

The Capitalist Mode of Power

Critical Engagements with the
Power Theory of Value

Edited by Tim Di Muzio

ROUTLEDGE/RIPE STUDIES IN GLOBAL POLITICAL ECONOMY

ROUTLEDGE



The Capitalist Mode of Power

This edited volume offers the first critical engagement with one of the most provocative and controversial theories in Political Economy: the thesis that capital can be theorized as power and that capital is finance and only finance. The book also includes a detailed introduction to this novel thesis first put forward by Nitzan and Bichler in their *Capital as Power*.

Although endorsing the capital as power argument to varying extents, contributors to this volume agree that a new understanding of capital that radically departs from Marxist and neoclassical theories cannot be ignored. Offering the first application and appraisal of Nitzan and Bichler's theory, chapters examine the thesis in the context of energy and global capitalization, US investment banks, trade and investment agreements between Canada, the US and Mexico, and multinational corporations in apartheid South Africa. Balancing theory, methodology and empirical analysis throughout, this book is accessible to new readers, whilst contextualizing and advancing the original theoretical debate.

The Capitalist Mode of Power will be of interest to students and scholars of international relations, political economy, globalization and critical theory.

Tim Di Muzio is Lecturer in International Relations and Public Policy at the University of Wollongong, Australia.

RIPE Series in Global Political Economy

Series Editors: Jacqueline Best (*University of Ottawa, Canada*), Ian Bruff (*Loughborough University, UK*), Paul Langley (*Durham University, UK*) and Anna Leander (*Copenhagen Business School, Denmark*).

Formerly edited by Leonard Seabrooke (*Copenhagen Business School, Denmark*), Randall Germain (*Carleton University, Canada*), Rorden Wilkinson (*University of Manchester, UK*), Otto Holman (*University of Amsterdam*), Marianne Marchand (*Universidad de las Américas-Puebla*), Henk Overbeek (*Free University, Amsterdam*) and Marianne Franklin (*Goldsmiths, University of London, UK*).

The RIPE series editorial board are:

Mathias Albert (*Bielefeld University, Germany*), Mark Beeson (*University of Birmingham, UK*), A. Claire Cutler (*University of Victoria, Canada*), Marianne Franklin (*Goldsmiths, University of London, UK*), Randall Germain (*Carleton University, Canada*), Stephen Gill (*York University, Canada*), Jeffrey Hart (*Indiana University, USA*), Eric Helleiner (*Trent University, Canada*), Otto Holman (*University of Amsterdam, the Netherlands*), Marianne H. Marchand (*Universidad de las Américas-Puebla, Mexico*), Craig N. Murphy (*Wellesley College, USA*), Robert O'Brien (*McMaster University, Canada*), Henk Overbeek (*Vrije Universiteit, the Netherlands*), Anthony Payne (*University of Sheffield, UK*), V. Spike Peterson (*University of Arizona, USA*) and Rorden Wilkinson (*University of Manchester, UK*).

This series, published in association with the *Review of International Political Economy*, provides a forum for current and interdisciplinary debates in international political economy. The series aims to advance understanding of the key issues in the global political economy, and to present innovative analyses of emerging topics. The titles in the series focus on three broad themes:

- the structures, processes and actors of contemporary global transformations;
- the changing forms taken by governance, at scales from the local and everyday to the global and systemic;
- the inseparability of economic from political, social and cultural questions, including resistance, dissent and social movements.

The series comprises two strands:

The *RIPE Series in Global Political Economy* aims to address the needs of students and teachers, and the titles will be published in hardback and paperback.

Titles include:

**Transnational Classes and
International Relations**

Kees van der Pijl

Gender and Global Restructuring

Sightings, sites and resistances

*Edited by Marianne H. Marchand
and Anne Sisson Runyan*

Global Political Economy

Contemporary theories

Edited by Ronen Palan

Ideologies of Globalization

Contending visions of a new
world order

Mark Rupert

The Clash within Civilisations

Coming to terms with cultural
conflicts

Dieter Senghaas

Global Unions?

