CAPITAL REINTERPRETED

by Michael A. Lebowitz

[*Monthly Review*, Vol. 38, No. 2 (June 1986)]

The Limits to Capital by David Harvey. Chicago: University of Chicago Press, 1982. 478 pp.

Everyone who studies Marx feels compelled to write a book about the experience, begins David Harvey. One is tempted to add "and does so not under circumstances chosen by him or herself." For, there is always more involved than a mere interaction with a given text. There is, after all, the subject who interacts--which is to say, the lived experiences of the subject, experiences marked both by a given environment and the activity of the subject. Thus, every reading of Marx involves more than the idiosyncratic insights of an abstract individual; it is also a particular testimony, a "window" on the world.

The Limits to Capital is no exception in this respect. The product of a Marxist geographer, it develops and incorporates the neglected sphere of spatial relations within the theory of capital in an integral manner. The product of a period in which labor has been on the defensive in a world of capital, its central theme is the irrationality of capitalism--an irrationality which, at its limit, brings with it the threat of all-out nuclear war. Drawing upon a close reading of *Capital* and a host of recent commentators, David Harvey has fashioned here a unique and insightful theory of capital (beginning with the commodity and ending with inter-imperialist rivalry). It is not a "quick read" and deserves careful study. Precisely because Harvey approaches his material undogmatically on so many details, his book offers a myriad of questions to explore, to worry over, to contest. Harvey is especially creative when he addresses himself to concrete forms which capital takes on the surface of society (fictitious capital, credit, banking, landed property, forms of crisis--i.e., contradictions between aspects of capital, etc.) the subject matter of Volume III of *Capital.* No single discussion, then, could exhaust the particular issues of insight or contention; and, it may well be that anyone who studies Harvey will feel compelled to write a comment about the experience.

At the core of Harvey's approach is the understanding of a dialectical argument as one in which an adequate understanding emerges only at the end of the process of reasoning. He correctly rejects a linear building-block approach to Marx, noting that Marx's concepts were necessarily introduced in a partial and one-sided manner and are clarified and enriched only in the course of the development. (Harvey's discussion of this point in his introduction and opening chapter should be required reading for all who would study *Capital.)* Appropriately, it is only at the end of the book that we approach an adequate understanding of capitalism--and even this, he stresses, is still inadequate (p.447). Perhaps, then, we can suspend judgment on the epistemological journey in order to consider its ultimate destination.

Harvey's concluding chapters attempt to provide a more "nuanced account of the spatial dynamics of capitalism" in order, among other things, to "help define a material basis within the theory of accumulation for much of what passes for imperialism" (p.

440). At the center of the argument is a focus on fixed capital and its implications for the spatial immobility of capital. Just as a portion of total capital must be devoted to the sphere of circulation in order for capital to move through its circuit, so also must significant portions of capital be embedded in the land, in built environments, in social infrastructures so that production can occur. The very requirements of capitalist production necessitate large investments of capital that have a spatial fixity and that face devaluation in any location shift or technical change (p. 418).

But capitalism constantly produces "new forms of geographical differentiation"; the process of restructuring inherent in the accumulation of capital requires "new social geographies," a continuous restructuring of spatial configurations that becomes the basis for sustained accumulation (pp. 416, 403). Also, the constant tendency for "place-specific" devaluation of capital becomes ever more threatening as capitalism develops: the growing portion of capital "locked into immobile physical and social infrastructures, has to be defended if it is not to be devalued (p. 420).

There is a basis here for community and national solidarity; "for spatial competition between localities, cities, regions and nations"; for bitter struggles over which locale will bear the brunt of devaluation (p. 420). Territorial alliances (composed of land and property owners, developers, immobile productive capital, the local state and workers) emerge to protect and enhance the value of capital already committed in the region. The result: rapid restructuring in space economy is prevented. "Worse still, under pressure of devaluation,...a local alliance may act to conserve privileges already won, to sustain investments already made, to keep a local compromise intact, and to protect itself from the chill winds of spatial competition through import and export controls, foreign exchange controls and immigration laws" (pp. 428-29).

