

# CORRESPONDENCE

## MORE ON THE LIMITS TO CAPITAL

by DAVID HARVEY

Michael Lebowitz raises two major objections to my arguments in his review of *The Limits to Capital* (MR, June 1986). These objections are sufficiently important to warrant further comment.

Lebowitz first claims that I inject “extrinsic” phenomena concerning inter-capitalist competition into what should be a purely “intrinsic” argument concerning the laws of motion and crisis formation within capitalism. In support of his claim that I confuse two distinct levels of Marx’s analysis he cites a quote from the *Grundrisse*: “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.”

Let me elaborate on the meaning of this quote. Marx shows in the *Grundrisse* that both the “individual” and “competition” in the sense we now understand them were the historical product of that great revolution in class relations that gave rise to capitalism. On this basis Marx attacks those political economists, such as Smith and Ricardo, who treat competitive individualism as an eternal and universal category that can be used to explain all capitalist phenomena. Competitive individualism is not “extrinsic” to the capitalist mode of production at all but internalized within it as an important corollary of the class relation between capital and labor.

There is, as Lebowitz correctly points out, a logical and historical priority involved here. It was the revolution in class relations (primitive accumulation) and the categories of class (and in particular the derivation of the concept of surplus value) that had to take priority over any elaboration of the theme of individual competition among workers or between capitalists.

But to treat competition, like supply and demand, as a given is

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David Harvey is the author of *The Limits to Capital*.

not to see it as unimportant or extrinsic to the analysis. Marx frequently invokes it as necessary to his argument. He assumes a society with perfectly functioning markets in the second chapter of *Capital* (pp. 92-3 in the International Publisher's edition of 1967). He does so, I suspect, in order to show that perfectly functioning markets produce crises and devastation for the working class and not the maximization of social welfare that Adam Smith supposed (an idea with which we continue to be all too dismally familiar). Competition reappears in the chapter on the "Working Day" and is fundamental to the analysis of relative surplus value (p. 316) and the conversion of surplus value into capital (p. 502); while the whole argument on the equalization of the rate of profit and the deviation of prices from values depends crucially upon the operation of the laws of competition. Competition is not "extrinsic" to the capitalist mode of production, it is simply internalized as an "external coercive law" with respect to individual capitalists.

To concede the importance of competition in forcing capitalists into actions that produce crises does not, of course, make the contradiction between individual capitalists and the capitalist class the principal contradiction of capitalism. Lebowitz totally misrepresents me on that point. But I have to go back to my general method of argument in order to rebut him.

Lebowitz pours generous praise on my "non-linear" reading of Marx in the opening paragraphs of his review ("required reading for all who would study *Capital*"). Concepts are indeed introduced in a partial and one-sided manner and then enriched only in the course of development. This makes nonsense of any separation between "extrinsic" and "intrinsic" levels of analysis. My purpose in looking more closely at competition is to see how doing so may enrich basic concepts and arguments, particularly those dealing with the production of crises under capitalism.

Crises arise, I argue, because the paths of technological and organizational change under capitalism (revolutions in productive forces) are inconsistent with class relations (this I take to be Marx's view). This drives us back to the theory of relative surplus value and the theory of technological and organizational change that Marx there lays out. And there we find the idea of inter-capitalist competition indispensable. So let me try and enrich that idea. The decisions of individual capitalists on technological mix and organizational form have a crucial role to play. How they make those decisions matters. I argue (chapter four of *Limits*) that individual capitalists make those

decisions in the face of inter-capitalist competition, the conditions of class relations and struggle, and out of certain systemic requirements (spill-over effects and the need to alleviate bottlenecks), ultimately perhaps culminating in a capitalist culture of "innovation for innovation's sake" (Marx makes very little of this last point but to the degree that capitalism has to be judged as one giant speculative enterprise, it is hardly surprising that new technological and organizational forms are always the focus of intense speculation). All this means that individual capitalists make decisions under "external coercive" conditions that ensure the destabilization of the very social system they seek to perpetuate. That does not make the contradiction between individual and class the "principal contradiction." The whole argument of *Limits* is built around the capital-labor contradiction as the principal contradiction cut across by many other secondary contradictions (such as that between individual capitalists and workers and their classes, or between factions of capital—finance, industrial, landed, and merchant). My intent in *Limits* was to show how the study of these secondary contradictions could enrich our understanding of the laws of motion of capitalism and of the manner of operation of the struggle between capital and labor.