Theory and strategies of organized
labour in the global political economy

*Edited by Jeffrey Harrod and
Robert O'Brien*

**Political Economy of a Plural
World**

Critical reflections on power,
morals and civilizations

Robert Cox with Michael Schechter

**A Critical Rewriting of Global
Political Economy**

Integrating reproductive, productive
and virtual economies

V. Spike Peterson

Contesting Globalization

Space and place in the world
economy

André C. Drainville

**Global Institutions and
Development**

Framing the world?

*Edited by Morten Bøås and
Desmond McNeill*

**Global Institutions,
Marginalization, and Development**

Craig N. Murphy

**Critical Theories, International
Relations and 'the
Anti-Globalisation Movement'**

The politics of global resistance

*Edited by Catherine Eschle and
Bice Manguashca*

**Globalization, Governmentality,
and Global Politics**

Regulation for the rest of us?

*Ronnie D. Lipschutz, with
James K. Rowe*

**Critical Perspectives on Global
Governance**

Rights and regulation in governing
regimes

Jean Grugel and Nicola Piper

Beyond States and Markets

The challenges of social
reproduction

*Edited by Isabella Bakker and
Rachel Silvey*

The Industrial Vagina

The political economy of the
global sex trade

Sheila Jeffreys

Capital as Power

A study of order and creorder

*Jonathan Nitzan and
Shimshon Bichler*

The Global Political Economy of Intellectual Property Rights, Second Edition

The new enclosures

Christopher May

Corporate Power and Ownership in Contemporary Capitalism

The politics of resistance and domination

Susanne Soederberg

Savage Economics

Wealth, poverty and the temporal walls of capitalism

David L. Blaney and

Naeem Inayatullah

Cultural Political Economy

Edited by Jacqueline Best and

Matthew Paterson

Gender and Global Restructuring, Second Edition

Sightings, sites and resistances

Edited by Marianne H. Marchand

and Anne Sisson Runyan

Transnational Financial Associations and the Governance of Global Finance

Assembling wealth and power

Heather McKeen-Edwards and

Tony Porter

The Making of Modern Finance

Liberal governance and the gold standard

Samuel Knafo

Routledge/RIPE Studies in Global Political Economy is a forum for innovative new research intended for a high-level specialist readership, and the titles will be available in hardback only. Titles include:

1. Globalization and Governance*

Edited by Aseem Prakash and

Jeffrey A. Hart

2. Nation-States and Money

The past, present and future of national currencies

Edited by Emily Gilbert and

Eric Helleiner

3. The Global Political Economy of Intellectual Property Rights

The new enclosures?

Christopher May

4. Integrating Central Europe

EU expansion and Poland, Hungary and the Czech Republic

Otto Holman

5. Capitalist Restructuring, Globalisation and the Third Way

Lessons from the Swedish model

J. Magnus Ryner

6. Transnational Capitalism and the Struggle over European Integration

Bastiaan van Apeldoorn

7. World Financial Orders

An historical international political economy

Paul Langley

8. The Changing Politics of Finance in Korea and Thailand

From deregulation to debacle

Xiaoke Zhang

-
- 9. Anti-Immigrantism in Western Democracies**
Statecraft, desire and the politics of exclusion
Roxanne Lynn Doty
- 10. The Political Economy of European Employment**
European integration and the transnationalization of the (un)employment question
Edited by Henk Overbeek
- 11. Rethinking Global Political Economy**
Emerging issues, unfolding odysseys
Edited by Mary Ann Tétreault, Robert A. Denemark, Kenneth P. Thomas and Kurt Burch
- 12. Rediscovering International Relations Theory**
Matthew Davies and Michael Niemann
- 13. International Trade and Developing Countries**
Bargaining coalitions in the GATT and WTO
Amrita Narlikar
- 14. The Southern Cone Model**
The political economy of regional capitalist development in Latin America
Nicola Phillips
- 15. The Idea of Global Civil Society**
Politics and ethics of a globalizing era
Edited by Randall D. Germain and Michael Kenny
- 16. Governing Financial Globalization**
International political economy and multi-level governance
Edited by Andrew Baker, David Hudson and Richard Woodward
- 17. Resisting Intellectual Property**
Debora J. Halbert
- 18. Neoliberal Hegemony**
A global critique
Edited by Dieter Plehwe, Bernhard Walpen and Gisela Neunhöffer
- 19. Global Standards of Market Civilization**
Edited by Brett Bowden and Leonard Seabrooke
- 20. Beyond Globalization**
Capitalism, territoriality and the international relations of modernity
Hannes Lacher
- 21. Images of Gramsci**
Connections and contentions in political theory and international relations
Edited by Andreas Bieler and Adam David Morton
- 22. Global Public Policy**
Business and the countervailing powers of civil society
Edited by Karsten Ronit
- 23. The Transnational Politics of Corporate Governance Regulation**
Edited by Henk Overbeek, Bastiaan van Apeldoorn and Andreas Nölke