Thus, Harvey's argument provides him with a material basis for understanding interimperialist rivalry: "How can this be explained on the basis of a theory that appeals to the class relation between capital and labor as fundamental to the interpretation of history?" (p. 442). His answer is that it cannot--unless we incorporate spatial considerations directly into the theory. Yet there is more. It is precisely the use of state powers to prevent regional devaluation that exacerbates the problem; the new spatial configurations required for sustained accumulation cannot be achieved. The result is that the necessary balance (always tenuous) is prevented; crises are necessarily more severe: "The more the forces of geographical inertia prevail, the deeper will the aggregate crises of capitalism become and the more savage will switching crises have to be to restore the disturbed equilibrium" (P· 429).

In the end, there is the prospect of interimperialist war, the ultimate form of devaluation. It is a prospect given by the re-emergence of regional alliance in competition for shrinking profit opportunities, by growing tendencies toward autarky, by struggles to determine the locus of devaluation of capital. Global war (directed toward expansion "at the expense of the socialist bloc") is the clear and present danger; the actual use of military hardware and the destruction of capital (as occurred in the Second World War) are indeed "the only means that capitalism has at its disposal to achieve the levels of devaluation now required" (pp. 444-45). These are the *"limits* of capital"--the reason some saner mode of production is required now.

What we observe here is a "razor edge" perspective: the deviation from the particular spatial configuration that would sustain accumulation generates a crisis through which the spatial restructuring is achieved. This conception of a warranted or "equilibrium" position whose violation produces the necessity for a massive devaluation of capital, for a forcible restoration of the "disturbed equilibrium," is indeed a leitmotiv throughout the work.

The conception surfaces initially (and most significantly) with respect to the distribution of income: "There is an *equilibrium distribution* between variable capital and surplus value determined in relation to the rate of accumulation and the overall structure of production and distribution" (p. 55). Harvey notes Marx's sympathy with Sismondi's view "that there is an equilibrium point for aggregate income distribution and output that would facilitate the reproduction and expansion of both output and income over successive time periods" (p. 77). The failure to achieve this equilibrium will produce a crisis, which acts to restore the necessary balance: "Any radical departure from that equilibrium share of wages in total values will likely generate a crisis in the circulation of capital---a crisis that can strike either in the sphere of exchange or in the sphere of production, depending upon whether wages move above or below their equilibrium value" (p. 174).

Since a period of rapid technological change and productivity growth has the tendency, however, to increase the rate of exploitation (reduce the wage share), it follows that the necessary condition for sustaining accumulation is equally rapid increases in real wages. In this sense, wage struggles by workers "can help bail capitalists out"; similarly, struggles in the workplace, which restrain the pace of technological change, "can help stabilize the course of capitalist development" (pp. 134, 117).

In this focus on the relation of productivity increase and rising real wages, Harvey is consistent with much Marxist argument and is particularly reminiscent of the "School of Regulation" with its discussion of a "Fordist" regime of accumulation marked by rising productivity and rising real wages as the condition for sustained development.2 However, Harvey extends his discussion of equilibrium to, among other things, the necessity for an equilibrium value- composition of capital (p. 134), an equilibrium distribution of technological change across sectors (p. 189), an equilibrium organization of production that fixes the degrees of vertical integration and size of firm (pp. 136, 184), an equilibrium interest rate (p. 199), an equilibrium amount of competition in the financial sector, an equilibrium balance of control between bankers and corporations (p. 321), an equilibrium balance between state powers and finance capital (p. 324), an equilibrium rent share (p. 362), and finally an equilibrium spatial configuration (p. 429).

So many conditions, so many requirements--all necessary to permit the sustained accumulation of capital. (One might think, though, that there are a large number of combinations of compensating deviations.) In short, it is a rather extreme version of an equilibrium path argument. Harvey's position is, of course, that capitalism can satisfy these stringent conditions only by accident, that there are strong forces driving it away from equilibrium, and that therefore crises are a necessary part of the process.

