption as determined by people's needs and wants; and on another level, it becomes obvious that even within S's own framework the only needs or wants economically relevant in a "market economy" are those mediated by "effective demand."
S, and bourgeois economics in general, never succeeds in overcoming this basic ambiguity, which can be reduced to the inability to understand the relation between use value and value. The source of this ambiguity can be found in the attempt to explain the specific capitalist mediation of consumption needs by categories which in the abstract do not provide adequate explanations for any economic formation. What is even more pernicious is that these suprahistorical categories are not developed by drawing out what is general or common to each particular society, but rather a fictitious technological base is constructed which is then imposed on each of these societies.

Although at this point S pays lip service to the distinction between capitalism and other economic formations, he later on attempts to derive specifically capitalist relations such as interest and rent directly from the notion of scarcity. There is nothing to stop him from doing this, but he at least owes the reader an explanation why "scarcity" did not produce these relations in earlier societies.

S's ambivalent stance on scarcity becomes more clearly apparent when we consider his vacillations on the natural and social causes of scarcity. Thus in the broadside against the "famous 'labor theory of value' " which adorns the 7th edition he argues that "the 'law of increasing (relative) costs' " derives from the scarcity of land (pp. 27 f.). Without going into a detailed discussion of this "law" here, we wish to note that one might plausibly speak of natural scarcity if natural-climatic-meteorological conditions were to destroy a society's food crop, so that its total food supply became deficient compared to its customary level of consumption, or even reached a starvation level. (Even here, however, the "natural" aspect cannot be made into an absolute, for what may turn into a natural catastrophe in one society, may possibly be averted in another at a higher state of development.) But something can also be scarce relative to people's "needs," as for example, a diminished supply of "available" land in the case of private-property relations.

Now S argues on the one hand that the disappearance of "unlimited free land" underlies "the law of increasing (rela-
tive) costs.’’ This would appear to be an acknowledgment of social causation inasmuch as ‘‘free’’ would appear to refer to a state of affairs predating private property. Yet on the very next page, when stating that ‘‘fertile land . . . has grown scarce enough to have become private property (7th ed., p. 29), he seems to be saying that causality runs in the opposite direction, from a natural condition to a specific social structure.

In another context S introduces the distinction between ‘‘natural’’ and ‘‘contrived’’ scarcity (622-24). The latter, supposedly the result of monopolistic behavior, would appear to be an example of social scarcity. Yet here, too, the so-called natural scarcity—the limited amount of God-given fertile Iowa farmland—becomes the direct source of capitalist land rent. S fails to explain why there was no rent on the limited amount of God-given buffalo grazing lands before Columbus landed here. The ahistorical weaknesses of S’s reasoning are revealed in two important points. First, the reference to scarcity as the basis of private property implies that private property came into being in the midst of poverty caused by diminishing returns in the context of a land shortage. (The same image of overcrowding underlies the marginal-productivity theory.) In fact, however, private property arose not out of ‘‘scarcity’’ but rather out of a surplus of the means of subsistence above the level necessary to maintain reproduction in accordance with some traditional level of consumption. Since this surplus makes possible the existence of a class of owners who do not have to work, property relations are bound up with class relations. This important point must be kept in mind, since S’s discussion of scarcity and choice is based on the assumption that social classes do not exist, which leads to an undifferentiated view of these two questions.

Second, if we look at a later stage of development, namely the period of so-called primitive capital accumulation in Western Europe, we see that the direct (and often violent) expropriation of peasants was not the results of scarcity but rather that it led to the [absolute] scarcity of land, and hence to the scarcity of the means of subsistence
of those who had lost their land. Hence the relation between people’s “needs” and the abundance or scarcity of natural endowments cannot be understood without a study of historico-social conditions.

Let us now proceed to examining the consequences which flow from the use of the term scarcity. For S, the most significant consequence of scarcity is the necessity for making choices about what and how much should be produced in what way for which people (18). In view of the ambiguities attaching to S’s notion of scarcity we find it difficult to accept this statement at face value. Yet there is something to it—namely, that “if an infinite amount of every good could be produced, or if human wants were fully satisfied,” then these “economic problems” would not arise.

But what exactly is accurate about this statement? When S says that if “everyone could have as much as he pleased” (18) there would be no relative scarcity (?) and hence no “economic goods” he is basing himself on the definition of economics given in the first chapter, namely that consumption represents the sole end of economic activity; thus once this end has been attained for all members of a society, economic activity ceases.

However, when we look at different societies, we find that the satisfaction of the consumption needs of all its members is not a universal end, and therefore scarcity and the “economic problem” lose the universal validity ascribed to them by S. To be sure, there have been societies in history in which this was a conscious and direct goal, but these so-called primitive societies by and large had very low and unchanging levels of productivity. Thus, given the low and unchanging levels of consumption plus the traditionally or ritualistically determined division of labor and methods of production, one can hardly speak of “the economic problem” with respect to these societies, for where there is no conception of the possibility of change, there cannot be any problem. (In general, one cannot tell whether S uses the term “problem” objectively, as something posed by historical development, or subjectively, in
the sense of a society's conscious formulation. Since S himself stresses the unconscious operation of the "market system," it would seem that the objective meaning is the one he has in mind. Yet even a cursory glance at S's scattered references to science would seem to indicate that he would pin the label of "metaphysics" on this type of objectivity. This distinction is relevant insofar as it points up the basic difference between a society in which economic science is limited to a contemplation of objective progress [or lack of it] in the direction of satisfying needs, and one in which it is actively applied in a conscious manner. This is one way of formulating the difference between capitalism and socialism.) When we proceed to societies characterized by higher levels of productivity we find that we are dealing with societies divided into classes. For our purposes here we may speak of three such societies—slave, feudal, and capitalist. Although all three share the existence of a producing and a nonproducing (owning) class, the first two, unlike capitalism, are further characterized by production for the personal consumption of the nonworking class, and this consumption is the goal of economic activity in these social structures.

For the operation of the feudal economy the needs of the exploited class are irrelevant; in fact, given a sufficiently abundant supply of slaves, even the minimum subsistence consumption needs can be disregarded with impunity. Similarly on the production side: given fixed dividing lines between classes that primarily produce and classes that primarily consume, the ruling class faces no production problem since the entire burden has been shifted onto the other class.

The refusal to incorporate the class structure of a particular society into the study of the operation of the economic sphere must necessarily lead to a distorted and hence basically flawed theory of "economic activity," since it cannot explain the consumption differential for each social class of a particular society. Although S is similarly unable to locate the functional importance of consumption within various modes of production, even within the context of a discus-
sion of consumption, he cannot overcome the almost universal tendency of bourgeois economists to view an "economy" or society or nation as a unified whole. Although each society is a whole in the sense that fundamental forces bring about regularity in the form of economic laws, this regularity is not immediately perceivable; and, furthermore, this "wholeness" does not involve the homogeneity of interests posited both objectively and subjectively by S. To view a society composed of antagonistic classes as a whole is to adopt a "speculative" stance which ignores and hence distorts the all-important mediating links between production and consumption in general and the forms they assume in particular modes of production.

Now if S's error in regard to precapitalist societies centers on his neglect of classes, once we proceed to capitalist society he compounds his error by adding to it an inadequate determination of the function of fulfilling consumption needs. Not only is capitalism, like slave and feudal societies, a class society, it is also, unlike them, not oriented toward the satisfaction of the personal consumption needs of the ruling class. In fact, the objective forces within capitalism which force the ruling class to use the "surplus" which it is able to appropriate at the expense of the immediate producers for the purpose of expanding production are, to use S's terminology, the turning point in "economic organization."

But this does not represent production for production's sake; for what further characterizes capitalist production is not the mere production of use values for consumption, but rather the necessity of producing values, and above all surplus value, which can be accumulated to prevent one capital from being crushed by the competition. In this sense the ruling class remains the ruling class only to the extent it subjects itself to the needs of capital to expand. (This does not mean that capitalists are necessarily frugal, for once their wealth has reached a certain level they can both accumulate and consume; what it does mean is that capitalists are not capitalists in their role of consumers—but rather that they can consume only insofar as they have ful-
filled their function as the agents of accumulation.)

Once we leave the sphere of production of use values and surplus-value "carriers," a crucial transformation takes place with respect to the notion of scarcity. Use values, as it were, represent a concrete, qualitative relation between man or society and nature, whereas value and surplus value as the embodiment of human labor-time are abstract, quantitative relations among people in a society. At any given time it is theoretically possible for the needs for use values to be satisfied inasmuch as the need for specific objects of consumption (houses, meat, clothes, nails, radios, etc.) is quantitatively limited. Not so with value and surplus value: the "need" on the part of capital to expand, to create and appropriate and accumulate value is unlimited in partial analogy to the "Sisyphean labor of accumulation" on the part of the hoarder or miser.¹

In this sense a relative scarcity of surplus value can be said always to prevail under capitalism; since the drive to expand capital is unlimited there can never be a superabundance of surplus value. Thus this is also the only relevant "law of scarcity" for capitalism.

This, of course, differs essentially from S's "scarcity," namely that of consumption "goods" for the mass of the population. At this point an objection might perhaps be raised along these lines: Despite the Marxist emphasis on "surplus value, and all that" (x), is S's analysis of scarcity not plausible inasmuch as the satisfaction of workers' consumption needs by capitalism could lead to the end of economic society?

Let us look at the likely conclusions of this line of reasoning. Assuming that a state of material and general satiety would destroy the impersonal work compulsion upon which capitalism rests, these further questions arise: 1. In concrete terms, what would this state of satisfaction and the disappearance of the work compulsion mean? 2. What has prevented the transformation of capitalism into a "postscarcity" society? S himself hints at the answers to both these questions. In the closing pages of the 8th and 9th editions he entertains the possibility of the end of scar-
city in the form of a long quote from Keynes (813-15). A careful reading of that quotation shows that the situation described by Keynes applies only to a society in which capitalist relations of domination have been eliminated. Although such a society is generally called "communist" both by its supporters and its opponents, neither S nor Keynes does, and S explicitly includes "a totally collectivized communist state" among those societies forced to cope with the What, How, and Whom of "economic organization" (17). The reason for this may well be that S is not really talking about social relations but about technology, for as far as one can make out from the text, production possibilities by themselves, apart from all social relations, are the only block to achieving the end of scarcity. Again, there is "something" to this, for a certain level of technological development is necessary if one is to produce enough to satisfy given needs. But this technological development takes place within, is fostered or hindered by, or assumes the form of, definite social relations.

This brings us to the second of the two questions—namely, why the transformation of capitalism into postscarcity still has not taken place. Here we may take our cue from S's minor disagreement with Galbraith. The significance of S's remark lies in its implicit refutation of social-democratic demands for the redistribution of income within capitalism; but, at the same time, by pointing out that such a redistribution would still leave the average American less than "well-off" (19), S unwittingly concedes the very point his book seeks to disprove—namely, that (U.S.) capitalist production is not oriented toward satisfying the needs of the mass of the working population; for nowhere does he show that the barriers to that higher total product which would raise the average standard of living to the level of those now "well-off" are technological in nature. Until that comes to pass, scarcity will remain a social problem, and it will be solved only by changing the social structure responsible for it.

Let us now consider the second of the two related points referred to above: "choice."
As we have seen, choice plays a key role in S’s definition of economics, and its significance allegedly stems from the existence of scarcity. This line of reasoning is not without some validity, although not what S ascribes to it. His argument is exceedingly simple: from the circumstance that "every economy must somehow solve the three fundamental economic problems" (38) he jumps to the conclusion that society "does . . . choose to end up" somewhere in line with the various technological possibilities open to it (22). Without involving ourselves in any sophisticated philosophical dispute, we maintain that S has adopted a rather curious definition of "choosing." The term "choice" would appear inappropriate even for those precapitalist societies characterized by some form of aggregate planning (however unscientific) in light of the static nature of those modes of production. And in capitalist society, praised by its economists precisely for the absence of such planning, "choice" would appear to be a direct inversion of reality.

Let us look at this inversion more closely. In neoclassical reasoning "society’s choice" ultimately rests on the (complicated) aggregation of individual choices. Assuming for the sake of argument that such individual choices exist, it is not clear why S believes one can transfer this notion to the aggregate social level. To speak of choice on a social level in capitalism might be considered an example of the very "fallacy of composition" against which S warns the reader—namely, ascribing to the whole what is true of the part (14). Yet a closer look will reveal that S’s own fallacy is more profound, for he has compounded the fallacy of composition by positing the existence of a whole which is merely the fiction of bourgeois ideology, for in any unperverted meaning of "choice" capitalist society has no social organ able to exercise it.