-
- 24. National Currencies and Globalization**
Endangered specie?
Paul Bowles
- 25. Conflicts in Environmental Regulation and the Internationalization of the State**
Contested terrains
Ulrich Brand, Christoph Görg, Joachim Hirsch and Markus Wissen
- 26. Governing International Labour Migration**
Current issues, challenges and dilemmas
Edited by Christina Gabriel and H el ene Pellerin
- 27. The Child in International Political Economy**
A place at the table
Alison M. S. Watson
- 28. Global Citizenship and the Legacy of Empire**
Marketing development
April Biccum
- 29. Development, Sexual Rights and Global Governance**
Resisting global power
Amy Lind
- 30. Cosmopolitanism and Global Financial Reform**
A pragmatic approach to the Tobin Tax
James Brassett
- 31. Variegated Neoliberalism**
EU varieties of capitalism and international political economy
Huw Macartney
- 32. The Politics of European Competition Regulation**
A critical political economy perspective
Hubert Buch-Hansen and Angela Wigger
- 33. The Political Economy of Global Remittances**
Gender and governmentality
Rahel Kunz
- 34. A Critical History of the Economy**
On the birth of the national and international economies
Ryan Walter
- 35. The International Political Economy of Transition**
Neoliberal hegemony and eastern Central Europe's transformation
Stuart Shields
- 36. The Global Political Economy of Trade Protectionism and Liberalization**
Trade reform and economic adjustment in textiles and clothing
Tony Heron
- 37. The Capitalist Mode of Power**
Critical engagements with the power theory of value
Edited by Tim Di Muzio

* Also in paperback

The Capitalist Mode of Power

Critical engagements with the power
theory of value

Edited by Tim Di Muzio

First published 2014
by Routledge
2 Park Square Milton Park Abingdon Oxon OX14 4RN

Simultaneously published in the USA and Canada
by Routledge
711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business.

© 2014 Tim Di Muzio for selection and editorial matter; individual contributors their contribution.

The right of Tim Di Muzio to be identified as the author of the editorial material, and of the authors for their individual chapters, has been asserted in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

The capitalist mode of power: critical engagements with the power theory of value / edited by Tim Di Muzio.

pages cm. — (RIPE series in global political economy; 37)

Includes bibliographical references and index.

1. Capitalism—Political aspects. 2. Capital—Political aspects.

3. Economics—Political aspects. I. Di Muzio, Tim.

HB501.C242745 2013

338.5'21—dc23

2013004660

ISBN: 978-0-415-66199-7 (hbk)

ISBN: 978-0-203-79876-8 (ebk)

Typeset in Times New Roman
By Deer Park Productions

Contents

<i>List of illustrations</i>	xii
<i>Notes on contributors</i>	xiii
<i>Glossary</i>	xv
1 The provocations of capital as power	1
TIM DI MUZIO	
<i>A brief introduction to capital as power</i>	3
<i>Part I: the provocation of history</i>	7
<i>Part II: the provocation of a new theory</i>	9
<i>Part III: the provocation of critique</i>	12
PART I	
The provocation of history	17
2 Historicizing capital as power: energy, capitalization and globalized social reproduction	19
TIM DI MUZIO	
<i>The emergence of capital as power</i>	20
<i>Fossil fuels, social reproduction and the rise of capital as power</i>	22
<i>The capitalization-energy-social reproduction nexus and the next great transformation</i>	28
<i>Conclusion</i>	32
PART II	
The provocation of a new theory	37
3 The power of investment banks: surplus absorption or differential capitalization?	39
SANDY BRIAN HAGER	