Let me now take the discussion a step further. It is important to think out what happens to the laws of motion of capitalism when any of these secondary contradictions change their form (and this we cannot do if we view them as "extrinsic"). I find myself fully in accord here with Baran and Sweezy, among others, who insist in *Monopoly Capital* that the laws of motion of capitalism look very different if competition is replaced by oligopoly; while Sweezy has recently argued that we are in a further phase of transition connected to the power of finance capital. My objection to the Baran and Sweezy formulation (see chapter 5 of *Limits*) is that it presupposes that capitalism is less competitive than it really is. The point of including spatial forms of monopoly in my argument was to show that revolutions in transport and communications have made the monopoly of place much *less* prevalent than it once was (*vide* the new processes of international competition in the division of labor). I also argue that organizational changes (the centralization of capital) and the rise of finance capital are less un-competitive than they appear. Therefore, I conclude, the laws of motion as Marx described them still broadly hold. Now I may or may not be right on this point. But it certainly seems vital to discuss it in both theoretical and historical terms. And

that seems scarcely possible if one accepts Lebowitz's division between "intrinsic" and "extrinsic" levels of analysis.

The second major objection Lebowitz raises concerns the supposed implications for working-class strategies of my analysis of the geography of capital accumulation. Lebowitz here reduces an argument embracing crosscutting contradictions and complex outcomes to a single dimension in which I am supposed to imply that "everything workers do aids capital" and that workers should not seek to defend themselves through localized struggles. That is a wilful distortion and misrepresentation.

Workers need no advice from me (or Lebowitz) as to when, where, and how to struggle. Where historical and theoretical work can be helpful—though never decisive—is in identifying conditions under which such struggles may have unintended consequences. I think it undeniable (unfortunately) that struggles waged by workers have sometimes helped to stabilize rather than overthrow capitalism and that struggles waged by capitalists can likewise destabilize the social system from which they draw their nourishment (Marx gives evidence for both propositions in his chapter on the working day). To say that such outcomes may occur is not to say that all struggles are of that sort.

My study of the geography of capital accumulation shows that there is a material basis intrinsic to capitalism for the production of spatial and regional "economies" within which regional class alliances can form the objective of which is to protect capital accumulation and (perhaps) the standard of living of labor within a pattern of uneven geographical development. Interurban, interregional, and international competition are necessarily an important aspect of the way in which class struggle occurs. The neglect of this spatial dimension of class struggle (or its introduction in an ad hoc rather than systematic way) leads to serious misunderstandings.

Individual workers and working-class movements have always faced the dilemma as to how to relate to such a condition (as do individual capitalists and the different factions of capital). There are all sorts of possible combinations here and the outcomes are uncertain. Individual workers can decide to migrate (depending upon constraints) or to stay in place and fight for a better life collectively in the space they occupy. And in the event they do the latter, there are a variety of strategies open to them. Under certain conditions they may enter into a territorial alliance with other factions of capital. Whether

or not such a class alliance is possible depends in part on what factions of capital also have "place specific" commitments which they find it hard to abandon (this is, I would submit, just as important a notion to analyze as Lebowitz's "quaint" belief that nothing succeeds for capitalists more than the total defeat of workers). Whether or not entry into such a territorial class alliance is possible or desirable depends on circumstances. What is certain is that there is a powerful material basis for localized class struggles and the working-class movements should not be dismissed as parochialist or duped by false consciousness for engaging in them. This is exactly the opposite implication to that which Lebowitz claims I make.

But it is also important to point out the limits to such struggles and the difficulty of bringing them to any revolutionary conclusion. For I, too, am possessed of a "quaint" belief: that workers of the world must unite to throw off their chains. And behind that slogan there lies a very important question: where does the "community" (to use a rather geographical expression) of workers begin and end in a world of uneven geographical development and unstable territorial class alliances?

Few of us, after all, can rest easily content with the idea that the future of the working class in the United States (why that territory and not some smaller or larger geographical entity?) depends simply on stemming capital flight, protecting against foreign imports (like textiles, steel, and shoes from Brazil) and trying to sock it to the Japanese. It was precisely such a narrow perspective (is this what Lebowitz supports?) that led to the conversion of crises of accumulation into geopolitical confrontations and two world wars fought (sadly) with a lot of working-class support on both sides. But that does not mean that all localized working-class action (from Hormel to Nicaragua) is "reactionary," and it certainly does not transform international capital into any kind of progressive force (how Lebowitz can extract that thought from my argument is beyond me).

The problem—and I readily admit there is no safe and sure formula for its solution—is to identify the circumstances and forms of local struggle that have the potential to build into more progressive and global configurations, in the full recognition that territorial class alliances and uneven geographical development are basic elements within the capitalist system. Many people have struggled with such questions as: socialism in one country, does the U.S. working class really benefit from imperialism, and what are the limits to local struggle. It was my hope to show that such questions are open to

theoretical analysis rather than to ad hoc adaptations once it is understood how capitalism produces its own geography. For the aim of *Limits* was, as Lebowitz rightly says, “to develop and incorporate the neglected sphere of spatial relations within the theory of capital in an integral manner.” Capitalism looks very different when analyzed as a geographical as well as a historical process. Hardly surprisingly, received wisdom as to what is or is not progressive class struggle has to be reevaluated in the light of that geographical dimension, understood not as a passive pattern of places that contain variegated struggles but as a produced geography that has real implications for how class struggle can and should be fought. And this is, I submit, a question that deserves a lot more systematic attention and debate if we are to find a better way out of our present dilemmas.