The notion that choice underlies society’s economic activity on a social plane is all the more astonishing in light of S’s subsequent admission that "in a system of free private enterprise, no individual or organization is consciously concerned with the triad of economic problems. . . ." (41). This is not so much an admission as it is a glorification of the
unconscious manner in which capitalism functions. But the important point here is that despite this emphasis on the unconscious, the use of such distorted and hence loaded terms as “choice” tends to eradicate the distinction between societies which do in fact make conscious aggregate decisions based on comprehensive social planning (socialism-communism) and those in which the results of “economic activity” are unpredictable, unintended, and which can be construed as representing choices or decisions only by the most ingenious a posteriori reasoning.

By confusing and/or identifying the results of an unplanned yet self-reproducing (“It works” [427]) society with those of a planned society, S begins to lay the foundation for the crucial ideological negation of the difference between capitalism and socialism; that is to say, by co-opting the more obvious virtues of socialism (such as planning) for capitalism, he is able to assert that to the extent that there is anything positive in socialism, capitalism is socialist, thereby rendering a socialist revolution superfluous and/or irrational.

Our critique of the notions of “scarcity” and “choice” has focused on their ideological significance, with particular stress on the internal inconsistencies of S’s presentation which form the basis of theories formulated in later chapters. We do not wish to deny altogether the possible usefulness of these notions, although they certainly cannot fulfill the function attributed to them by bourgeois economics. In trying to find the rational kernel of the elaborate discussion on these topics by bourgeois economics, we will center on the “trio of basic problems of economic organization” (17) which plays a central role in S’s introductory material. It is obvious that every past society has had to expend its total disposable labor to produce certain goods in certain quantities so that they could be distributed to and consumed by its members in order to assure its reproduction. What is not so obvious is what sort of theory can be constructed on this basis.

Marx, too, was aware of the “basic economic problems,” but he approached them from a different theoretical van-
tage point. In a letter to a political friend, Ludwig Kugelmann, dealing with a critique of the value theory spelled out in the just-published *kapital*, Marx noted that "every child knows"

that the masses of products corresponding to the various masses of needs require various and quantitatively determined masses of the social aggregate labor. That this necessity of the *distribution* of the social labor in certain proportions cannot at all be eliminated by the *certain form* of social production, but rather can only change its *mode of appearance*, is selfevident. Laws of nature cannot be eliminated altogether. What can change in historically different conditions is only the form in which those laws assert themselves.3

Although Marx goes even further than S in emphasizing the suprahistorical foundation of production, distribution, and consumption, he also stresses that every child knows this. Marx looked toward the science of political economy for an explanation of how these laws assert themselves in a particular society. More specifically, he concerned himself with the form assumed by these "laws of nature" in the capitalist mode of production.

At first glance it might seem that we have come upon another similarity between Marx and S, for S too is restricting himself to capitalism. But is he? For Marx, "the point of bourgeois society"4 consists in the fact that what appears on the surface is not identical with the underlying essential processes; it is the task of the science of political economy to mediate the surface phenomena with these processes which they often appear to contradict.

S, on the other hand, deals almost exclusively with these superficial phenomena; when he goes beyond supply and demand, he takes refuge in technology or tastes, both of which are "external" in the sense that they are not shown to be aspects of a self-reproducing whole. In other words, despite the formal commitment to specifying the working of economic laws in capitalism (this formulation is, of course, in itself too generous), S in these chapters establishes the framework that will serve him throughout the
book: eternal technological laws mediated by "the market." Ironically, however, the market, while presumably typifying the peculiarly capitalist aspect of the "modern" economy, fails in this task, whereas the technological side, while supposedly suprahistorical in character, frequently is covertly based on factors peculiar to the capitalist production process. It is thus not surprising that all previous societies appear as inferior earlier stages of a "rationality" that culminates in capitalism. What Marx said of the vulgar economists of his day is even more pertinent today: "It is thus here the absolute interest of the ruling classes to eternalize this thoughtless confusion. And what else are the sycophantic windbags paid for...!"

TECHNOLOGY AND THE FORCES OF PRODUCTION

Having focused on general ideological considerations of "economic organization," let us shift our attention to what we might call the underlying factors of production of "every economic society." These comprise the dead and live means of production ("technology" and "population"). We might "translate" these terms into Marx's notion of the forces of production; however, the difficulty with this is that Marx does not study the forces of production in isolation from the social relations of production which together determine the nature of the mode of production. And they cannot be studied in isolation because they do not develop independently of the social relations of production in which they are imbedded. Thus, certain social relations of production militate against the development of a certain "technology": for example, the use of machinery is incompatible with slave labor, "economies of scale and mass production" are incompatible with the scattered distribution of the means of production and the largely self-sufficient nature of production characteristic of feudalism.

Thus we can say that a given development of the forces of production is possible only under given social relations of production. Similarly, the full development of certain modes of production presupposes the development of the forces of production in certain directions, or fosters or even
compels such a development. For instance, the full development of capitalist relations of production created the need for a production process which reduced qualitatively different types of labor to a real abstraction from these—namely the expenditure of human labor power per se—and which allowed for the greatest possible reduction of the share of the total product going to the laborer.

Without elaborating on this point we may conclude that the elevation of technological development above and beyond, or its placement outside, the totality of social relations that make up a mode of production is tantamount to saying that it transcends human social development; as such, this view treats a result of human activity as lying outside of human activity. But this fetishistic theory is not a mere figment of S's imagination; it is a product of a mode of production devoid of conscious social aggregate planning.

Here as earlier, the abstractness of S's presentation makes it difficult to pin him down. Therefore, we will by and large continue the procedure we have adopted and postpone a substantive critique of the material until it re-emerges in applied form in later chapters, and will restrict ourselves to a few general comments and/or anticipatory remarks.

To begin with the "production-possibility frontiers" and the "basic concepts" they are supposed to "illustrate": first, as with most of S's "technological" relations, there is "something" to them, although not exactly what he would have us believe. In the abstract one could, of course, at any time make an inventory of all the disposable labor, natural resources, and means of production a society can utilize for the production of certain goods, and determine the proportions in which these goods could be produced in accordance with a given level of "technological" development. A society that planned its reproduction process would have to keep track of all these factors in order to satisfy the needs of its members as producers and consumers. But the question arises of how relevant such a method would be for a society without aggregate planning. (Something on this
order does take place in a capitalist factory because there limited planning is both possible and necessary.) For although in theory it is true that no society can produce more than it is able to, it is not immediately obvious how the awareness of this constraint will affect the actual operation of a capitalist economy, or its theories.

In this context it is certainly no coincidence that S selects as his example "choosing" between guns and butter, for wartime situations do bring an unusual degree of planning into the aggregate capitalist economy. Although his graphs can be and are drawn up to illustrate "trade-offs" between purely "civilian goods," the "pedagogical" advantages of focusing on examples where an aggregate choice does seem to be taking place are not to be ignored, not to mention the bonus of claiming that "society" does "really decide" on "war goods" as the "best goals" on "society's menu of choices" (20-22).

Now what claims does S make for his production-possibility frontiers? Their function seems to be chiefly pedagogical—namely, to "help make clear" the What, How, and For Whom problems (23). First of all, as Alfred Marshall has pointed out, and as S so often seems to forget, "graphical illustrations are not proofs."6 Applied to our example this means that the production-possibility frontiers do not "prove" that these "three problems" are in fact problems for capitalist production in the form in which S presents them; they are merely a restatement of his previous assertions.

Second, these graphs are indicative of a static approach, for they refer to what is "possible" under given conditions. This point takes on added significance because it leads directly to the artificial and hence distorted presuppositions that underlie diminishing returns. But the static nature of the graphs has still another, ahistorical dimension: they cannot tell us what is "possible" (or impossible or even necessary) in given historical conditions and social relations. Thus with respect to the "what," they cannot tell us why railroads were built under capitalism but not under slavery. They can perhaps tell us how many hospitals may
have to be sacrificed, "all other things being equal," in order to build x-number of ICBMs, but they cannot tell us why the ICBMs are being built at all. In other words, even granting the relevance of the notion of choice, the graphs cannot explain how and why the possible choices come into being.

These weakness of the graphs are revealed even more plainly in the "how" problem, for as Marx noted: "Not what is made, but rather how . . . distinguishes the economic epochs."7

S takes "how" to mean "efficient choice of methods and proper assignment of . . . limited resources." (23). He makes the distinction between economic and engineering efficiency; the former apparently relates to whether resources have been allocated so as to maximize production, while the latter refers to the choice of methods once the allocation has taken place. But here again this approach fails to consider such historic changes in production as from handicrafts to manufacture to large-scale capitalist industry. And even within (say) the capitalist mode of production, changes in methods of production cannot be adequately explained by these graphs since they presuppose the greatest possible consumption as the end of all economic activity in all societies.

Not only does S fail to demonstrate that this production for profit in capitalism does not interfere with this goal, but his approach also implies that to eschew certain allocations of labor resources (i.e., to train a worker for one "job" exclusively in order to increase "efficiency") in favor of a less crippling division of labor would be "a crime of . . . inefficiency" (23); to reject certain production methods on the grounds of safety or health hazards would also be a "crime." And in fact this would indeed be a crime for a capitalist economy, for such consideration of the interests of the immediate producers would reduce profits. (Some concession on this point is made in the new sections on "Net Economic Welfare" in the 9th edition [3-5, 195-97], but this relates to reducing production in order to improve social life outside the production process; furthermore, its
sees the causes of the problems in technology itself, not in social relations.) Theoretically, S could include such “choices” or “trade-offs” as well, but since elsewhere he has admitted that this “freedom in choosing” does not exist in the “modern industrial regime” it is no coincidence that he does not include them. As to the “For Whom” problems, S himself admits that they cannot be explained by graphs alone (23). This again is no coincidence, for forms of distribution are the most definite expression of the social relations among agents of production. On the other hand, since S’s interest is confined to the quantitative differences in income distribution (as opposed to the forms assumed by the participation of various classes in the social product in various modes of production—such as wages and profit), and since all class societies harbor these inequalities, his graphs could not illustrate very much anyway. But what S fails to make clear is that the graphs are drawn up on the basis not of needs but of so-called demand. However, demand is not a fixed element of every economic society, and hence here the shortcoming of S’s suprahistorical approach become patently obvious. The relations of distribution are determined by the social relations of production and not, as S contends, by the physical aspect of the production process.

THE “LAW” OF DIMINISHING RETURNS
The static approach, which forms the basis of the “law of diminishing returns,” is unrealistic, for it assumes unchanging productivity. Although under certain short-run conditions there is some validity to the notion of diminishing returns (which is not identical with the marginal productivity conclusions drawn from this reasoning), S’s grandiose claims for “this basic technical truth” are totally unwarranted. In the classic example cited by bourgeois economists, we are offered the picture of increasing numbers of workers “crowded” onto a fixed amount of land; in S’s words, this explains why living standards “in crowded China or India” (27) are low. But if we descend from the lofty heights of “basic technical truth” to sober facts, we...
discover that the Netherlands is more than four times as "crowded" as China and more than twice as "crowded" as India; similarly, Belgium, West Germany, Italy, and the U.K. are also more "crowded" than either India or China.¹⁰ Not only can we see that there is no correlation between population density and "standards of living," but more importantly, we gain insight into S's sovereign disregard for essential differences between social systems and the reduction of such differences to technological features.

ECONOMIES OF SCALE
With regard to "economies of scale," here again S seeks to reduce a specific social process to a suprahistorical "technological" phenomenon. He "associates" this phenomenon with such "technological factors" as nonhuman power sources, automatic mechanisms, division of labor involving the breaking-down of labor processes into simple repetitive operations, etc. (28). Up to the 9th edition he was content to claim that "economies of scale are very important in explaining why so many of the goods we buy are produced by large companies" (29). But in the 9th edition, which comes up with the new insight that "Marxism may be too valuable to leave to the Marxists" (866)—which means that from time to time S throws in Marx's name in a seemingly positive fashion—he finds it necessary to tack on the phrase "as Karl Marx emphasized a century ago" (29).

Now it is one thing if S wants to adhere to a view which explains social processes in terms of so-called technological phenomena, but it is quite another matter when he attributes this view to, or rather sees it in the spirit of, the "new Weltanschauung that permeates the ninth edition" (ix), when he claims the authority as it were of Marx. What makes this particularly important is that precisely this same distorted, fetishistic misinterpretation of Marx underlies the spate of articles on Marx that have flowed from S's pen in recent years. Marx, in fact, said that the development of capitalist production relations was responsible for the development of the so-called technological factors mentioned above, for all of them are the expression of a mode of pro-
duction in which the qualitative aspect of the labor process is increasingly subjected to quantification in terms of abstraction from the concrete labor activities and their transformation into the expenditure of a homogeneous labor power. All of this serves the end of producing as much profit as possible, so that this process may take place on an expanded scale. This also requires the expropriation of the owners of the means of production, so that they will be forced to offer their labor power to produce the means of subsistence. This process welds the vast number of people who had been largely independent of the "market" for their means of subsistence into a new social group, and it is this process which is largely responsible for the fact that it has become "worth while" (28) to produce on a large scale. It also presupposes the increasing concentration of the means of production in a few hands.