Monopoly capital and investment bank power 41
Finance: surplus absorption? 44
Capital as power 48
Investment banks: differential accumulation 49
Diversified power and neoliberal regulation 52
Conclusion 57

4 NAFTA, investiture and distribution: the power underpinnings of trade and investment liberalization in Canada 59

JORDAN BRENNAN

Capital as a power institution 60
Contextualizing trade and investment liberalization in Canada 62
Some animals are more equal than others 65
Investment, investitura and distribution 67
The institutional reorganization of power 77
Conclusion 80

5 ‘A degree of control’: corporations and the struggle against South African apartheid 82

D.T. COCHRANE AND JEFFREY MONAGHAN

Background: the sullivan principles and the anti-apartheid movement 84
Differential accumulation as a theoretical and analytical tool 86
Corporate interest in S.A.: understanding the differential struggle 87
Divisions within the collective 92
Constructing control and the differential struggle 95
Conclusion(s) 97
Appendix 99

**PART III
The provocation of critique 101**

6 Fighting the power? Struggle and resistance in *Capital as Power* 103

DAN BOUSFIELD

Differential accumulation 105
Conclusion 115

7	State and capital: false dichotomy, structural super-determinism and moving beyond	117
	SEAN STARRS	
	<i>I Situating the state of capital</i>	118
	<i>II Critiquing the state of capital</i>	122
	<i>III Moving beyond: towards a reconceptualization of the state</i>	128
8	Differential accumulation and the political economy of power	134
	SAMUEL KNAFO, MATTHIEU HUGHES AND STEFFAN WYN-JONES	
	<i>Accumulation and the logic of capitalist power</i>	135
	<i>An economic conception of power</i>	138
	<i>Finance and the commodification of power</i>	141
	<i>Taking power seriously as a social relation</i>	145
	<i>Conclusion</i>	149
9	From provocation to interrogation: the global political economy of the 1%, exploitation and the unfashionable problematic of 'capital' in IPE	152
	TIM DI MUZIO	
	<i>The global political economy of the 1%</i>	152
	<i>Exploitation and the capitalist mode of power</i>	156
	<i>IPE and the unfashionable problematic of 'capital'</i>	160
	 <i>Bibliography</i>	 165
	<i>Index</i>	179

Illustrations

Figures

2.1	World market capitalization vs oil price	31
3.1	‘Real base’ and ‘financial superstructure’?	47
3.2	Investment bank differential accumulation	50
3.3	Differential accumulation: investment banks	54
4.1	Unemployment and income inequality in Canada	65
4.2	Top income shares in Canada, 1920–2007	66
4.3	Aggregate concentration in Canada	69
4.4	Profit share of national income in Canada	70
4.5	Differential accumulation in Canada	71
4.6	Returns on capital and labour in Canada	72
4.7	Kalecki’s ‘degree of monopoly’	74
4.8	Capital–labour redistribution and the top income share	75
4.9	Differential capitalization and the top percentile income share	76
4.10	Union density and the national wage bill in Canada	79

Tables

2.1	Market capitalization by sector 2007 and 2009, % change	30
3.1	Large investment bank revenues	51
4.1	Basic performative indicator	64

Notes on contributors

Dan Bousfield is an assistant professor at the University of Western Ontario. He received his PhD in Political Science from McMaster University, Hamilton, Ontario, in 2009. His areas of research include pedagogy, protest, activism and technology. He is in the process of finalizing his book called *Political Economies of Protest: Capitalism, Ethics and Global Revolt*. His current areas of research include the relationship between Canadian identity and the Albertan oil sands, as well as research into virtual resistance to online labour in Southeast Asia.

Jordan Brennan is a PhD candidate in Political Science at York University, Toronto, and contract faculty in the School of Liberal Arts and Sciences at George Brown College, Toronto. He is working on a dissertation entitled 'The Business of Power: The Structure, Composition and Performance of Dominant Capital in Canada'. His research looks at the development of the Canadian political economy across the neoliberal era, paying close attention to the ways in which capital and state are integrated and how Canadian civil society has been re-engineered for the purposes of differential accumulation.