## A REJOINDER

by Michael A. Lebowitz

David Harvey accuses me of two misrepresentations. He is wrong on both counts. In the first case, he charges that I “totally misrepresent” him as treating the contradiction between individual capitalists and the capitalist class as the “fundamental contradiction in capitalism.” Yet, on the page cited in my comment he states explicitly “that the behavior of individual capitalists tends perpetually to destabilize the economic system. This is, I believe the correct interpretation to be put upon what Marx depicts as the fundamental contradiction between the productive forces and the social relations under capitalism.” Have I *misrepresented* this statement? I suggest not, since (as my review indicates) the violation of razor-edge equilibrium conditions as the result of the actions of individual capitalists and factions of capital is the consistent theme of the book.

I also am charged with a “wilful distortion and misrepresentation” of Harvey’s position as implying that “everything that workers do aids capital.” In addition to those passages cited in the review, one example of Harvey’s tendency to reduce workers’ struggles to their relation to capital’s needs (and “to incorporate them into the objective theory of capital”) must suffice: Harvey argues that struggle over

the real wage “merely serves . . . to ensure that labor power trades at or close to its value”; that the value of labor power is what is “socially necessary . . . from the standpoint of the continued accumulation of capital”; and that if real wages do rise, “it is because the accumulation of capital requires the production of new needs.”

What makes his reductionism particularly surprising is that Harvey is quite sensitive to “one of the most serious of all the gaps in Marx’s own theory,” i.e., the failure to examine the production and reproduction of labor power itself. He, indeed, concludes by stressing the need to explore this quite different dimension, one with a “fundamentally different point of departure,” and the need to integrate this into the analysis. Unfortunately, Harvey does not appear to recognize a relationship between this “gap” and the one-sided theory of capital he advances in his book.

How, though, can we explain such different interpretations of what Harvey has done in his book? I suggest that the problem originates in a confusion (repeated in his response) of two distinct levels in Marx’s analysis. Since this is not the appropriate occasion for a theoretical outburst, I will simply note that to say competition of capitals is at the extrinsic level is not to say it is “unimportant,” but merely that it exists at a different level of abstraction to the intrinsic (just as prices of production and profits do in relation to values and surplus value, the former being mere forms of the latter).<sup>2</sup> Marx’s discussion of relative surplus value, in fact, is one good example of *his* distinction between the two levels. After developing the concept of relative surplus value on the basis of his intrinsic analysis (and thus revealing “the general and necessary tendencies of capital”), Marx then *demonstrates* how “competition executes the inner laws of capital.” Contrary to Harvey’s argument, competition plays no role in the establishment of those inner laws (or the tendency for crisis), and its invocation at the intrinsic level *overdetermines* Marx’s argument. Among the potential dangers inherent in the intermingling of these two levels of abstraction is precisely the theoretical displacement (*intended or not*) of the essential contradiction of capital and wage-labor by the opposition of capitals.

Far more than scholastic disputation about Marx’s method or the missing side of workers is involved here, as is evident in our respective positions on the unqualified necessity to fight locally against capital’s efforts to divide and defeat workers through competition. Rather than a question of investigating the appropriateness of entering into a territorial alliance with “other factions of capital”

(and thereby strengthening the “forces of geographical inertia”), the central issue here is the necessity to develop a “workers’ agenda to replace the agenda of capital.”<sup>3</sup> Is such an agenda consistent with a perspective which ponders the existence of “islands of privilege within a sea of exploitation” and sees the protection of “privilege” behind workers’ struggles? I regard it as self-evident that the working class constitutes itself as a revolutionary subject only in the process of struggle and that, in the absence of a struggle against the current offensive of international capital, it remains the mere object and product of capital. The latter prospect (and its implication) is more worrisome than the threat of autarky to “internationalism and multi-lateral trading” and the hobgoblins of historical analogy. In this context, it is critical to remember that, whereas the competition of capitalists is the means by which the inner laws of capital are executed, it has always been the struggle *against* competition which has enabled workers to secure their goals.