But what are those forces that necessarily produce the violation of equilibrium conditions? Harvey's position throughout the book is consistent: individual capitalists and factions of capital "necessarily act in such a way as to destabilize capitalism" (p. 188). Individual capitalists "adopt technologies that drive the economy away from a balanced accumulation path" (p. 308). Thus "seemingly rational individual choices on the part of individuals will threaten the basis for accumulation and ·therefore the very survival of the capitalist class" (p. 128).

What Harvey does, in short, is to propose that the fundamental contradiction in capitalism is the contradiction between the interests of capital in general and the interests of individual capitalists (p. 189). Presumably, a perfectly planned capitalism (on a world scale) would not be subject to crises in order to return to its equilibrium path and spatial configuration; but since such a phenomenon is a chimera (both empirically and theoretically), crises are inherent in the system.

However, while there are parts of Marx's writings (such as the discussion of the workday) that note the tension between the actions of individual capitalists and the requirements of capital in general, this tension does not play the explanatory role assigned to it by Harvey. Indeed, the opposite is true: Marx's methodology involved the development of the essential nature of capitalism at the level of capital-in-general, revealing *on that basis* the foundation of its dynamics (including the tendency for crisis). Movement to the level of individual capitals (competition), the necessary form of existence of capital in general, occurred only *after* the inner tendencies of the system had been deduced, only after the "inner nature of capital" (which alone establishes necessity--as opposed to possibility) had been grasped.3 Marx was quite explicit on the logical priority of the intrinsic over the extrinsic: "Competition executes the inner laws of capital; makes them into compulsory laws towards the individual capital, but it does not invent them. It realizes them."4

What Harvey has done, therefore, is to confound Marx's two distinct levels of logical analysis, smuggling the extrinsic description into the intrinsic argument—as in his explanation of technological change and productivity increases on the basis of the competitive struggle between individual capitalists (pp. 31, 120). The problem is not merely the intermingling of the inner and the outer (which also occurs in the treatment of rent and interest as within and necessary to production); rather than execute the inner laws, competition in Harvey's argument *violates* those laws. Whereas Marx viewed the equalization of the profit rate in competition, for example, as the manifestation of capital's inner tendency to maximize the production of surplus value, Harvey argues that the result is the opposite--erroneous price signals that are not consistent with the maximum growth of capital (pp. 68, 286). (This is one of several critical places where an essentially mathematical point is asserted without any attempt at a mathematical demonstration.) As elsewhere, competition yields the "wrong" result for capital in general. Unfortunately, the suggestion of suboptimality arising from the anarchy of capital tends to become for Harvey the demonstration of a deviation from razor-edge requirements.

In any event, the argument is overdetermined. Harvey does not need to invoke a contradiction between the individual and the whole to talk about the basis of crisis. Spatial shifts, like technical shifts, have the effect of increasing productivity or reducing real wages (in the case where they weaken workers' coalitions); that is, they pose the potential problem of increasing difficulties in sustaining the accumulation of capital. Rather than the *barriers* to new spatial configurations, then, it is the new spatial configurations themselves that raise the specter of devaluation of capital--and that are the basis for the competitive struggle to determine the specific incidence of that devaluation. Here, the mixture of intrinsic and extrinsic yields confusion: to be consistent with his previous argument, Harvey should argue that workers who join in territorial alliances to fight against capital flight are "helpful" to capital, rather than part of the problem.

In fact, however, the treatment of workers *throughout* the book is quite problematic. While Harvey does not go so far as to ignore workers' struggles (although he invariably treats this as the side of "subjective experience"), his approach is to incorporate them into the objective theory of capital; not only in their struggles over wages and technological change but in all their struggles, workers are found to aid capital. Indeed, as a general rule, the hope and striving on the part of workers for a better life "plays into the hands of capital"; capital in general relies upon this perpetual search by workers for a better life to meet its own requirements (p. 384). For Harvey, it all underlines Marx's point that "the only solution to the contradictions of capitalism entails the abolition of wage labor" (p. 385).