D.T. Cochrane is a father, partner and PhD student in Social and Political Thought at York University, Toronto. He wants to understand how market participants translate complex social relations into the quantities of capital. In particular, he is interested in the roles of things, beyond their status as commodities. His current research is on De Beers and the social relations of diamonds during World War II. Additionally, with Jeffrey Monaghan, he is researching how social movements factor into accumulation through diverse strategies of resistance.

Tim Di Muzio is a lecturer in International Relations and Public Policy at the University of Wollongong. Previous to this role he was a postdoctoral researcher at the Centre for Excellence in Global Governance Research at the University of Helsinki. His work largely focuses on the intersection between the history of market civilization, global capitalism and questions related to energy, the environment and global social reproduction. His articles have appeared in a number of peer-reviewed journals and edited collections.

Sandy Brian Hager is a PhD candidate in the Department of Political Science at York University, Toronto. His dissertation research focuses on the

political economy of public debt and the challenges that public indebtedness presents for existing theories and their conceptualizations of power, capital and state. Sandy has published several articles and book chapters on European welfare state restructuring, as well as global finance and regulation. He is the former secretary of the Critical Political Economy Research Network (CE-R) and the co-author, with Peo Hansen, of *The Politics of European Citizenship* (New York and Oxford: Berghahn).

Matthieu Hughes is a DPhil candidate in the International Relations Department at the University of Sussex. His doctoral research focuses on the history of German finance. This research examines the social, political and geographical aspects that brought about the development of ‘bank-based’ finance during the nineteenth century.

Samuel Knafo is a lecturer in International Relations at the University of Sussex. His work focuses on Anglo Saxon economies and the construction of speculative finance. He has written various articles on the gold standard and British finance and Marxist theory, and has just finished a book entitled *The Gold Standard and the Making of Modern Finance*.

Jeffrey Monaghan is a PhD candidate in the Sociology Department and a member of the Surveillance Studies Centre at Queen’s University. Areas of research interest include social movement studies, policing and surveillance, and (post)colonial histories. With D.T. Cochrane, he has been using Nitzan and Bichler’s power theory of value to empiricize impacts of business disruption campaigns employed by social movements. As one method of evaluating the efficacy of movements, Jeff and D.T. contend that the power theory of capital demonstrates how social movements can insert themselves into – and disrupt – accumulatory processes.

Sean Starrs is a PhD student in Political Science at York University, Toronto. His dissertation, ‘Global Capital and American Power: All for One and One for All’, seeks to contribute to the three decades-long debate on the decline or persistence of American power. Noam Chomsky has agreed to supervise his 2013–2015 post-doctoral fellowship at the Center for International Studies at the Massachusetts Institute of Technology, on ‘Who Owns Global Capital and Does Nationality Still Matter? Mapping the Global Distribution of Power’. He has published in *International Studies Quarterly*.

Steffan Wyn-Jones is a DPhil candidate in International Relations at the University of Sussex. His doctoral research rethinks US foreign policy formation in the early Cold War period, via a critical examination of the concept of the Military Industrial Complex.

Glossary

Breadth regime. One of two main paths for achieving differential accumulation.

This regime is characterized by overall growth, corporate amalgamation and greater proletarianization. From a structural viewpoint this regime of accumulation is dynamic and less conflict prone than a depth regime.

Business. The enterprise of pecuniary distribution concerned with profit and differential gain expressed symbolically in monetary terms. Business is an institution of power. It exists to control human industry for profit, not production, and therefore bears a negative relationship to industry.

Capitalization. Capitalization is the discounting to present value of risk-adjusted expected future income. For listed corporations, capitalization – which is often called market value – is calculated by multiplying the price of one share by the number of outstanding shares. For example, if Facebook has 2.17 billion shares outstanding and one share is currently trading at US\$24, then the company is currently capitalized at US\$52 billion. But capitalization is also the dominant mathematical ritual of capitalist societies. Anything that generates an income stream can theoretically be capitalized and, in that sense, is part of capital.

Creorder. A neologism used to think about both the dynamic and static dimensions of creating order in any historical society.

Depth regime. One of the two main paths for achieving differential accumulation. This regime is characterized by stagflation (a combination of stagnation and inflation). It tends to consolidate corporate power but it is a more conflictual and often violent method of accumulation than breadth regime.