But it is not the economies of scale that lead to capitalism ("large companies"), but rather the objective socialization of the productive process brought about by the massing of ever larger numbers of workers without means of production, and hence without direct access to means of subsistence that leads to these changes in methods of producing.

POPULATION
Having presented us with the technology of any society, S proceeds to offer us "the underlying population basis of any economy" (30). His analysis is inherently inconsistent, for on the one hand he follows the Malthusian tradition of treating population growth as a natural phenomenon (paralleling the supposed natural growth of agricultural means of subsistence), while on the other, he concedes that the controlling factors are after all social, not biological. He apparently fails to realize that in doing so he has toppled his own construction of "the underlying population basis of any economy."

S sees his theory of population as an application of the law of diminishing returns (30). His description of the fate suffered by Malthus' theory turns out to be rather ironic: first he praises Malthus for fruitfully applying the powers
of diminishing returns, and then he says that "false prophecies" evolved because "Malthus never fully anticipated the miracles of the Industrial Revolution" (31), a gross distortion of the actual situation. Of course, an artificial, ahistorical approach like diminishing returns lends itself easily to refutation, since it posits conditions that deny those which had led to the rapid rise in productivity characteristic of capitalism. Without going into Malthus' population theory at this juncture, we merely wish to note that the acclamation with which capitalist society greeted it (e.g., the Poor Laws of 1834) was no coincidence, for at about that time the contradictions inherent in capitalism were first manifesting themselves in the form of explosive cyclical crises, clear expressions of the tendency of capitalism to create productive forces that exceed its ability to utilize them without violating capitalist social relations. More specifically, this meant that overproduction of capitalist wealth (i.e., commodities that could be sold to the masses of workers and of capital that could profitably be set in motion) turned a corresponding segment of the labor force into supernumeraries. Once these workers (and their families) were barred from access to their sole source of subsistence, they became part of the "overpopulation." Instead of admitting that capitalism was marked by this inherent contradiction, the English bourgeoisie simply shrugged this off with the explanation of a universal and suprahistorical population theory.

S never presents a very clear account of what in his opinion a theory of population for "Western nations" should be in light of the failure of Malthusianism. He mentions a few "social factors" that influence birth rates (33 n. 11) and labor-market participation (35 f.), but still he does not seem able to rid himself of the notion that what counts are absolute numbers.11

Even on a rather simplistic level it is evident that under different patterns of income distribution and during different phases of the industrial cycle the same population will take on a different economic meaning. As far as labor-participation rates are concerned, the process of capital ac-
cumulation has its own methods of creating "overpopulation" independent of "nature" and of overcoming temporary shortages. When S says "that for the advanced nations, there may be an optimum population size, not too large and not too small" (37), it should be kept in mind that processes inherent in capitalism tend to keep the size optimal for capital. If any "danger" does exist, it is rather that the mechanism is too "efficient" in the sense of creating so large a permanently available reserve army of unemployed (notably in the U.S.) as to become "politically intolerable."

In contrast to "Western nations," where Malthus has outlived his usefulness, "the germs of truth in his doctrines are still important for understanding the population behavior of India, Haiti, China, and other parts of the globe where the balance of numbers and food supply is a vital factor" (32). What is significant here is S's image of a class-undifferentiated mass of poor peasants living on the brink of starvation because of a niggardly nature and their own prolific reproduction.

In fact, however, the so-called Third World is characterized by a variety of class relations that form the mediating links between nature and poverty and overpopulation. Since these class relations are not "pure types" but rather peculiar mixtures, no general theory of overpopulation to match the simplicity and universality of neo-Malthusianism can be developed. However, if we look at English colonial rule in India, by no means an atypical example, we find that it was characterized by the destruction of the traditional communal-village societies, in part the result of enormous tax burdens which forced the villages to sell their land in order to meet the payments. Ultimately the land fell into the hands of English capitalists, and the former direct producers were displaced. For a variety of reasons, this process of expropriation did not lead to the same development of capitalist accumulation and of an industrial proletariat as in Western Europe. This meant that the majority of those driven from the land did not find access to means of subsistence through wage labor; because of their "pressing on the means of employment," the result of the pecul-
iar relations of production in these societies, huge numbers of people became a "population problem."

II / "THE MARKET"

It is the function of Chapters 2 and 3 to prepare the reader to accept the general framework of contemporary bourgeois economics which ascribes a central role to the "marketplace." In this conception, the "market" figures as the "place" which economic decision-making takes place. And since the "data" that are fed into the "market" are basically of two kinds, either individual desires or natural-technological givens, the "market" must bear the brunt of sociality for our economic system. In other words, the essence of social relations, as far as economic science is concerned, finds expression in the sphere of market relations.

There was a time when relations of production played a central role in bourgeois economics. But a number of factors, particularly the rise of marginal-utility theory, made for a shift in focus. Thus an influential English turn-of-the-century economist, Philip H. Wicksteed, wrote: "The market is the characteristic phenomenon of the economic life and it presents the central problem of Economics." 12

There is of course some validity to this emphasis on market relations, since capitalism, unlike all previous modes of production, is characterized by the massive and predominant existence of all economic resources as capable of being bought and sold. But this is a superficial characteristic insofar as social relations on the market are not identical with, and in fact dissipate, the underlying relations that distinguish capitalism from other modes of production—or rather, this very dissimulation characterizes capitalism as a peculiar form of social production. As long as this aspect of the "market" remains obscure, it can be said to have existed in many precapitalist societies and we have not been told anything that is specific to capitalism alone.

The massive and predominant nature of market relations furnishes a clue to the correct approach to the role of the
market as a defining characteristic of capitalism. By transforming all economic relations into relations mediated by the market, we have established the presupposition that the worker’s ability to produce useful objects can be bought and sold. In orthodox terms, there must be a labor market. Though S apparently understands this, he does not quite know how to explain it. Thus he says: “Everything has a price—each commodity and service. Even the different kinds of human labor have prices, namely, wage rate” (43 f.). In saying “even,” S acknowledges that there is something special involved in the sale of labor, and he describes this more fully: “Interestingly enough, most of society’s economic income cannot be capitalized into private property. Since slavery was abolished, human earning power is forbidden by law to be capitalized. A man is not even free to sell himself: he must rent himself at a wage” (52). To begin with, the worker does not rent himself, but rather—to use S’s terminology—sells his services. Secondly, even according to bourgeois notions of “human capital,” such capitalization of human earning power does in fact take place. (S implicitly admits this [50 n. 4].) Thirdly and most importantly, S does not explain this development historically. He gives the impression that with the Emancipation Proclamation the freedom to sell oneself (doubtless said tongue in cheek) ceased, to be replaced by the labor market. But such laws merely reflect economic forces pushing toward the replacement of one social form of labor by another. These changes in the social form of labor were protracted processes, the expression of the most important class struggles and transitions from one mode of production to another.

COERCION

The importance of finding out what “freedom” is involved in these world-historical transformations has been stressed by one Marxist author. In discussing the widespread tendency to accept unquestioningly the present form of social labor, John Strachey wrote:
In order that a labour market may arise, it is necessary that there should appear in the community a category of persons who will, and who habitually do, hire themselves out to work in return for wages. It is significant of the degree to which the characteristics of capitalism are taken for granted that to-day most of us simply assume the existence of such persons. The very idea that it might be impossible to establish industry or commerce, not because of any technical reasons, but because no workers would respond to the offer of wages does not occur to people. Yet such was once the prevailing condition of affairs, and is still to a large extent the condition of affairs in many "primitive" and undeveloped parts of the world.\textsuperscript{13}

Obviously restrictions on the buying and selling of the capacity to work (labor power) must be lifted if such a labor market is to arise and such persons are to come into existence. These restrictions fall into two main types: the people involved either cannot or do not want to become wage laborers. Those who cannot sell their labor power are unable to do so because they do not possess it, because they live under conditions in which it has not yet become a commodity: slavery or feudalism. Those who do not want to sell their labor power although in a position to do so are historically independent artisans and peasants who own their means of production (land and tools), and are thus in a position to survive in either a self-sufficient economy or by producing for exchange. This second group will "want" to sell its labor power only if compelled to do so. This will happen when its members can no longer support themselves in the traditional manner. Two developments transformed the "do not want to" into "have to." One was the simple expropriation of the land either by violent means or "legally," as happened in England in the transition from feudalism to capitalism. In the other, artisans were driven out of the market through the superior production methods available to the incipient capitalist by combining the skills of many workers under his control.

According to S, the entire market process "is undertaken without coercion" (42). His failure to deal with the forms in which production has taken place in various historical eras
has led him to identify a single type of coercion as the only one, and this in turn has made it impossible for him to grasp the peculiar type of coercion inherent in capitalism; instead he has characterized it as "volition" (42). Yet upon careful reading we discover that even he gives us an inkling of the type of coercion inherent in capitalist production. He concedes, even though parenthetically, that income distribution—in other words, the quantitative power the various members of society bring to the marketplace—"is highly dependent upon the initial distribution of property ownership" (45), an insight quickly buried by mentioning it as merely one of many factors such as genetics, discrimination, education, etc.; he then descends still another step by emphasizing "luck" (68 n. 3).

Before continuing with the explication of S's implicit admission of the existence of another form of coercion, we would like to make some observations on this sort of distribution referred to by S. Clearly he uses the term in a very special sense, since "usually, when an economist is talking about 'distribution,' he means the distribution of incomes" (18 n. 1). And in fact S does not return to this "initial" distribution ever again, undoubtedly because a discussion of this type of distribution would involve an analysis of capitalist production as a particular historical mode of production with distinctive social relations—not just technological ones.

S's main reason for raising the subject seems to be quantitative, that is, the way in which property ownership affects the quantitative distribution of income. But the crucial aspect of this "initial" distribution lies in what we might call the qualitative sphere—how the exclusive concentration of the means of production in the hands of one relatively small class determines the form of production and distribution. It is only at this point that one can speak of the means of production as capital, and it is only here that the distribution of products assumes the form of wages and profit. And it is only at this point that a specific social quality can be attributed to distribution relations. It is also essential to understand how this initial or original distribution or ex-
propriation which forms the prehistory of capital reproduces itself in the course of capitalist development, taking the form of the concentration and centralization of capital on the one hand, and the increasing dependency of the mass of the population on wage labor on the other.¹⁵

Returning to coercion, let us look at an interesting section entitled “A Volunteer Army?” which S used to jazz up the 8th edition. While insisting that “reliance on supply and demand” can be substituted for government controls and their concomitant coercion and arbitrariness, S at the same time graciously concedes that “blacks, and other minority groups who face less lucrative alternative occupations in civilian life, will presumably bulk larger in a volunteer army than in an equitably-run draft” (8th ed., pp. 63f.; although this extra pressure on “non-white” groups should not be underestimated, it might have been more to the point to compare those from working-class backgrounds and those from other classes, regardless of “race”). In other words, S acknowledges in effect that the voluntariness of a “volunteer” army is a sham, that it is merely another form of coercion. He further confirms this when he says that in case of a high casualty rate in a war, the number of “volunteers” should prove inadequate, “supply-and-demand . . . must be supplemented by some more direct form of coercion” (8th ed., p. 63; our emphasis). S further emphasizes the advantages of a “volunteer” army by claiming that the additional wage costs are compensated for by the fact that those with more “lucrative” nonmilitary jobs will not have to squander their valuable talents; furthermore, there is a bonus in the form of “greater tolerance for risk (of death) and military discipline” on the part of the above-mentioned “blacks, and other minority groups” (p. 64).

By this time it has become clear that there are very definite ideological advantages inherent in this market approach. The roots of the “illusions” of the “market” are to be found in the inability of bourgeois economics to grasp the distinction between labor and labor power, or that between value and use value. But even this formulation is misleading insofar as it gives the impression that we are dealing with a
subjective failing, or even with a deliberate falsification on
the part of bourgeois economists. The fact is that this “illu­sion” is generated by the very nature of capitalist produc­tion: with the transformation of the means of production
into capital and that of the capacity to work into the com­modity labor power, the sale of labor power on the labor
market conceals the relations which exist when this com­modity is consumed outside the market, in the sphere of
production. But whereas the market lies on the surface of
events, accessible to all, when we reach the threshold to
the sphere of production where exploitation takes place, we
are told: “No admittance except on business.”

