

Capital as Power: a Study of Order and Creorder. By Jonathan Nitzan and Shimshon Bichler. Routledge, Abingdon and New York. 2009. 435pp. \$140.00, ISBN 978-0415-49680-3 (hardcover); \$39.95, ISBN 978-0415-49680-3 (paperback).

Alan Freeman

Visiting Professor, London Metropolitan University

In an iconoclastic reconstruction of social theory, Nitzan and Bichler (N&B) set out to correct what they see as an irredeemable distortion of social knowledge. This, they argue, arises from a false conceptual separation between political power and the economy, and manifests itself in a systematic failure to define capital meaningfully as an outcome of production. In clinging to such unworkable concepts, economists, like priests, ‘spread ... the faith by building “elegant-seeming arguments in terms which they cannot define” and searching for “answers to unaskable questions”.’ [p. 83]

Economic concepts cannot be measured, and therefore do not exist. Intractable contradictions beset all attempts to bring rigor to the ‘utils’ of neoclassical theory or the ‘labor values’ of Marxist analysis. A fresh start is imperative; the political does not merely penetrate, but constitutes, the economic. The idea of an autonomous economic sphere is nonsensical; power is the organizing principle of social order. Power creates, in each historical epoch, a ‘*creorder*’ (an amalgam of creation and order), whose organizing principle, under capitalism, is *capitalization*, the magnitudes assigned to streams of expected income in all aspects of social life whether private assets, human lives, or government actions. Power resides in the departure of capitalization from the social norm.

N&B draw heavily on the conception of power as a ‘capacity to sabotage’, set forth by Veblen, perhaps the only economic thinker to emerge unscathed from their onslaught.

The income of an owner is proportionate not to the specific productive contribution of his or her input, and not even to the exploitation of productive workers – but rather to the overall damage that an owner can inflict on the industrial process at large...The most important feature of private ownership is not that it enables those who own, but that it disables those who do not. [pp. 227-8]

This capacity to subordinate the public to the private is irreducible. The problem is not to explain Microsoft’s capitalization as an outcome of an indefinable economic ‘something else’, but to explain everything else as an outcome of Microsoft’s capitalization.

The crash of 2008 inconsiderately started after this text was finished, and as a short appendix acknowledges, casts but a short shadow upon it. Nevertheless, any economist will benefit from following their journey into the labyrinth of economic doctrine.

The critical economist may be disappointed, however, to find that N&B have in effect dynamited the exit. Consider the following:

The theoretical units of ‘real’ capital are meaningless and ...their practical measures break down. In fact, it turns out that even when we assume perfectly competitive equilibrium it is still logically impossible to observe and measure the utility or abstract labour contents of capital. [p. 42]

This seems like a daring raid on economics’ crown jewel, the notion of capital, but closer study reveals a disturbing underpinning. Their premise is that their answer must be right, because no other is possible. They offer not *a* theory but the only *possible* theory of power. This is not an end to dogma, but a new dogma. In contrast, pluralism [Freeman 2010] seeks an end to all dogma. It recognizes opposed views as legitimate, but opposes the monopoly of any one of them.

The exorbitant claim that no *other* theory can be true exacts a heavy price. If power is the only possible explanatory basis of the social order, and if it cannot come from anywhere else, then it must be defined in its own right. Veblen's concept of power *over* something clearly doesn't fit this bill, because it depends on the very 'something else' N&B forbid us to discuss. N&B themselves hint that power exists independent of the economy: '[N]ot all power gets capitalized – but then all capitalization is power.' But, in this case, where is the numerical measure of uncapitalized power defined without reference to these same forbidden economic magnitudes? [p. 311]

N&B make their job no easier by ignoring economics' best-known definition of 'power': Marx's *Arbeitskraft* or labor power, defined as human capacity to transform nature and society. This actually defines power, it should be noted, independent of all other economic magnitudes and is therefore valid and coherent, even if we accept for the sake of argument the remainder of N&B's critique of economic theory. Indeed, their text reads in places as a plea to restate an oft-repeated claim of their much-despised economists, namely, that power resides in capital, not labor. The simple but profound idea that the wage relation converts a quantity of money into a quantity of social power, by virtue of the quantity of labor time that it purchases, is cast out in an Augustinian frenzy of repudiation, apparently rooted in the prejudice that measurement is coterminous with definition:

According to received doctrine, the 'real' quantity of capital is denominated in units of utility or abstract labour. But there is a caveat...such measurements are meaningful, if at all, only under conditions of perfectly competitive equilibrium...it follows that the theoretical units of 'real' capital are meaningless and that their practical measures break down. [p. 42]

But the units of economic life are defined by merchants, not economists. Marx, with good reason, defines use-value as 'a special branch of knowledge, namely the *commercial* knowledge of commodities' [1990, p. 126; emphasis added]. A pub owner does not invoke Layard or Walras to measure out six pints of beer, nor do cinemas or telephone companies, who package and sell highly complex services without any reference to economic theory. Tons, yards, tickets and phone bills arise when markets compel us to make comparisons, from which our measures arise. How can these 'break down' because an economist happens to find them difficult? The job of economic science is to explain the facts of commercial and industrial life, not to issue them permits to exist.

N&B's failure to acknowledge the concept of 'use value' mimics another trait of doctrinaire economics, which dismisses inconvenient challenges by disguising them as something else. By renouncing the defensible claim that orthodox economic doctrine has *failed to measure* use, in favor of the grandiose pretence that *nobody* can measure use, they render their case fatally vulnerable to any *other* approach that addresses their criticisms. How convenient, then, to subsume the perfectly reasonable concept of 'use' under the far more problematic 'utility'.

The difficulty becomes yet clearer when we ask *which* theories create the problems they speak of. I of course agree that

Elusive equilibrium is devastating for measurement...Neoclassical theorists love to assume the problem away by stipulating a world that simply leaps from one equilibrium to the next. [p. 133] **Yes this is a direct quote so should either be set as a quote or included in quotes.**

What justifies the unstated but implicit claim that equilibrium is the only conceivable basis for economic theory? N&B choose to ignore a basic empirical fact: in every branch and field we find, side by side, an orthodox canon that presupposes equilibrium, and heterodox traditions that do not. The former hides the latter from view through the ill-concealed pretence that its pre-eminent thinkers temporal thinkers 'really were' misguided equilibrium theorists. A Post-Keynesian reading of Keynes [Chick 1983], like the temporal single system (TSS) interpretation of Marx [Freeman and Carchedi 1996] and the neo-Austrian

approach to marginalism [O'Driscoll, Rizzo and Garrison 1996] provide ample evidence that this scandalous misrepresentation is unsustainable. N&B can hardly claim to be unaware of this since they devote considerable space to the TSS interpretation before pronouncing it unworkable for no discernable reason. They thus adopt, unreconstructed, the catechism on which rests the very doctrine they seek to overturn: there is but one method, equilibrium, and its critics are its prophets.

N&B's ideas can develop in one of two directions. The best would be to engage seriously with non-equilibrium economic theories. They cannot do this if they rule such theories out of court *a priori*, as they do in this work. They will therefore have to drop the claim to have the only possible answer and recognize that economics offers a range of theoretically coherent alternatives. They have something to bring to such a pluralist engagement: the question 'why is Tobin's Q not equal to 1' is legitimate and important. Their alternative is to offer, just at the moment when cracks in the existing economic dogma are finally beginning to show, yet another dogma to replace it.

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