Differential accumulation. Conventional theory argues that capitalists aim to maximize profits, but in practice capitalists neither know what this maximum is nor strive to achieve it. Instead of maximum accumulation, capitalists aim for differential accumulation. They try to ‘beat the average’ and exceed the ‘normal rate of return’ – and in so doing, to accumulate faster than others. For example, if an investor outperforms the S&P500, or if the oil and gas sector generates greater earning growth than their rivals, they beat their benchmark rate of return and accumulate faster than the capitalists that comprise this benchmark.

- Differential capitalization.** Denotes a ratio of capitalized income-generating assets. For example, if the oil and gas sector is outperforming its rivals by generating greater earning growth, we are likely to see the capitalization of this sector rise relative to the capitalization of other sectors.
- Dominant capital.** The leading firms and government organs at the centre of the accumulatory process. This group can comprise a fixed number (say 5, 50 or 500, depending on the context), or a given percentage (say 0.1 per cent or 1 per cent) of the top corporations ranked by market capitalization, profit or another key indicator. Identifying the government organs or agencies that assist these firms in their quest for earnings is a matter for empirical study.
- Industry.** The collective societal endeavour concerned with livelihood, service-ability to the community and overall human well-being. The success of industry understood in this broad way depends upon human creativity, cooperation, integration and synchronization.
- Mode of power.** The specific architecture of power that creates and recreates a given hierarchical, class society. The notion of a mode of power differs from that of a mode of production: whereas the latter emphasizes production and labour as central to understanding society, the former prioritizes the role of organized power.
- Political economy.** There is no separation of the ‘economy’ from ‘politics’ in the capital as power framework. In this framework, political economy is understood as the study of the capitalist mode of power.
- Power.** The differential ability to shape and reshape the trajectory of human society with the goal of controlling and directing human beings and the natural world to garner ever more ability to do the same. Power is known through its effects, which in capitalism are quantified and universalized through relative prices.
- Sabotage.** The strategic ability to incapacitate or restrict production and human creativity for the sake of business profit. There are two types: universal sabotage which all businesses pursue as a matter of course and acts of sabotage that are unique to one corporation or a group of corporations.
- State of capital.** A synonym to the ‘capitalist mode of power’. Conventional and Marxist theories view the state as a distinct entity, separate from the economy and civil society. In this framework, capital is an economic entity that stands in contradistinction to the state. In the theory of capital as power, by contrast, the state refers not to a distinct organization (government organ) or to an arena of open struggle (between social groups), but to the mode of power of society. The capitalist mode of power, which emerged in the twelfth century, has evolved to constitute the contemporary state of capital.
- Value.** In the capital as power framework, valuation is considered a manifestation of power. Value is understood as the capitalization of income-generating assets, and the relative magnitude of capitalization is a matter of differential organized power.

1 The provocations of capital as power¹

Tim Di Muzio

In the social and natural sciences it is rare to find the introduction of a work whose primary aim is to critically challenge what Lakatos called the ‘hard core’ of long-cherished theories and, based on this critique, construct a novel theoretical perspective from which to interpret the world anew (Lakatos and Musgrave 1970: 133). This, in essence, is what Jonathan Nitzan and Shimshon Bichler (2009) have set out to do to the field of political economy in their *Capital as Power: A Study of Order and Creorder*. They do not offer a marginal critique of political economy, but a foundational one. Through decades of painstaking original research and critique, Nitzan and Bichler have developed a unique and innovative theory of capital – arguably the central institution of the global political economy. Though they do not aim to provide a comprehensive theory of capitalist society in general, given the aims of their work, their critique of neoclassical and Marxist definitions of capital, and the introduction and careful explication of their own approach to capital and its accumulation, their work cannot fail but to provoke.