This does not mean that no one may inquire as to what
goes on within factories, although S has nothing to say
about working conditions. Moreover, exploitation is not
unique to capitalism. What is unique is the manner in which
superficial relations of seeming equality and freedom con­
ceal the exploitation.

To summarize our findings up to this point: on the mar­
et, class relations between two antagonistic social
classes—capitalists and workers—disappear in favor of
buying-and-selling relations indistinguishable from those
obtaining between buyers and sellers of any commodity.
Furthermore, all production relations are reduced to those
of the commodities themselves: on the market the relations
which members of capitalist society in their multifaceted in­
terdependence enter into disappear. All that remains are re­
lations of exchange—how many apples bring how many
shoes. This masking of relations is the result of the peculiar
manner in which producers in capitalist society create their
growing objective dependence on one another, for the in­
dividual producing units—the individual capitals—remain
independent of one another; they remain private producers
despite the objective process of socialization. Under these
circumstances the individual producing units can express
their relations to one another only through the “market.”
But S simply takes these peculiar relations for granted.
Since he cannot explain why they exist he unwittingly be­
comes involved in tautologies which he mistakes for expla-
nations. But a basic understanding of the conditions that give rise to capitalist market relations would show that S is merely describing what must happen on the surface once he has made his assumptions about the given conditions. Let us illustrate this point as follows: on the one hand, S states quite properly that "there exists a system of prices, a concept that is far from obvious" (59), yet on the other hand, the existence of prices has become so obvious in the capitalist mode of production that it is very difficult to think in any other terms. Thus in trying to characterize the determinants of the "price system," S lists these factors: "people's desires and needs," "engineering methods," "supplies of natural resources and other productive factors" (59). Not one of these factors is peculiar to capitalism; the jump from changes in these quantitative determinants to prices is unjustified.17

FREEDOM AND THE "MARKET"

At first glance S's position seems quite straightforward: the many references to "dollar votes," etc., give the clear impressions that he is operating with an extended analogy between the marketplace and a certain conception of political democracy, although his is a formal analogy: he does not establish any relationship between the two. One might even say that he pursues the ideological goal of having the reader transfer positive associations based on political democracy to the economic sphere. (The fact that given the unequal "initial" distribution of "dollar votes," the political concept of "one man, one vote" does not obtain in the marketplace does not seem to faze S.)

Quite aside from the deficiency of this conception of political democracy, S's position in fact turns out to be ambiguous, for at the same time he contrasts "the impersonal workings of supply and demand" with the presumably arbitrary decision-making of politicians (59).

Given the lack of methodological sophistication that marks S's discussion of this point, perhaps no great significance should be attached to this inconsistency. However,
there is a reason for it, namely, with reference to state intervention into "market" processes; for despite the allegedly democratic nature of such intervention, it does interfere with processes endowed with the majesty of extrahuman powers (48f.; thus S speaks of "collective fiats" [8th ed., p. 55], meaning that even if they were democratically and perhaps even universally decided upon, they are decisions which people take upon themselves, in contrast to the laws of the "market," which all must obey and which were not devised in the interest of any one individual or group).

The inability of bourgeois economics—and this is a trait shared by Adam Smith and S—to grasp how interests are shaped by social relations was punctured by Marx's analysis of "mutual dependence" in capitalism. According to Marx, the classical economists formulated the problem in this fashion:

Everybody pursues his private interest and only his private interest; and serves thereby, without wanting or knowing it, the private interests of all, the general interests. The point is not that, with everyone pursuing his own private interest, the totality of private interests, that is the general interest, is attained. Rather, from the same abstract phrase the conclusion could be drawn that everybody mutually hampers the assertion of the interest of the others, and that instead of a general affirmation a general negation results from this bellum omnium contra omnes. The point is rather that the private interest is already a socially determined interest and can be attained only within the conditions set by society and with the means provided by society; that is to say, the private interest is bound to the reproduction of these conditions and means. It is the interest of private people; but its content, as well as the form and the means of realization, are given by societal conditions independent of all.18

The neglect, indeed the denial of, the basic social conditions of capitalism whose reproduction determines the social interests of the antagonistic classes, is inherent in the "market approach." This inability to come to grips with social reproduction is revealed quite strikingly in S's attempt
to describe the smooth rhythm of a "free enterprise system"; according to S, its "functioning alone is convincing proof that a competitive system of markets and prices . . . is not a system of chaos and anarchy. There is in it a certain order and orderliness. It works" (42). Even granting the "functioning" of capitalism at any given time, nothing has been said about the forces that interfere with "normal" reproduction of capitalist relations; aside from the ahistorical aspect, we detect an inability to transcend the counterposing of rigid opposites. It is of course true that anarchy in the sense of cessation of the reproduction of social relations cannot for long characterize any society. Yet one can certainly speak of anarchic social reproduction. The point is that science can discern order or regularity in the results of human activity without eliminating the real anarchy that characterizes the social aggregate efforts leading to those results. Not order and anarchy, but rather anarchy and planning, are the true opposites. Order and anarchy are not only not opposites in capitalism in S's presumed sense of being mutually exclusive, but, on the contrary, they condition each other. The anarchy on the aggregate level in capitalism must be joined by the despotic authority of the individual capitalist within his sphere of power.

As Marx points out, the processes that transform exploitation into equal exchange between capital labor in the marketplace are the basis for "all notions of law of the worker as well as of the capitalist, all mystifications of the capitalist mode of production, all its illusions of freedom, all the apologetic trash of vulgar economics." S gives us no explanation for the inequalities expressed in the marketplace, although there is the implicit admission that there is something immanent in the "free enterprise system" driving in the direction of a reproduction of inequality. In any event it is instructive that while S avers that the "ethical" questions of income distribution—namely whether the "market" should be replaced by another mechanism—go "beyond the mere mechanics of economics" (47), he is not at all reticent about suggesting that the "relevant choice for policy is not a decision between such extremes" as "laissez
faire and totalitarian dictatorship of production... but rather the degree to which public policy should do less or more to modify the operation of particular private economic activities" (43). In less dramatic language, it apparently lies within the purview of economics to say that socialism is not "relevant," although S had in fact promised to leave such "value judgments" to "the citizenry" (7 f.).

III / "SOME FUNDAMENTAL CHARACTERISTICS OF THE PRESENT ECONOMIC ORDER"

An interesting inversion takes place between S's introductory language (41) and his subsequent substantive analysis; for if earlier he considered capital, money, and division of labor in the context of "our mixed economy" (41), later he quietly transforms them into "three further features of modern economic society" (49). S's change in language is not fortuitous (although he may not have been aware of it) since the thrust of his discussion imputes these "features to all societies characterized by superficially similar levels of development of the forces of production, regardless of differing social relations. In fact, one might say that the purpose of this discussion is to blur the distinction between socialism and capitalism by asserting that they have in common some essential economic relations. But at the same time, these relations are deprived of their unique social forms, reduced to allegedly technological relations, so that capitalism itself loses its characteristic social form and is equated with economic activity per se.

The other significant methodological aspect of S's argument here is also revealed by its formulation—his contention that he will look at "some" features related to one another and to the price system. This is typical of his methodological naiveté, or rather his lack of method; phenomena are heaped one on top of the other without explanation of why one follows the other. One gets the impression that these "features" could be presented in any order whatever, before or after the discussion of the price...
system, without affecting the argument or creating havoc. The absence of any apparent logical or historical structure is doubtless no accident, for S does not seem to see any structure which economic science would have to reflect. This methodological chaos wreaks its revenge: it prevents S from coming to grips with capitalist production.

"CAPITAL"

S admits that mass production would be impossible without a particular division of labor, and that the latter in turn would be impossible without money (52, 55), yet he nevertheless opens his discussion with "capital." He can do this because that which he subsumes under capital did indeed exist before either money or division of labor. And what does he mean by "capital"? Here too we are not given a clear-cut answer. In this major definition—we feel justified in calling it that because it is set off in colored ink—capital is said to "represent produced goods that can be used as factor inputs for further production. . ." (50). This determination is designed to contrast capital to land and labor, neither of which "is regarded as a result of the economic process," and both of which exist primarily "by virtue of physical and biological rather than economic factors" (50).

There is of course "something" to this distinction, since in past eras the physical existence of land and natural resources and the biological existence of man were in some sense above and independent of human influence. But it is clear that with the increasing socialization of production, the "natural" and the "biological" began to recede into the background in favor of the social formation of natural resources and human labor. Without wishing to minimize the distinction between land and man-made means of production (e.g., land, unlike a machine, if properly treated does not wear out) or between the latter and human beings created by human beings, we must be careful, lest we wind up calling the development of the human hand "capital formation," since the hand would satisfy S's criteria of "capital." And, in fact, bourgeois economics in recent years
has brought matters to their logically absurd conclusion with respect to capital and labor by subsuming labor under capital ("human capital").

Thus S's principal definition of capital is hardly unobjectionable with regard to its primary determination—namely, setting it off from the other "factors of production," land and labor. For the time being, at any rate, S has defined "capital" to mean man-made means of production common to almost all societies. So broad indeed is his definition that one is tempted to call man a capital-creating animal, for as Marx noted: "The use and the creation of tools, although embryonically peculiar even to certain animal species, characterize the specifically human process of labor and Franklin therefore defines man as 'a toolmaking animal.' . . ."20

But on the other hand, S also offers a definition of capital which is supposed to apply specifically to "modern economic society": "Modern advanced industrial technology rests upon the use of vast amounts of capital: elaborate machinery, large-scale factories and plants, stores and stocks of finished and unfinished materials. 'Capitalism' got its name because this capital, or 'wealth,' is primarily the private property of somebody—the capitalist" (49 f.). In contrast to the major definition the emphasis here apparently is on the private ownership aspect. Yet on closer examination we find a definite confusion. First S states that contemporary technology depends on "capital," whereby "capital" is described in turn as—contemporary technology! If this seems as though we have not gotten very far, we are pushed back still further when we realize that the definition has not changed at all, for we are still dealing with "capital" in the above sense of "an input which is itself the output of the economy" (50). The question arises how the "modern" form of "capital" came into existence. S does not really pose this question, but we will come back to it later.

All we have learned up to this point is that the "present-day economic system" differs from earlier economies in that it "rests upon the use of" quantitatively more, or perhaps also qualitatively different, capital. Next
we are told that other economies may have as much or even more capital than "ours," but that someone other than the "capitalists" owns it, and therefore these economies were given other "names." Or to be exact, we are not told this but rather figured it out ourselves after having been told that capitalism got its "name" from the fact that the "capital" in that society is owned by "capitalists." Strange reasoning indeed, for if capital is strictly defined as the means of production, then it would seem logical to name almost every human economic society "capitalism." Furthermore, in that society "somebody" who owned "capital" would have to be called a "capitalist." But the fact is that capitalism got its name because in that society the means of production were, for the first time, transformed into capital by becoming the private property not of "somebody," but rather the monopoly of a single social class. This process of expropriation of the means of production from the immediate producers, and their accumulation in the hands of nonworkers, gave birth to two new social classes—the working class, which did not own any means of production but only its ability to work, and the capitalist class, which owned all the means of production and did not have to work because it could live off the work of others.

Aside from a basic misconception—S speaks of "capital" in the Soviet Union—his description of the collective ownership of the means of production leads to some interesting conclusions. For it seems that in the society in which "productive property is collectively owned," "the government . . . decides" how to distribute income, what share of production should be devoted to producing means of production and means of consumption, etc., as opposed to the decision-making of "individuals" (52); however, it is S's contention that in the society in which the overwhelming mass of the people is excluded from the ownership of productive wealth, the few owners cannot thwart the aggregate will of "the people." In other words, not only does capitalism exist in all societies, but capitalism is actually more "communist" than communism!
At this point the question must be raised about the relation between means of production and capital. We know that under certain conditions means of production can become capital. But under what conditions? The impression might have been created that capital is synonymous with the means of production when these are used in the exploitation of the labor of those who work with them. According to this interpretation means of production would not become capital in a nonclass society—that is, in a "primitive" society with collective ownership, production, and consumption, in one of small property owners, and under communism. On the other hand, capital would exist in every class society.