## NOTES

1. For one approach to this question, see Michael A. Lebowitz, “The One-Sidedness of Capital,” *Review of Radical Political Economics* (Winter 1982) and “Marx after Wage-Labour,” *Economic Forum* (Fall 1982).
2. The relationship between intrinsic and extrinsic levels (and between the inner laws and the development of monopoly capital) is explored in Michael A. Lebowitz, “The Theoretical Status of Monopoly Capital,” in Stephen Resnick and Richard Wolff, eds., *Rethinking Marxism* (New York: Autonomedia, 1985).
3. This quaint notion is drawn from the statement adopted by the Canadian Labour Congress at its April 1986 convention, “Full Employment and Fairness—The Workers’ Agenda for Canada.” Also relevant is the 1986 Statement on Free Trade, Deregulation and Privatization, “Our Canada or Theirs? Workers Confront the Corporate Blueprint.”

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## THE "WORKERS' THEORY"

by Michael D. Yates

For the past several years I have been teaching classes for local union officers and members in Johnstown, Pennsylvania. The courses are taught through the Pennsylvania State University's "Union Leadership Academy." Each course meets for three hours one night a week for six weeks; classes are held at a steelworkers' local union hall. Despite the catastrophic unemployment which has plagued Johnstown for many years, enrollments remained high. I taught labor law in 1983 to 73 students, and none of the four courses which I have taught has had fewer than 35 students.

I enjoy these classes enormously. During the week, I carefully prepare an outline and gather supporting articles, data, newspaper clippings, and case studies. The workers are a tough audience. Many of them are tired because they have worked all day. They want to learn, but they don't want to be bored. So I have to be interesting or people will fall asleep or start to talk or just get up and leave. But if I do it right, good things happen. Discussions are likely; people ask questions and relate relevant personal experiences. Debate continues during the coffee break, at the end of which we have a "50-50 raffle" (a lottery of sorts, which I've won twice). At 10 o'clock I usually have to break off the discussion because *I'm* tired! I pack up my books and sometimes a movie projector and film, say goodnight to the local union program coordinator, and head for a nearby bar for a few beers.

Johnstown is a conservative town; its people are strongly against abortion and rabidly patriotic. Our local congressman, given unanimous labor support, can only be described as a super and simple-minded hawk. My worker-students share many conservative values, although they are (now) no friends of Ronald Reagan. Yet I have

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consistently used a radical perspective in my classes, either directly presenting a Marxist analysis or using it to criticize more orthodox approaches. For example, I began the course called "Theories of the Labor Movement" with a straightforward description of Marx's labor theory of value, which of course demonstrates that profits are an unearned surplus extracted from an exploited working class. To maintain and increase this surplus, capitalists attempt to structure their workplaces and the larger society in ways fundamentally opposed to the needs and aspirations of workers. This attempt, however, creates the conditions which generate labor movements. And so forth. The students were not just tolerant of this approach, they loved it. It led naturally to discussions of their own workplaces, their unions, the schools, and the government.

In the "Labor and the Economy" course I again used Marx to argue that unemployment is inherent to and functional for a market economy. That is, it serves the interests of the capitalists, interests which can only be countered by an organized working class. Once again, my lectures were received enthusiastically.

How, you ask, did I get away with it? Easy. I simply did not tell them that what they were learning originated in the mind of that godless communist Karl Marx. Instead I just called it the "workers' theory," and compared it to the "employers' theory" which implies that labor unions and high wages are the causes of unemployment and inflation because they interfere with the "magic of the marketplace." Because the "workers' theory" starts with the reality of the worker-employer confrontation at the workplace which underlies the impersonal forces of supply and demand, naturally it gets a favorable response from the students. It is based upon their experience, and it tells them what they need to know: at the very least, employers and the government must be compelled, by the labor movement, to act in socially responsible ways. A society without a strong labor movement will be one with large doses of such consequences of marketplace magic as poverty, unemployment, and authoritarian government.

Perhaps it is dishonest of me not to tell my students the origin of the "workers' theory." The real villain, however, is the leadership of our labor movement. The fervent anticommunism of the AFL-CIO makes it impossible for it to develop a meaningful critique of capitalism and the working-class ideology which must follow from such a critique. When workers respond so positively to Marxist theory, when they are visibly moved as I read from *Capital*, they are revealing a simple truth: Marx's was the most powerful analysis of capitalism

ever made, and it is an analysis with obvious, overwhelming appeal to the workers themselves. The very fact that Marxism is so strongly suppressed and distorted here is proof that our rulers know just how powerful it is. Its rejection by the labor movement is more difficult to explain. Cooptation, opportunism, repression, and the brutality of Stalinism have all played important roles. Nonetheless, my experiences in the Union Leadership Academy have convinced me of two things. First, radical ideas are inherently appealing to workers, at least if they are not labeled as such. And second, the labor movement must find a way to embrace these ideas as its own if it hopes to reverse its long-term decline. When you think about it, it doesn't have much to lose, except its chains.

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