To provoke, often understood pejoratively, is to incite someone to action. In this sense, the entire text of Nitzan and Bichler’s *Capital as Power* can be read as one giant provocation directed at all those who practice political economy. But in fact, their provocations are cast far wider. Since the authors argue that ‘capital’ is *the* central institution of global society and ‘capitalization’ (see glossary) its dominant ritual, their new theory of capital, accumulation and the shifting sands of social reproduction is really a provocation to all those concerned to understand and explain the capitalist order which they largely do not control, but in which they are embedded. At base, their work challenges us to see beyond the conventional pieties of mainstream and heterodox political economy. It not only invites us into a discussion but it also asks us to consider the potentiality of a new research programme anchored in a new theory of value: the power theory of value. This new theory of value suggests that the value of capitalized financial assets is determined not by the productivity of capital goods or the exploitation of surplus labour power, but by the power of capitalists to create and recreate the landscape of social reproduction *writ large* in an effort to garner differential earnings. But while we can read their text as a giant provocation, in this opening

chapter I prefer to separate out analytically three distinct yet overlapping provocations. I argue that these three provocations call out for critical engagement by scholars of political economy in particular and the social sciences more generally. The organization of this chapter, and indeed the edited collection as a whole, is designed around these three provocations.

The first provocation is the provocation of history and deals specifically with how far and in what ways their historical rendering of the transition to capitalism (what they call ‘the capitalist mode of power’ – see glossary on ‘mode of power’) is convincing in light of historical evidence and whether their new theory of capital as power might help us reinvigorate, if not reorient, the debates on the transition to capitalism and the history of the global political economy more broadly. The second provocation is the provocation of a new theory that challenges, or perhaps more aptly put, threatens, the two major theoretical approaches to the political economy of capital and its accumulation. It asks scholars to engage with the theory in an effort to tell what Patomaki (2009) calls ‘better stories about the history and future of the global political economy.’ This is perhaps the most important provocation because Nitzan and Bichler do not make the claim that the dominant theories of political economy are slightly misguided and can therefore be corrected with a few intellectual tweaks but that they are, at their core, wrong. If these two provocations are not enough for a single work, there is a third. The third provocation is an open invitation to engage with and critique the capital as power thesis. It not only incites us to challenge the power theory of value put forward in their text but also the ontological categories and novel concepts and arguments that serve to ground their interpretation of capitalist ‘development’ and human potential. What these provocations all amount to is a desire for critical engagement at a time when the capitalist order is being questioned anew by social forces around the world. For example, the transnational Occupy Wall Street movement – mobilizing under the banner of ‘We are the 99%’ – garnered worldwide public attention for occupying financial centres around the world. Under current conditions of capitalist existence, many believe that this movement, while fraught with organizational and strategic challenges, has served to reorient debates about the future of capitalism while putting the spotlight on the policies that have helped enrich a tiny fraction (the 1 per cent) of the global population by neoliberal legislation, redistributive policies and the purchase of political power.² Even the *Financial Times*, arguably the most authoritative business and financial press, introduced a new series on ‘capitalism in crisis’ in the beginning of 2012.³ For others however it is not just one crisis, but a series of crises: economic, financial, ecological, political, social and cultural (George 2010; Gill 2011).

So it is within this spirit of critical engagement and the general mood among many that there is something drastically wrong with capitalism that we seek to reinvigorate debates within international political economy. All of our collective contributions have been forged in this spirit. Not all of the authors included in this volume are fully convinced by the capital as power hypothesis or many of the new concepts and methodological tools introduced by Nitzan and Bichler (see for

example, Part III). However, we do collectively agree that the novel theory and arguments put forward in *Capital as Power* must be engaged with given its many provocations and the general lack of engagement that their intervention has so far received in the literature. This is largely what makes this contribution to the literature in international political economy timely and unique: it is the first volume to critically engage the thesis that capital is commodified differential power. In the following section I aim to provide readers who are unfamiliar with the work of Nitzan and Bichler with a brief overview of their approach – though I highly recommend reading their book in its entirety. I then elaborate and outline how the contributions in this volume critically engage with the provocations of *Capital as Power*.