But as we have noted, exploitation does not take the same form in all class societies. It is only under capitalism that the immediate producers are "free"; in slave societies, the masters owned slaves like all their means of production. Exploitation in slave societies was obvious, because the entire product went to the slave owner, and he decided how much his slaves needed to live, just as he decided whether or not a hammer had to be replaced. Furthermore, precapitalist class societies were essentially oriented toward fulfilling the consumption "needs" of the ruling class, that is to say, means of production and labor were combined to produce a large but limited and known quantity and set of use values. In capitalism this situation no longer obtains. The exploitation of the immediate producers does not have as its sole end the enhancement of the consumptive powers of the exploiters. In fact, production for consumption is not primary, but rather the creation of the largest possible increment in value over that which existed at the start of any round of production. Under conditions of production in which the coordination of labor efforts is not planned, the expenditure of human labor assumes the form of value. Where independent and private individual producers must exchange their products, direct and transparent relations of cooperation or domination must be replaced by an indirect form of sociality. Under these circumstances—i.e., capitalist exploitation mediated by value relations—the means of
production acquire a new function: to extract the largest possible amount of labor from the workers (embodied as value), so that this increment can be accumulated in the form of new capital (including the purchase of additional labor power) toward the end of increasing the increment even more during the next round, etc. In the last analysis, this function can be reduced to decreasing that portion of the labor day which the entire working class must work in order to produce the commodities which its wages must purchase; the smaller this portion of the working day, the more labor can be appropriated by the owners of the means of production. This may not be a conscious goal of the individual capitalist, but in the aggregate the results of this process will impose themselves on him. In any event, the individual capitalist's decision to introduce new machinery does not hinge on increasing productivity per se. New machinery is not introduced in order to save the worker labor time, but to reduce that part of the labor day for which the capitalist must pay the worker, and then only if the reduction succeeds the cost of the machinery. It is this peculiar capitalist form of productivity that determines the introduction of new machinery, and it is the cumulative process of the creation of this increment that is decisive. This consideration in itself makes a shambles of S's contention that the reason society does not rush into ever more productive production processes lies in "the initial disadvantage of having to forgo present consumption goods. . ." (51). First of all, this view presupposes that these processes are aimed at increasing consumption (and/or diminishing the burden of work); but as we have seen, that is not the case. Ironically, S is able to make this claim only by identifying capital and means of production, thereby imputing to capital the use-value production properties of the means of production, although the large-scale use of the means of production occurs only with their transformation into capital.

Consumption, as we have learned, is not the end of capitalist production, and it is therefore irrelevant to speak of forgone consumption as a motive that works against
"capital formation." This claim becomes even more absurd when S speaks of "people" as either "willing" or not to "abstain" and "wait for future consumption," since no conscious decisions are being made here. But even in bourgeois theory the process of "capital formation" is a result of unplanned aggregate "decisions" of "people" who have given no thought to such matters.

The final step in the deconceptualization of "capital" is taken when S speaks of "people" in this context without differentiating as to class. This procedure is consistent with his equation of "capital" with means of production, but it will hardly suffice for capitalist society. The process of "saving," even in the superficial form in which S applies it, cannot be understood without first understanding the empirical class breakdown of "saving." By and large, the working class has no net savings, and hence can be as concerned or "unconcerned about the future" (51) as it will and still not be able to do anything about it. The capitalist class, on the other hand, can save and consume according to its "needs" without having either to "wait" or "abstain." Thus the meaning of "to snatch present pleasures at the expense of the future" (51) becomes considerably less clear, for the one class cannot do so, and the other does not have to.

In general, S's characterization of "economic activity" as "future-oriented" (51) is the expression of a suprahistorical science incapable of coming to grips with any particular society. In this case, precapitalist societies cannot adequately be characterized as future-oriented since they lived from hand to mouth. In fact, only the growth of large-scale industry under capitalism gave meaning to S's term "future-oriented." But this "future" is a short-term affair, restricted to foreseeable effects on the profitability of individual capitals, and necessarily associated with the enormous waste and destruction of human and natural resources, even of the "capital" structure itself, precisely as a result of the "really remarkable" fact that no one "is consciously concerned with" the planned coordination of social reproduction (41).
CAPITAL AND MONEY

Carrying forward the reasoning behind our discussion of capital, we can establish a necessary historical and logical relation between the development of money and of capital, in sharp contrast to S, who maintains that "along with capital and specialization, money is a third aspect of modern economic life" (55). Apparently, in his view money and capital are not intrinsically related but rather "become related through credit activities of the banking system and through the organized capital markets where securities can be transformed into money by sale or vice versa" (50).

Thus, according to this view, if there were not capital or money "markets," money and capital would not be related. In other words, if capitalist enterprise generated its "funds" internally—that is, if it could finance all investment from its own sales proceeds and hence never had to borrow or issue stocks or bonds—if it were a "neutral" economic unit, the relation between money and capital would be severed.

Bourgeois economics would equate such a society with a hypothetical (or rather historically nonexistent) society of farmers and artisans who owned their means of production and did not employ propertyless "hired hands," one whose relations among themselves were restricted to buying and selling.

But upon closer examination of S's argument, we find that there is nothing surprising in this equation, for even after introducing the relation between money and capital, he persists in seeing capitalism as a nonclass, use-value-oriented mode of production. Just as capital itself has been equated with means of production used to produce more commodities, so money has been reduced to a technical mechanism to facilitate barter, that is, the exchange of the products which "capital" helped to create (55).

Thus, just like "capital," "money is a means, not an end in itself" (55). But even though money is merely an "obscuring layer" spread over barter, "the King Midas fable . . . reminds us that means may themselves become perverted into ends" (55). It is interesting that in the con-
text of this perversion S should invoke Midas in the context of an analysis of the real perversion of their society. The changes then taking place involved the transition from self-sufficient producing units to exchange, and then again the rise, development, and accumulation of money.

Aristotle considers the development of money a mere convention, since its assigned function could not have been carried out "naturally" or in accordance with the internal nature of the exchange, because the things which are being exchanged must be comparable, yet by nature, that is, with reference to their own physical properties or the physical properties of the labor producing them, are not. Money introduces this comparability in a conventional, nonnatural, external fashion.22

And finally, using money to make more money was considered the most unnatural way of acquiring wealth. It is significant that Aristotle does not take money in any of its functions for granted. S on the other hand, while not adding anything to Aristotle's explanation of the rise of money, takes a giant step backward, for he is incapable of transcending the society that has created the social basis for this comparability. Whereas the Greeks were amazed at the social changes implicit in the development of money, S is so rooted in capitalist production that he cannot imagine production without these social relations.

It is not the function of money to facilitate barter, for the same forces which bring forth money also transform barter in the exchange of commodities. Unlike barter, the production and exchange of commodities means that goods are produced for sale, in other words, that they have no use value to their producer but only a value expressed in the labor-time they embody. Exchange cannot be reduced "to its barest essentials" and turn out to be barter, because the realization of this value through sale is an essential characteristic of exchange, as opposed to barter. Money itself arises as a form of value.

Let us now proceed to the relation between money and capital. It is supreme irony that in the 9th edition S attempts to press Marx into service in support of his notion
of "perversion." In a long passage which purports to paraphrase and even quote from Marx, S describes various phases in the evolution of this perversion. Barter, according to S's version of Marx, represents the sequence "commodity-commodity-commodity...!" (57). This is false, for Marx restricts the concept "commodity" to a situation in which products have ceased to be solely use values for their producers and have also gone beyond the stage of being produced occasionally or coincidentally for exchange. (In fact, the German term for barter [*Produktentausch*] literally means "exchange of products.")

The next phase, which S calls "a natural money economy," consists of the "sequence... 'commodity-money-commodity...'" (57). Here money is supposed to serve merely as a medium for acquiring commodities not accessible through barter. Although S does not say so here, this is the "sequence" which he assumes to exist everywhere in capitalism. Now to begin with, Marx nowhere uses the term "natural money economy." In fact, to the best of our knowledge, S is the first one to have done so. Both bourgeois and Marxist economists use the terms "money" and "natural economies" as dialectically nonmediable opposites; natural economy by definition is one in which no money is used.

The surface appearance of money and commodity exchange may be common to societies other than capitalism—for instance, the world market may perhaps mediate exchange between societies not all of which produce commodities; it may mediate the products of slave labor, etc.—but only in capitalism does this process become pervasive. The point, however, is to mediate this surface with the deeper relations of production characteristic of capitalism. S presumably believes he is doing just that when he continues: "But, Marx points out, when capitalism becomes perverted, people want to pile up money for its own sake and not for the commodities it can buy; money's sole purpose then is to use commodities to beget more money in the perverse sequence: 'M-C-M....'" (57). The
depth of ignorance and distortion revealed in this alleged paraphrase of Marx is breathtaking.

To begin with it is not clear whether money or capitalism has become "perverted." It seems fairly clear that S believes that money has, but now it appears that capitalism has suffered a like fate. At this point suffice it to say that Marx always thought of capitalism as "perverted" because its mode of production did not aim at the satisfaction of needs per se but rather only to the extent that this did not interfere with the production for profit.

S seems to think that there was a time when Marx did not think of capitalism as "perverted." This presumably was the C-M-C "sequence," which as we have seen does not correspond to a previous era of capitalism but rather to the sphere of commodity circulation that marks the entire history of capitalism. At some point this presumably was "perverted" into M-C-M. But M-C-M can also refer to pre-industrial capitalist societies, to a type of hoarding, as well as to early trading capital and usury. S is of course playing with this notion of hoarding when he speaks of piling up money for its own sake; by the time we reach the early trading capitalists, however, it is clear that a new factor has been introduced—namely the search for profits for further expansion.

Yet at the same time this process cannot be a stable, self-reproducing one, for the trading or money capitalists can gain profits only by extracting values or money from others. In other words, the process M-C-M, in contrast to C-M-C, is senseless unless the final M is larger than the first, since the object is to obtain more money than one began with. This whole development, however, takes place within, or rather is, the process of circulation, not of production. In the process of circulation an individual can gain money only if another loses it; it is only in the process of production that new values can be created because only here is new labor added. As representatives of the circulation sphere, trading and money capitalists merely mediate between producers or between producers and consumers.
And they have also mediated between two societies of which only one was commodity-producing ("trade" was often a euphemism for plunder, piracy, etc.); in the long run, the extraction of values from both extremes would have led to their depletion and collapse (which is precisely what happened in various colonies).

The process of money-making can become a stable, self-reproducing one only when it transcends the sphere of circulation and takes direct control over the process of production. That happens when money can buy a commodity which, when used, will create more value than it itself possesses. That commodity is labor power.

But it is not true that "money's sole purpose" is to make more money or that "people want to pile up money for its own sake." Money has several functions, and fulfilling one of them does not necessarily preclude the fulfilling of another. The term "people" distorts the issue, for different people belonging to different social classes acting as economic agents in various roles "want" money for different purposes. Thus consumers of means of consumption (in "our" society, largely workers) do not pile up money for its own sake and do not use commodities to get more money; rather, the sphere of simple commodity circulation in which people exchange money for means of consumption is an attribute of capitalism.

The capitalist enters the "market," as everyone except S seems to know, in order to buy machines, raw materials, and labor power—that is, commodities—so as to produce other commodities which he can sell on the market in order to extract more money from the sphere of circulation than he had put into it. He is able to do so because "his" workers have added value to the commodities he has bought, and so he sells commodities worth more than his original purchase.

Thus the capitalist seems to follow the M-C-M sequence, whereby the second M is greater than the first. The point is that once this process has become self-reproducing through the exploitation in the sphere of production, that is to say, once money functions to introduce and conclude the pro-
cess of exploitation, it has also become capital. Similarly, the machines the capitalist buys on the "market" are not simply commodities but also capital.

To summarize: money is not just a measure of value and a means of circulation. (S makes this assertion through the 5th edition, Chapter 3; in later editions Chapter 15 lists other functions, but these do not conflict with our argument.) Once money has developed this far in a value-producing society, it develops still further into a general symbol of wealth. This is precisely what Plato and Aristotle, as representatives of a society beset by new value-producing relations were protesting against. But the ability of money to assume an independent existence is given with the exchange process itself and is developed further by exchange. Once this happens, once money becomes a concentrated and mobile social power, it is only a matter of time before it will be in a position to buy the commodity that will enable it to grow and reproduce itself. But that is not a "perversion" of money: the abstract nature of wealth, the result of value and commodity production, already contains the seeds for the subsequent amassing of money for its own sake, for the peculiar qualities of the use values which militate against such accumulation begin to be subordinated to the quantitatively limitless possibilities for the accumulation of values. And inherent in this "hoarding" is the possibility for money to become capital as soon as it can buy labor power; and thus labor, the source of value, can be pressed into service in the limitless production of value beyond and/or without reference to the production of concrete use values.

