

**Comments on Bichler and Nitzan's 2012 Paper
'Capital as Power: Toward a New Cosmology of Capitalism'**

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“Capital as power: Toward a new cosmology of capitalism” – Shimshon Bichler and Jonathan Nitzan <http://www.paecon.net/PAEReview/issue61/BichlerNitzan61.pdf>

Perhaps people should read that paper, of only 20 pages or so, before reading on below.

Here is a key quote from the paper:

“Political economy, liberal as well as Marxist, stands on three key foundations: (I) a separation between economics and politics; (II) a Galilean/Cartesian/Newtonian mechanical understanding of the economy; and (III) a value theory that breaks the economy into two spheres – real and nominal – and that uses the quantities of the real sphere to explain the appearances of the nominal one.”

I think Bichler and Nitzan are on the right track in a number of ways but I still do have some key disagreements with them. To illustrate these disagreements I will re-write the statement above in what I regard as the more correct form.

“Conventional economics stands on three key foundations: (I) a separation between economics and politics; (II) a Cartesian/Newtonian mechanical understanding of the economy; and (III) a value theory that breaks the economy into two spheres – real and nominal – that uses the quantities of the real sphere to explain the appearances of the nominal one (ideological justification) and that then uses the quantities of the nominal sphere to manage those of the real sphere (as an instrumental, formalised reason system for the purpose of deriving, in a sense, quantised values for the real).”

To explain these changes;

(I) By definition, political economy does not separate economics and politics. Even using the original definition of political economy which meant national economy, the operations of government and politics are implicit in the definition. It is conventional economics which artificially separates the complexly conjoined, but far from identical, “twin” spheres of politics and economics. Political economy in general and Marxism in particular attempt to deal with the entire twinned system. This is not to say that any existing form of political economy,

including Marxism, has fully investigated and properly explicated the “cosmology” of this twinned system. Indeed, they have not.

(II) This point is clearer if only Cartesian-ism and Newtonian mechanics (classical physics) are mentioned. The issue with Cartesian-ism is (substance) dualism which is very arguably a fallacious metaphysics and ontology. The argument is a long one of which more later, at another time. Suffice it to say here that modern physics and complex system science lend weight to the stance of a form of Priority Monism which we might term Complex System Monism where the whole known system (the cosmos) is prior to its parts. Its “parts” in turn are sub-systems which can include, or rather exhibit, emergent and evolutionary complexity. The problem with taking the viewpoint of Newtonian mechanistic physics (and the mathematics which goes with it) is in the very application of mechanistic science (and maths) to complex emergent and evolutionary systems. Conventional economics remains, for the most part, mired in mechanistic and deterministic models. These are wholly inadequate for complex emergent and evolutionary systems.

(III) It is true that conventional (classical) value theory, even Marxist value theory, breaks the economy into two spheres – real and nominal. However, classical theory is not quite so bereft of analytical and pragmatic use in this arena as is suggested by Bichler and Nitzan. The market, however constituted and however imperfect, is the social and economic instrument of measurement of real value in nominally comparable value terms. How good, representative, true or useful the nominally comparable value terms are is another question. Individual humans, as agents, are the agent-actuators of the collective instrument that is the market. The market is a collective and cooperative instrument that is used for the competitive game or rather the pseudo-competitive quasi-rigged game of market economics. This fits within the theory of cooperative-competitive games. Of course, it is still possible, at least in theory, that we could find a better instrument than the market. It is also possible that we might not.

Breaking the world into real and nominal spheres (or sometimes real and virtual spheres) is something we humans do all the time. It is not unique to classical economics. Every ideational system, every mathematical system is a model or map (in nominal or formal form) of the real world. Every interaction of a human agent (a human being) with the real world (the physical or material external world in substance philosophy terms) is mediated and managed by our mental models. Even our sensory data is modeled in the brain into a virtual representation (in the brain) of all that which we sense. This virtual representation is a model or a set of models. Modelling is the way, the entire way, in which the human agent (the human person) interacts with the world in any purposive, endogenously directed fashion: modeling and modeling only.

In the above sense, the broad agent model of modern economics is not wrong, not misconceived. We model values and we build cooperative-competitive instruments (markets) to collectively model economic values as a community. There are of course other ways to model values from religion to moral philosophy to science (oftentimes these are widely differing kinds of values of course).

However the representative agent model is wrong or inadequate in two specific ways. Individual agents (humans) are dissimilar enough, because of their internal complexity and complexities of their individual histories of socialisation, that they cannot be validly aggregated in many ways. Also, the representative agent model takes no proper cognizance of emergent behaviors.

Where all this ontological investigation and theorising gets us is not clear at this stage. The investigation, theory and testable theories (hopefully) would have to be carried on and developed. But certainly it is necessary to return to ontology (what is real, how it is real and how do these real things or real processes interact?) before we solve (partially but more than so far solved) the “wicked” problem of economics, or rather of political economy.

My main criticism of conventional economics and even of Marxism and Capital as Power theorising is that they are all too incomplete and none of them has yet developed a consistent and supportable ontology. They can never be completed of course but surely they can be extended further than their current development. The way to do this is to return to ontology as I say. If we don’t get the basic ontology right we will get nothing else right.



[. . .] I think Bichler and Nitzan’s approach is very interesting and useful. I am however a little puzzled by their rigid insistence that “Capitalism is not a mode of production. It’s a mode of power.”

To me, it is clear that capitalism is both a mode of production and a mode of power. The extensive fact is that both activities are intrinsic to its overall operations. Imagine we asked a question about bees. Are bees producers of honey or pollinators of flowers? The answer is that they are both. Both functions are intrinsic to their overall activities. One activity is an intermediate goal (the final goal being feeding young for reproduction purposes) and the other activity produces a byproduct service from the point of view of wider ecology. A person may focus on the study of one activity or the other but a study focus should not mean that one overlooks the wider system embedded nature of the activity or process being studied.

I suspect the issue is really a definitional one. If one defines, or at least closely identifies, capitalism with the operations of financial capital then capital itself will appear as a mode of power. But it is only the proximal source of power. Ownership, symbolically signified and proved at law by possession of nominal quantities (shares and dollars), is the legitimation for manipulating real quantities. Ownership in turn is backed by state laws and the state’s monopoly on violence. Violence, real, implicit or threatened, is always the final underwriter of (political and biological) power.

In one important way, Bichler and Nitzan follow Veblen in dividing economic activity into industry (actual production) and business (buying, selling, manipulating and even sabotaging industry). This too is a useful way of looking at things. These different methods of looking at capitalism are prisms to view it through. They split capitalism up in different ways into

different apparent constituent components. But after all reductionist analysis, the key is to put a model of the whole system back together conceptually. This is the most difficult task and perhaps even impossible for a truly complex system.

One component of capitalism which must not be forgotten is the state. The state too is a component of capitalism and (paradoxically perhaps) statist activity heavily underwrites oligarchic capitalism. The rule of (capitalist-favouring) law, backed by the state's monopoly on violence, is a key component of capitalism. State subsidies also underwrite capitalism, or at least our current form of capitalism. Most successful, established, capital intensive industries, even when in private hands, are heavily underwritten by state subsidies. We only have to look at fossil fuels (massive subsidies), industrial agriculture (massive subsidies), banks (massive subsidies), armaments production (massive subsidies). This conformation of state activity to the interests of large capitalist holdings (big government to big business) probably explains why China finally made the transition to "statist capitalism" so easily. It's a natural fit under the current system.