Fine, but where does this take us? There is a difference between recognizing the limits of wage labor within capitalism and proposing that everything workers do aids capital. (This distinction may reflect my quaint view that nothing aids capital more than the defeat of workers.) Now, theory, as Harvey notes, can yield many insights into capitalism. "But theory that cannot shed light on history or political practice is surely redundant" (p. 451). So what kind of political practice does Harvey mean to imply?

Consider the present conjuncture in which there is a general assault by capital upon workers--- capital has moved to and grows in areas where a higher rate of exploitation is possible because of the weakness of workers' organizations; capital attempts, in those areas where workers have had past successes to drive down wages, increase the intensity of work, and alter existing work rules to facilitate increased productivity; and the weakness of workers has led to patterns of concessions, two-tier agreements, and the like-- in part flowing from a tendency to identify the interests of workers with the ability to compete of individual capitals. What does Harvey tell us that workers should do?

What they should *not* do, apparently, is to attempt to defend themselves by entering a territorial alliance with the immobile factions of capital. "Factions of labor" (alternatively, "organized labor") that have created "islands of privilege within a sea of exploitation" may rally to support these territorial alliances; they may do so "in order to protect jobs and privileges already won." But they do so at a great cost. Labor "may enhance its local position, but at the cost of dropping more revolutionary demands and opening up territorial divisions within its ranks" (p. 420, 441). In short, struggling to protect their own "privileges" in this manner, workers ignore their true interests and divide their class (which presumably is otherwise united).

Something important has been lost in this theory of capital. By what logic (other than that of capital) is competition with low- wage workers in the interests of workers? By what logic is a geographical restructuring (which permits capital to separate workers and to enhance its ability to bring workers into relation with capital but "not with each other") in the interests of wage labor? The spontaneous orientation of workers for protection is based upon the recognition that competition, within the confines of wage labor, is always part of the political economy of capital--but has no place in the political economy of the working class."

Now, it may *always* be said that, in combining to prevent the driving down of wages and the intensification or extension of the work-day to levels which exist elsewhere, workers simply are protecting their "islands of privilege"--but that should be recognized as the perspective of *capital.* Not surprisingly in a period of retreat, the mark of capital's ideological hegemony is that it appears as if workers who struggle to maintain and extend the gains of past struggles are reactionary, whereas international capital and the dictates of equilibrium spatial configurations are progressive.

So, what is the political practice implied in Harvey's theory of capital? Is it for workers to advance their "more revolutionary demands" rather than those which their subjective experience tells them is important but which theory reveals as supportive of capital? Small wonder that Harvey is forced to acknowledge a gap between the subjective experience of workers and the (one-sided) objective theory of capital (p. 113-4).

Despite many difficulties in execution, there are arguments in this book that deserve close attention. Harvey's integration of the production and circulation of capital--expressed in his emphasis on an equilibrium wage share--is a far better representation of Marx's argument than those that ignore the process of circulation and treat production as synonymous with the realization of surplus value. (This particular insight, however, is subsequently buried under the avalanche of other equilibria that are treated as independent conditions.) Similarly, Harvey's discussion of fixed capital, built environments, and the importance of location shifts incorporates spatial considerations in an integral (rather than eclectic) manner into Marxist theory. In this respect, the book does indeed fill some theoretical gaps and provides a useful basis for subsequent work.

Nevertheless, while one may agree with Harvey's wariness with respect to the "mathematization of Marxian theory" (p. 44) it is apparent that he has gone to the other extreme. For an argument that hinges so much on the effects of competition in generating suboptimal results, on the sensitivity of the system to deviations from an equilibrium path, and on the existence of ultimate limits to capital--the absence of mathematical proofs is a serious flaw.

NOTES

1. Among matters deserving· comment which are not explored here are his discussions of rent as within and necessary to production, vertical integration, fictitious capital, the necessity of speculation, etc.
2. See, e.g., Michel Aglietta, *A Theory* of *Capitalist Regulation: The* U.S. *Experience* (London: New Left Books, 1979).
3. Karl Marx, *Capital* (New York: Vintage, 1977), p. 433.
4. Karl Marx, *Grundrisse* (New York: Vintage, 1973), p. 752.
5. "The competition among workers is only another form of the competition among capitals." *Ibid.* p. 651.