DIVISION OF LABOR
S's discussion of division of labor is marked by his inability to distill what is peculiar to capitalism, and by a superficial description of what is peculiar to it, which is then attributed to economic development in general. This approach is consistent with S's general inability to understand the social and historical content peculiar to production relations
under capitalism. The peculiar development of the division of labor under capitalism simply cannot be explained without considering two basic aspects of this mode of production: the production of value and the exploitation of labor in the form of the production of surplus value. By neglecting this yet at the same time unconsciously presupposing it, S’s account cannot fail to be both ahistorical and tautological.

He introduces the subject by stating that “the economies of mass production upon which modern standards of living are based would not be possible if production took place in self-sufficient farm households or regions” (52). Since a self-sufficient economy is a natural economy—that is, one in which there is no exchange since there are no independent producing units—and since the mass production S mentions refers specifically to a capitalist commodity-producing economy, all he has in fact told us is that we cannot expect identical developments in nonclass, non-commodity-producing societies and in class, commodity-producing societies. Furthermore, a non-commodity-producing society is not antithetical to a division of labor, although it is not the same division of labor S is trying to describe.

Starting from this ahistorical approach, S appears to equate “a division of labor” with “specialization of function,” that is to say, from the existence of various productive activities he jumps to the conclusion that one person must be welded to each activity. And then he proceeds to the claim that such a specialization allows individuals and “regions” “to use to best advantage any peculiar differences in skill and resources.” And although he also admits that specialization can reinforce already existing differences, he also claims that this too will work out for the best (52).

But what exactly is it that becomes “better” or “best” through “division of labor”? He does not specify, but we can gather from his remarks on “improved techniques,” on “the simplification of function made possible by specialization [which] lends itself to mechanization and the use of labor-saving capital,” and the “efficiency” of automobile
assembly lines (53) that he has in mind the "advantages" accruing from a very specific division of labor which developed during the two centuries before Adam Smith published his Wealth of Nations (1776), and which is known as capitalist manufacturing before becoming transformed into capitalist large-scale industry. At the beginning of this development stands the process of expropriation of the immediate producers and its consequences alluded to earlier. These producers now become wage workers, "employed" in large workshops by capitalists who have concentrated enough capital to buy the machines, raw materials, and "labor" necessary to carry on large-scale production. At the same time, the very separation of the former immediate producers from their conditions of production, which compelled them to sell their labor power, ensured the growth of a market for the commodities that had previously been acquired through self-sufficient activities. Marx explains this new division of labor as follows:

*Division of labour* in one sense is nothing but coexisting labor, that is, the coexistence of different modes of labor which presents itself in the different kinds of produce or rather commodities. The *division of labor*, in the capitalist sense, qua analysis of the particular labor, which produces a certain commodity, into a sum of simple concurrent operations distributed among different workers, presupposes the division of labor within the society, outside of the atelier, as *separation of occupation*. It increases it on the other hand. The product can be produced in a more eminent sense as commodity, its exchange value becomes the more independent of its immediate existence as use value . . . the more one-sided it itself is and the greater the manifoldness of the commodities for which it exchanges, the greater the series of use values in which its exchange value expresses itself, the greater the market for it. The more this the case [sic], the more the product can be produced as commodity. . . . The indifference of its use value for the producer expresses itself *quantitatively* in the mass in which it is produced, which stands in no relation whatever to the consumption need of the producer even if he is at the same time consumer of his product. One of the methods for this *production en masse* and therefore for the production of the product is however the divi-
sion of labor within the atelier. Thus the division of labor on the inside of the atelier rests on the division of occupations within the society.23

As Marx also points out, the political economists who witnessed the rise of this division of labor viewed it realistically for what it was—namely as a means to produce more commodity with the same quantity of labor, thus to cheapen the commodities and to accelerate the accumulation of capital. In the strictest opposition to this accentuation of the quantity and exchange value the writers of classical antiquity cling exclusively to quality and use value.24

The development of modern industry, the cheapening of commodities, the exploitation of labor, and the subjugation of the worker to the capitalist turned the worker into an appendage of the machine, which, being capital, is not designed to improve the life of the worker but rather to extract as much surplus labor for its owner as possible. The labor saved by "labor-saving capital" is labor for which the capitalist has to pay the worker; conversely, it "saves" the laborer from any labor altogether since it renders his use value as a worker null and void. To be sure, S, who never ceases to applaud the "efficiency" resulting from eliminating the "wasteful duplication" connected with dealing with a group of jacks-of-all-trades, or the time-saving effected by having people do one job instead of their moving about (53), does not deny that this "may" have untoward consequences: "(Specialization may involve some costs, breeding half men-anemic clerks, brutish stokers—and producing social alienation.)" (8th ed., p. 49).

Back in the 3rd edition (1955; p. 46), these were merely "hidden costs," but by the 9th edition the "social alienation" among S's readers had apparently become so great that he thought it necessary to expand this sentence into a whole section and place Karl Marx's seal of approval on it. Apparently the fact that "real incomes rise in modern society" is what breaks the camel's back and leads people to the realization that specialization "may" make work "with-
out purpose” (53; this in itself is unclear, for in the use-value production sense the “purpose” of every part of the division of labor is not hard to find. Perhaps one should look at the social context within which this production takes place to see what is responsible for the lack of purpose, for the only purpose a worker sees for himself is to collect his wages; all other objectives are imposed on him by the capitalist process of production). Marx, we are told, while still a "neo-Hegelian," had already grasped the “alienation” of modern industry “prophetically” and had still not forgotten it when he wrote Capital (53f.; this misinterpretation is due in part to the fact that S cannot find anything but metaphysics and mathematics in Capital).

Contrary to the impression S tries to convey, Marx does not hold “technology” responsible for the crippled detail-worker. Furthermore, Marx does not say that capitalism does not demand that the worker learn to perform many different tasks. On the contrary, the quest for the highest possible profit makes for unprecedented movements of capital and labor from one branch of production to another and creates new branches. What is at issue, however, is how this “mobility” comes about. Because of the anarchy of capitalist production, workers thrown out of one “employment” do not find another job right away, and unemployment and a highly “inefficient” use of labor power become the order of the day. Secondly, although capitalism makes it necessary for workers to be able to perform many different tasks if they are to find new jobs, this does not mean that workers are given the opportunity to prepare themselves for a variety of productive tasks. That is precisely the point Marx is trying to make: and because sudden changes in the scale of production in various branches and the sudden opening of new branches are unplanned, the result is “inefficiency,” and therefore the individual worker is wasted and society as a whole is the loser. Capitalism’s inability to create a versatile labor force as the norm is among the factors leading to its decline and the establishment of a society able to create such workers. S’s own description of the “loosening up of the elaborate divi-
sion of labor” makes it clear that whatever changes may come about will be the result of pressure by the workers and fear on the part of the capitalists; in other words, capitalism still struggles against “humanization” and will permit it only insofar as it “may be profitable” (54).

Having thrown a sop to the “socially alienated,” S feels free to proceed to “one further serious problem” created by “specialization and division of labor”—“interdependence” (54). At first glance “interdependence” might not seem like either a “serious problem” or a “cost”; on the contrary, global cooperation would seem to be a potent productive force. And it is not interdependence per se that is a problem, but rather the form it assumes in world capitalism. To illustrate this “complete mutual dependence,” S has recourse to such relevant examples as Fiji “natives”; and his attempt to incorporate examples nearer to home into his schema proves even more revealing: “In the backwash of a strike or war, a breakdown in transportation and the economic fabric of exchange reveals how perilously modern economic life depends upon exchange” (55).

It is interesting that S finds it necessary to fall back on what he considers factors extraneous to economics like strikes and war in order to pinpoint the dangers of an economic phenomenon like interdependence. Also, he associates, or rather almost identifies, two phenomena that belong to two qualitatively different spheres: transportation and circulation. Transportation belongs to the sphere of use-value production, although in capitalism its productive nature is “concealed by the circulation form” (138). The physical transportation of products which happen to be commodities must not be confused with the transformation of the value of commodities (and capital) from commodity to money to productive form. It is this aspect that is relevant when speaking of the dangers of “breakdown” growing out of interdependence.

The real economic danger arising from the peculiar form that interdependence assumes under capitalism has been spelled out by a German encyclopedia of the social sciences, namely that “this dependence becomes a particular
disadvantage in partial crises which through this more easily become general crises." But all S does is hint at the manifestations of anarchy inherent in capitalism, at the "facts subconsciously familiar to every person" (5th ed., 1961, p. 57).

IV / CONSUMPTION

S's treatment of consumption in these chapters serves a dual purpose: to lay out the basic terms for the demand aspect of the supply-and-demand determination of price, and to establish the far-reaching ideological claim that economic activity under capitalism is subordinated to the needs of consumers as expressed on the market. In this section we will deal largely with the latter point, although we will also touch on the first. Our discussion will be restricted to broad ideological considerations, leaving the more specific theoretical critiques of utility and marginal utility to Chapter 15.

"CONSUMER SOVEREIGNTY"
The notion of "'consumer sovereignty'" (58) has been the ideological centerpiece of recent bourgeois discussions of consumption, and it has been offered up in two versions, one weak and the other strong. The weak version holds that in order for a "good" to be sold, it must satisfy some human need or want. The strong version further asserts that the psychological makeup ("structure of preferences") of consumers determine the optimal allocation and utilization of productive resources with regard to the satisfaction of consumer needs and wants.

The strong version corresponds to the above-mentioned global ideological claim, but before we look at this thesis more closely let us examine some of the implications of the weak version, for although the strong version presupposes, and would fall with the refutation of, the weak version, the latter can also stand on its own.

In the almost tautological sense that a consumer must want to buy what he buys, the weak version is not peculiar
to bourgeois economics. On the very first page of *Capital*, Marx also notes that a commodity must be of use value to its potential buyer if it is to be sold. The exact nature of this need, and the manner in which the commodity satisfies the need, is not, however, of interest to Marx, and he even excludes use values as use values from the sphere of political economy altogether. Insofar as political economy in Marx's time was still characterized by an approximation to objective reality despite objectively caused theoretical inversions of that reality, Marx's approach was adequate as a critique of political economy. And it is still adequate today as an analysis of the fundamental forces operating in capitalism. To the extent, however, that bourgeois economics has degenerated into an openly apologetic ideological system, the critique of bourgeois economics must also take on a new quality: it must analyze aspects of it which make it less than a science of political economy. That is to say, not all categories of bourgeois economics—among them use value as use value or needs and their satisfaction—present an opening for a critical understanding of the essential forces in capitalism. Although Marxist critique will lead to a refutation of the claim that the satisfaction of consumer needs is the goal of capitalism, we will not arrive at this conclusion by examining consumer psychology. Yet since there is a formal similarity between Marx and contemporary bourgeois economics with respect to the weak version of consumer sovereignty, a distinction between them must be made.

Marx reduces the weak version almost to tautology. But even thus he is not talking about use value as use value but rather about its relation to the production and exchange of commodities that also have a value which must be realized. As pointed out repeatedly, "labor" under capitalism becomes "free" in the sense that the immediate producers are released from relations of direct domination as well as from their own means of production. Similarly, we might also say that "consumer sovereignty" originates in this process of transition to capitalist relations of production. This sovereignty also carries with it the very interdependence
that worries S. For once production takes place for an "anonymous" market, as it must under capitalism, we are confronted with the likelihood and even the necessity that particular (masses of) commodities may have no use value for anyone and therefore will lose all or part of their value. This, of course, is the surface appearance of all crises—overproduction. And although this surface appearance does not explain the crises, the fact that value and use value, although inherently separable, must exist simultaneously in order for both to be realized lies at the base of capitalist crises. Or to put it differently, the fact that the restoration of the balance of the use-value structure of production with the social relations of value and surplus-value production and realization inevitably involves massive over and underproduction, wasteful and "inefficient" production spurts and cutbacks is not merely a consequence of producers' not producing use values for themselves (i.e., the existence of division of labor within the society): rather, it is due to the fact that use-value production is not immediately coordinated on a social level, but only indirectly through value production.

This emphasis on the internal unity of value and use value which asserts itself in crises through external antagonism must be counterposed to a recent bourgeois attack on the weak version of consumer sovereignty, J. K. Galbraith's conception of managed demand,27 as well as to the weak bourgeois counterattack. According to Galbraith's thesis the large corporations have been forced to, and have succeeded in, planning and managing wants and needs, thus in fact reversing the notion of consumer sovereignty. In reply, the less extravagant economists such as S point out that not even "the large corporation" is "an absolute monarch," and so not even "all the wizardry of Madison Avenue" can foist a lemon like the Edsel on a resistant public (510). Or more generally: "Firms do not know when consumer tastes will change; therefore they may overproduce in one field and underproduce in another" (47). For S this represents a "drawback to the picture of the price system" which cannot be eliminated by the lessons firms draw from
experience, for once they have adjusted, "the situation may have changed again" (47).

Essentially, S's reply merely insists on the ultimate sovereignty of the consumer: despite possible "imperfections" and "abuses," somewhere deep down the free-enterprise system harbors an irreducible element of sovereignty. In other words, S's response takes as its point of departure the "freedom" that characterizes the "market" relations between consumers and firms. Although this would appear to be diametrically opposed to Galbraith's position, it in fact rests on the same theoretical base—namely, the character of "market" relations. Well, one might ask, how else are we to approach a subject like the consumer?

The trouble with this approach lies in its inability to understand how "the consumer" is mediated with other, more deep-seated forces than the "market." This is demonstrably so, even if we grant some validity to Galbraith's thesis of need-management by the large corporations, which, like S's counterargument, continues to view use values as use values. It is obvious that in some sense "the" consumer must be sovereign in capitalism—namely in the sense that the agents of production (the owners of "land, labor and capital") must formally be able to convert their claims to social-value production into particular use values (within the quantitative limits set by value); in other words, capitalism would not be capitalism if automobile workers were to be paid in cars or tires or fenders rather than money. The products of labor must take on the abstract form of value, i.e., money, and circulate in that form.

Once an agent of production has received his claim to the annual social product in the form of money it is irrelevant how this money is spent and what mechanisms influence the spending. Thus individual large firms may be able to convince masses of workers that they "need" cigarettes or hair tonic or what have you, but this still will not prevent the value aspect of commodities from asserting itself. For as long as there is capital, that is, as long as individual capitals exist in competition with one another, a fundamental
anarchy is expressed in value and surplus-value relations which transcends the "micro" problem of which commodities are chosen for consumption, and the "macro" problem of whether current income is spent in its entirety or not. To put it succinctly: given the present social relations of production, not even the most refined techniques of subliminal motivation can prevent economic crises.

In the end we find that the formal freedom that characterizes consumption in capitalism—i.e., production, exchange, and distribution of value—lies at the base of capitalist crises, regardless of the substantive realization of this freedom with regard to use values as use values, that is, with regard to the substantive satisfaction of needs even within the limits of the capitalistically determined quantitative distribution of income ("budget constraint").

We can conclude then that in a certain sense the weak version of "consumer sovereignty" has validity, and if the strong version is to be refuted, it must be attacked for aspects other than those it shares with the weak version. But it must be pointed out that our acceptance of the weak version is restricted to what we called a "formal" aspect, which is abstracted from a substantive examination of use values as use values. More specifically, we have not examined the question of how needs are formed, and to what extent "real" needs as opposed to "false" ones are being satisfied even within the limits of income distribution. Although this question is not an intrinsic part of the political economy of capitalism, still it must be dealt with since it forms a part of contemporary bourgeois economics.

In any event, the structure of needs in any society, be it capitalist or postcapitalist, is a highly complex social phenomenon. At this point suffice it to say that the contradictory character of need structure in a value-producing society cannot be adequately reflected through the market, let alone "rationally" dealt with in reality. Although S contends that "consumer votes do not by themselves determine what goods are produced," because "business cost and supply decisions ... do help to determine what" (45), it is clear that if consumer sovereignty in the strong version
is to retain validity, demand must dominate supply. This means that supply must be determined by demand, subject only to limitations imposed by so-called technological conditions ("physical efficiency" [44]). But since "the profit seeker is society's agent to determine how" (45), it must be shown that the search for profit ("cost efficiency" [44]) coincides with "physical efficiency" and does not run counter to consumer interests. This theory is erroneous, a fact which will be brought out later. At this point we merely wish to point out that S suggests that it buttresses the strong version of "consumer sovereignty," although even within his theory such a conclusion does not seem warranted.

Before proceeding to an examination of how "consumer sovereignty" operates in capitalism, let us take a brief look at the position of the consumer in socialist societies. Thus a recent symposium on economic reforms in the Soviet Union asserted:

Since the majority is said to enter socialism and to remain for some time in a state of vestigialness, the power to decide on what kinds of consumer of goods and services to produce must reside with the Party. To the extent, therefore, that the citizenry continues to desire items that are deemed by the Party to be unnecessary, wasteful, or reflective of bourgeois decadence, consumer satisfaction is purposefully not met.28

The author then goes on to provide his version of Marxist ideology with respect to the consumer during the period of socialist construction:

Life and work in a socialist economic environment causes a gradual transformation in the attitudes and behavior patterns of the people. Bourgeois attitudes and behavior give way to "socialist consciousness." . . . The general living standard is said to rise and every effort is bent to produce that which is most desired by the progressively less vestigial, more socialist-conscious consumers. Consumer freedom, then, is like political or any other freedom. For a person is only truly free, according to Marxist-Leninist doctrine, when he does or wants that which is historically necessary.29
Balinky states that “the traditional Soviet approach has been to regard all items of consumption as imbued with either an ideological, practical, or neutral content.” And he concludes that “the Soviet consumer may be said to be gaining real freedom of choice if progressively more items of consumption are losing their ideological and practical content.”

The comparison with political freedom in fact holds the key to understanding “consumer sovereignty.” As Balinky himself points out, “there are significant limits to such freedom even in the most highly market-oriented economies.” Thus, for example, there is no “free market” for heroin.

Another question relates to the extent to which the “citizenry” has come to “internalize” socially accepted norms. Balinky’s description clearly implies that “the consumer” would rather see resources used for facilities able to turn out a hundred thousand winter coats in a wide variety of colors and styles than for facilities capable of turning out a million coats in one style and color. In other words, there is the assumption that under socialism “the consumer” is an individual without social attitudes, that he cannot participate in determining total production on the basis of a wide range of considerations that transcend the single criterion of whether he or she “wants” something, regardless of any other social or personal considerations, such as the production conditions of a commodity.

Labor power and means of production are not purchasable under socialism, and therein lies the most significant “deviation” from so-called consumer sovereignty. It is here that we can see how use values enter into the determination of social forms of production, and also of how consumption is connected to production relations. Socialism progressively reverses the process that transformed all products of labor and all natural resources as well as the capacity to work itself into commodities, which represents a formal reduction in “freedom” for all owners of money; in fact, however, only the capitalist class is denied access to the purchase of the commodity form of its capital. Here
again we can observe the changing historical and social
meaning of freedom: just as it has become a "popular pre-
judice" in capitalism that the "freedom" to sell oneself (i.e.,
slavery) is no freedom at all and must be outlawed, so too
in socialist societies there is a popular view of wage slavery
and capital as a historically obsolete freedom.

Let us now proceed "to see just how this spending of
money votes—this system of 'consumer sovereignty'—takes
place..." (58). This in turn will lead us into a preliminary
discussion of supply and demand. S cannot be accused of
presenting a theory of consumption as a constituent part of
a process of social reproduction; that is to say, the role con-
sumption plays with respect to production, exchange, and
distribution in capitalism (or in any society for that matter)
is not examined. S fails to do so not only because he at-
taches no importance to theories of social reproduction but
more specifically because of a by now deep-rooted convic-
tion of bourgeois economics that consumption is the sole
end of economic activity. Once this assumption has been
made the dominant role of consumption within social re-
production in general and within capitalism in particular
has been tacitly though wrongly assumed as well; produc-
tion, distribution, exchange thus become subordinate ac-
tivities whose roles apparently need not be defined. It is
this self-explanatory nature of the role of consumption that
frees S from any methodological obligation toward his
reader and that ultimately forms the basis of his false theory
of "the consumer."

S opens his discussion (which, we repeat, only implicitly
deals with consumption) thus: "Let us take an example.
You wake up this morning with an urge for a new pair of
shoes" (58). Since he eschews any analysis of such
"urges," we are thrust into the middle of an extraordinarily
complicated set of processes without any guide as to how
we got there; moreover, we are not even told that we are in
the middle of a process but rather are given the impression
that we are starting at the beginning.

The starkness of this example may possibly be even too
much for S, and so he attempts a touch of local color: "Or,
to take an actual case from history, suppose men begin to get prosperous enough to afford meat every day and do not have to fill up on potatoes. How does their desire to substitute meat for potatoes get translated into action?" (58 f.). In this "actual case" we are led to believe that something happened to raise their incomes, and that this event had certain consequences. Exactly what it was that brought about this change toward greater prosperity apparently is not part of history," and thus we are still left in the middle of a complicated process.

But let us look at this "actual case" not for its concrete merits but as an example of the sort of reasoning that underlies "consumer sovereignty." Since S did not find it worthwhile to let us know which period of U.S. nutritional history he is talking about, it is not easy to pursue the matter.

Trying to pinpoint the "actual case" was not made any easier by the fact that not until around 1960 did U.S. per capita beef consumption rise above the 1830 level. Furthermore, although per capita potato consumption decreased during most of this century (this trend began to reverse itself in the late 1960s), meat consumption did not increase until the 1950s. If we really wanted "to take an actual case from history," we would look at 1973, with its escalating food prices, particularly those of meat. As meat boycotts and declining real spendable earnings have demonstrated, capitalist "consumer sovereignty" offers consumers the freedom of not being coerced into buying meat if they do not have the money for it.

Perhaps the most striking aspect of S's description of the chain of events set in motion by change in consumer tastes relates to the effects on the immediate producers: "Ranch labor finds it can hold out for higher wages, and many a potato digger quits his job for a better-paying job elsewhere" (53). This theme runs throughout the book: the changes wrought by "market forces" lead to ever higher levels of welfare for society as a whole and for the individuals involved in particular—if not immediately, then in the long run. In this context, it may be instructive to look
at an "actual case from history" which points up a number of interesting and related aspects of the chain of events allegedly set in motion by consumer tastes:

When evidence began to mount that cigarette smoking was a causative factor in lung cancer and heart disease, the tobacco monopolies began to turn out filter cigarettes which removed some of the cigarette's flavor along with tars and nicotine. To compensate for this, they substituted stronger burley tobacco for the milder flue-cured variety. This switch was accompanied by a massive advertising campaign that implied that cigarettes were safe. In the end, the profits of the tobacco monopolies remained "largely unaffected. The growers of tobacco were not in the same favorable position." While demand for Kentucky and Tennessee burley tobacco rose, "the tobacco growers of Virginia and North Carolina faced a serious depression."33

Even on a superficial level this picture is not quite accurate. It speaks of the tobacco growers in an undifferentiated fashion; in reality the effects of such a shift in a raw-materials source will vary according to the economic position of the agents of production. First of all, a distinction must be made between large and small farms; the former will be able to mechanize while the latter, unable to do so, will be driven out. A further distinction must be made between owners and tenants, and between tenants and farm workers, the latter being the most likely victims of mechanization. By and large, these small farmers and agricultural workers not only will not find "a better-paying job elsewhere," but are unlikely to find any job anywhere.

CONSUMPTION AS A CONSTITUENT PART
OF SOCIAL REPRODUCTION

It would seem as though in capitalism the notion of "consumer sovereignty" assumes the primacy of consumption as opposed to production, yet a closer look at the relation between consumption and production will show that no such primacy exists in any society, least of all in capitalism, where consumption is not even the end of economic activity. The reason that primacy of consumption over produc-
tion is not the simple truth S makes it out to be is connected with the inability of bourgeois economics to see consumption as part of a comprehensive process of social-material reproduction rather than as a "given," outside "the system," somehow always there to furnish "economic activity" with its directional and substantive thrust, whose reproduction is tacitly assumed and never explained. Although superficially this would seem to make consumption a very active force, it ultimately transforms it into a passive agent.

By viewing "production and consumption as activities of one subject or of many individuals," certain aspects of production and consumption and their relation to each other can be established for all societies, or even without reference to any society. These relations can be useful despite their abstractness because they can be reduced to terms that enable us to avoid repeating the chain of reasoning that led to them; on the one hand, they themselves do not provide an explanation of the peculiar forms these relations assume in various societies, and "the whole wisdom of the modern economists" consists precisely in forgetting this.

Keeping this in mind, we can see how Marx abstractly determines the influence of consumption on production:

Consumption produces production doubly, 1) inasmuch as only in consumption does the product become real product. E.g. a dress first really becomes a dress through the act of wearing; a house which is not lived in is in fact no real house. . . . Consumption, by dissolving the product, gives it the finishing stroke; for production is product not as objectified activity, but only as object for the active subject; 2) inasmuch as consumption creates the need for new production, that is, the ideal, internally driving reason for production which is its prerequisite. . . .

Thus consumption created the purpose of production and reproduced the need that calls forth production. On the other hand, it is possible to find similar influences exerted by production on consumption. It is obvious that produc-
tion provides the material of consumption and it also determines the method in which consumption takes place. In other words, production, by creating the mode of consumption, also creates the consumer. And finally, production, by helping shape the mode of consumption and the consumers themselves, also produces the specific needs of consumption.

We can thus see that even abstracting from any particular social development, very definite self-reproducing interconnections between production and consumption can be established. On the same level of abstraction, the priority of production can also be established:

What is important to stress here is only that, whether one views production and consumption as activities of one subject or of many individuals, they in any event appear as moments of one process in which production is the real point of departure and therefore also the overriding moment. Consumption as want, as need is itself an internal moment of productive activity. But the latter is the point of departure of the realization and therefore also its overriding moment. . . . The individual produces an object and returns to itself through its consumption, but as productive and self-reproducing individual. Consumption thus appears as a moment of production.37

What then are the basic errors in S's conception of consumption? The first derives from the uncritical fashion in which (marginal) utility theory accepted the needs and wants of individuals as the dominant forces of economic activity, although this approach necessarily neglects the role of production in the creation of the needs and wants of all societies. It is no accident that this theory also views these needs and wants as somehow given, since only by positing their externality (to "the system") can one extract them from the process of self-reproduction and disregard the priority of production. Consumption has thus been artificially severed from this process of self-reproduction and transformed into a point of departure. But precisely because its real relations to social production have been con-
cealed, consumption has been deprived of its real active role and reduced to a pseudo-active one; all we are left with is the image of someone with an "urge" for shoes setting the process in motion by casting his dollar votes into the great economic machine.

This first error can be understood without reference to any particular society. The second one relates to bourgeois economics' convenient way of "forgetting" the level of abstraction that characterizes the relations between consumption and production. This set of relations is bound to elude the bourgeois economists because they define economics not as a science of social relations but rather as a study of the relations between human beings and physical objects (whether natural or man-made). Thus when S sees the ability of "the market" to satisfy the needs as the primacy of consumption, he ignores the mediating relationship between consumption and production which appears in the relationship of exchange and distribution. (This does not imply that specific social relations do not appear in the sphere of production itself; they do, but the identification of production with "technology" has blinded bourgeois economists to them, so that the sphere of distribution becomes the sole possible repository of social features.)

The second basic error rests on the unheralded transition from the weak to the strong version of "consumer sovereignty." For although the effect of consumption on production mentioned by S does exist, it in no way proves the claimed primacy of consumption over production. All it proves is that nothing can be sold unless someone "wants" to buy it. The inconclusiveness of S's assertion is underlined by the fact that he chooses to introduce the process at the point at which the "urge" to consume crops up literally from nowhere. By proceeding thus, he is able to avoid an absolutely crucial aspect of capitalism, one conveniently forgotten when speaking of "the market" and the relationship between consumer and merchant, namely the fact that no need can be satisfied unless it also satisfies capital's "need" for "competitive profit"; everything in the chain S
sees as deriving from changes in consumption patterns or tastes is mediated by profit requirements in the sphere of production.

Moreover, not only must the desired use value be produced profitably, but the distribution of income that forms the basis of consumption and changes in consumption is itself determined by the same profit requirements in the sphere of production; thus, for instance, a failure on the part of capital to "earn" its average profit will not only bring production of the "needed" commodities to a stop, but result in the firing of or wage cuts for the workers producing these commodities, so that their "needs," as expressed by their purchasing power, will also diminish.

The notion of "consumer sovereignty" is insolubly linked with that of "demand." This latter notion is not quite so simple as most textbooks would have us believe. The demand for something contains both subjective and objective elements. Subjectively, someone must want that which is being demanded. This in itself, however, is clearly insufficient, because wanting cannot be equated with demanding. This is where the objective aspect comes in: some sort of right or threat or power must back up the wish (although the power may not be strong enough to turn the wish into a command).

S equates demand for a commodity with the quantity in which it is purchased (59). This in turn leads to endless paradoxes, such as: the poor demand low-cost housing, but the demand for it is nonexistent or at most negligible. These paradoxes stem from S's juxtaposition of the connection of demand with wants and rights and its positivistic identification with the quantity of the commodity actually bought. He is unable to confront this paradox because, while equating the quantity bought with demand, he also needs the "wants and needs" connotation of the term—unstated, of course—in order to save demand theory from circularity.

Thus we can see that the paradoxes of demand in capitalism are created by the inability of bourgeois economics to make the transition from the abstract relation
between production and consumption to the specific one, for a study of the capitalist mode of production shows that the profit needs of capital necessarily insure that certain other needs will go unsatisfied due to the lack of solvent or effective demand (the result of income distribution)—or of its production-sphere expression (low profitability).

Take housing: in the late 1960s, according to the U.S. Department of Commerce one-half of the 20 million households with annual incomes below $5,800 (average income $4,400), approximately 50 million people, constituted "an urgent market for genuinely acceptable low-cost housing." At about the same time a published estimate pointed to "7.8 million households which are unable, because of their incomes, to afford standard housing. [Projections] show little diminution in the number of these families . . . for 1978." The reason becomes quite obvious when we learn that "it is most difficult to . . . make a reasonable profit" by constructing housing that people with low incomes can afford.

We now understand what S means when he says that "the profit seeker is society's agent to determine how" (45)—namely, to determine how not to produce at all when there is no promise of profit.

V / SUPPLY AND DEMAND

The fact that S offers only "the bare elements" of supply and demand and postpones a discussion of the underlying "microeconomic" theory renders a critical analysis very difficult. Similarly, a rigorous Marxist critique of supply-and-demand theory presupposes the development of a series of categories which cannot be treated adequately here. Nonetheless, we shall attempt at least to lay the groundwork for such a critique.

When S tells the instructors that "supply and demand comes as a natural sequel to Chapter 3's more general description of the market process," he is correct in a sense of which he is doubtless unaware. For the sort of supply-
and-demand theorizing offered here does indeed flow directly from the essential characteristics of the "market" approach discussed earlier, one that endows relations which exist but are superficial in the sense of being subordinate to and derivative of other relations, with conceptual eminence. Worse still, these relations lose even their secondary value by being severed from more fundamental ones, and without them they become mystifications.

Just as money, prices, division of labor, etc., cannot be understood apart from the complicated system of capitalist profit production, so supply and demand also are transformed into meaningless, even distorted categories when their role in profit production is neglected. And this neglect is a logical step in S's concentration on the "market," for the market, as we know, does not show what mode of production created the commodities bought and sold there. But the laws that guide the market are those of the mode of production whose commodities are being exchanged. On the "market" it would appear that commodities are merely bought and sold and that what is taking place is simply an exchange of money and products between buyers and sellers whereby an equivalence (in value) between them is presupposed. But in fact "the commodities are not exchanged simply as commodities, but rather as products of capitals," "and . . . as far as commodities are products of capital, they presuppose capitalist production processes, that is, relations complicated in a way much different from the mere buying and selling of commodities."42

When we talk of demand, we must specify whether we are talking about demand by consumers (largely by workers for means of subsistence) or by capitalists, and within the latter category we must distinguish between demand for "labor" and for machines, raw materials, etc. These distinctions are important because they serve to explain the differential effects of the aggregate process of capitalist production on the various components of demand and supply.

Demand for "consumer goods" largely depends on what share of the "national product" goes toward wages (and in
part to the capitalists as consumers; the more complicated redistributional aspects of taxation and government expenditure with respect to "demand" will be gone into in Chapters 6 and 8); this relation, on the other hand, also determines what is left for capital in the form of profit; and this index of profitability in turn determines the demand for machines, raw materials, "labor," etc., as well as the supply. (The forces that determine these basic relations through which supply and demand operate and must be understood are in fact very complicated and comprise the bulk of Marx's Capital.) S in his own way is aware of this problem. Unfortunately, after having impressed the reader with the primacy of supply and demand, he relegates a modification for "the alert reader" to a footnote (68 n.3). But even this note loses its potential critical force because he (1) reduces inequalities in the "distribution of money votes" to "luck" and genetics; (2) in the end reestablishes the supremacy of supply and demand by shifting it to the "factor markets." And finally, the note gives us a fascinating glimpse of how "the text is carefully—nay, even cunningly—prepared so that each reader can go as far with it as he cares to go" (vii): namely, the student is motivated to read it because it shows how to avoid getting only "50 per cent credit . . . on a final exam" (68 n.3).

To give the reader some insight into the positional value of supply and demand in Marxist theory, we will offer a violently abbreviated version: the price at which a commodity will "earn" the capitalist producing it an average rate of profit is called the price of production by Marx. This price arises apart from the value of the commodity through competition among the individual capitals. If this price did not exist—that is, if the commodities were sold at their value—then the rates of profit in various branches of production, depending on the ratios of the amount of living and dead labor employed, could not be tendentially equalized, and without this tendency the "market freedom" that characterizes capitalism would disappear. The role of supply and demand must be looked at in connection with the
equalization of the rates of profit and the transformation of values into prices of production; then we see that capital withdraws

from a sphere with lower rate of profit and throws itself into another which yields higher profit. Through this constant out-and immigration, in a word, through its distribution among the various spheres, depending on whether the rate of profit drops there and rises here, it brings about such a relation of supply to demand that the average profit in the various spheres of production becomes the same. . . .43

Thus to understand the function of supply and demand one must understand the process of production of surplus value and its distribution among various capitals. This understanding in turn rests on that of commodity production, for on the aggregate level supply and demand recapitulate the relation between use value and value, between commodity and money, that applies to the individual commodity. This becomes clear when we realize that what is being supplied and demanded are not mere physical products. The demander must supply a value equivalent for the use-value demanded, while the supplier intends to realize (demands) the value of the commodity supplied.

The foregoing process results in two important methodological points. First, supply and demand functions on a concrete level which is not the proper subject matter for a general theoretical text, let alone an introductory one. Concrete in this context is synonymous with "superficial" in the sense of lying on the surface of events; it is a matter of scientific concern, but not a fundamental one. But when, like S, one omits the base and transforms supply and demand into that base, "superficial" also takes on the meaning of shallow and uncomprehended as applied to the theory itself.

Secondly, S's discussion of the equilibrium of supply and demand ("At that equilibrium intersection, and there alone, will everybody be happy" [67]) does not quite explain what it is supposed to—namely, prices and/or the forces at work tending to force the existing price-structure toward some
sort of equilibrium. This reasoning in effect boils down to saying that when supply and demand are equal we have an equilibrium price, and when we have an equilibrium price, supply and demand are equal. The trouble with this line of reasoning lies in the fact that when supply and demand are equal they cease to influence concrete prices and hence cannot be used to explain why the price is exactly equal to one sum of money and not to another. Not only does supply and demand fail to explain the underlying forces of capitalism, but they must be presupposed to be “in equilibrium” (as in fact pre-Marxist classical political economy did) so that these basic forces may be studies in their pure form, undistorted by the price oscillations brought about by supply and demand.

What supply and demand, when theoretically mediated, could explain are the price oscillations. These oscillations, as well as the tendency toward their elimination—or, in other words, the elimination of the effect of supply and demand—are explained by other factors. But this “equilibrium,” which never exists at any one point but merely as an average for a given period of time, is hardly one that makes “everybody happy.” In fact, statements such as these reveal the profoundly apologetic thrust of S’s theory. This “equilibrium” is the result of the countervailing rises and falls of supply and demand in the wake of the unceasing search for greater profit on the part of individual capitalists. Both the equilibrium and disequilibrium of supply and demand are superficial expressions of the anarchical nature of capitalism. To say that the effects of this anarchy make “everybody happy” is a prime example of rationalizing demagoguery.

**APPENDIX / STOCK MARKET FLUCTUATIONS**

This section was first appended to the 6th edition “to provide a motivating example of supply and demand.” The “motivation” presumably relates to making a bundle, since the bulk of the material is devoted to practical matters.
Or perhaps S thought this section pedagogically relevant, because "to the public the most dramatic example of a competitive market is in Wall Street. . ." (73). Two major objections to this interpretation may however be raised: first, as S himself points out in a rare critical moment, the numbers involved in stock ownership make a myth of "people's capitalism" (74 f., 113); and secondly, a good deal more "drama" would appear to inhere in "the labor market," where "relations" for 80 million workers (and their capitalist antagonists) "are not always so peaceful. To the family breadwinner his wage is not simply another price; it is the difference between "luxury and comfort, between comfort and privation" (45).

It would thus seem more likely that the real pedagogic relevance of this appendix lies in its consolidation of the image S has been playing with throughout: "the market" as "auction" (cf. 63, 67-69). We do not mean to imply that supply and demand suffice to explain phenomena such as stock prices, etc. We are also dealing here with more deeply rooted phenomena connected with capital accumulation, rate of interest, etc. But these are very concrete factors which can only be explained after the mediating links to a general theory of capitalism have been established.