A brief introduction to capital as power

Nitzan and Bichler's approach begins with the concept of capital. The reason is simple: if we want to study *capital-ism*, we ought to start with a clear analytical definition of capital. Unlike the many political economists who write with the assumption that the meaning of capital is self-evident, the first question asked by the authors is: what is capital and how do we know its magnitude? A related question is just what is being accumulated when we talk about the accumulation of capital? The entire intellectual edifice of political economy, not to mention its international variety, rests (most often implicitly) on these very questions. As it turns out, there are only *two analytical definitions* aimed at quantitatively measuring capital: the neoclassical and the Marxist. And both have different answers to the question: for the neoclassicals capital means capital goods and it is measured in so-called 'utils' – or hedonic units of pleasure.⁴ So what gets accumulated in this framework? The answer: productive capital goods denominated in terms of the utils they generate for society. Marx's answer is quite different. For Marx capital was certainly a social relation between labour and capitalist owners grounded in industrial or material production. But when it came to explaining the magnitude of capital Marx chose to measure it in units of labour time or what he called – socially necessary abstract labour.⁵ Committing to the labour theory of value – whereby labour is considered the *sole* source of value – lead Marx to argue that capital accumulates through the surplus value extracted from workers during the work process because workers produced more value during the work day than they were compensated for in wages. So what gets accumulated in Marx's framework? The simple answer is surplus (read: unpaid) labour, but this is not totally accurate. Since active labour is expended during the production of commodities what gets accumulated is surplus dead labour. Or as Marx himself put it:

Capital is dead labour, that, vampire-like, only lives by sucking living labour, and lives the more, the more labour it sucks. The time during which the labourer works, is the time during which the capitalist consumes the labour-power he has purchased of him.

([1867] 1976: 342)

As Nitzan and Bichler methodically detail in their work, both attempts to define and measure capital are mired in an unwavering materialism and trapped by the dualities of ‘politics’ and ‘economics’, the ‘real’ and the ‘nominal’ or, put in more familiar terms to political economists: the ‘productive-industrial’ and the ‘fictitious-financial’. The problem is that these commitments leave neoclassicals as well as their Marxist counterparts in a situation where they are not only unable to explain capital and its accumulation but also to offer a convincing answer to the question: *what gets accumulated?* Nitzan and Bichler offer a systematic critique of both interpretations in much of their book so it is difficult to encapsulate the richness of their critique here. But suffice it for me to write that the neoclassical definition of capital as capital goods has been proven incorrect in the Cambridge Capital Controversy of the 1960s (see Chapter 6 in this volume). In order to determine the level of economic output and justify income distribution amongst the factors that are alleged to contribute to production, economic liberals invented the ‘production function’. The problem, however, is that in order to know the economic output and therefore the distribution of income amongst the contributing factors of production (land, labour and capital), we first have to know the physical magnitude of the economic inputs. The big problem, as those schooled in finance rather than economics might remind us, is that the value of one of the factors – capital – is contingent on the income it generates – in this case, profit. And since this is the case, then there is no way you can measure the ‘productivity’ of capital and justify capital income before you know the magnitude of profit! The problem arises in the first place because of the way in which the production function is set up. To explain profit, profit is put on the left hand side of the equation while the inputs are on the right hand side. What this means is that the physical quantity of capital (on the right side of the equation) has to be *measurable independently of and prior to*, profit – a computation that violates capital as discounted profit. Hence, the production function fails in its aim of justifying income to capital.⁶

Marxists, on the other hand, argue that the only thing that adds value is human labour in the industrial production of commodities. The first difficulty, which most contemporary Marxists admit is insurmountable, is determining the socially necessary abstract labour time of commodities. And even if that problem somehow could be solved, moving from the so-called ‘real’ sphere of production values measured in socially necessary abstract labour time to the thing that actually matters most to capitalists: the nominal sphere of money. So far Marxists have been unable either to objectively determine the labour value of commodities, or to translate the value created in the labour process into market prices in general and asset prices in particular, and therefore Marx’s attempt to scientifically explain the magnitude of capital breaks down. Marxists also have the (and I believe politically dangerous – see Chapter 9) problem of trying to sort ‘productive’ workers that generate surplus value from their ‘unproductive’ counterparts that are said to circulate or consume this value. Put differently, some workers are useful for creating value and the remainder are largely worthless from the point of view of value creation.

For Nitzan and Bichler, these problems are insurmountable and they are insurmountable in their view partly because the theorists prioritize production rather than power. Capitalism is not a mode of production but a mode of power (see glossary). This historical mode of power is rooted in private ownership and the strategic sabotage of human creativity for the sake of accumulation rather than livelihood and community well-being. In their view, capital is not a material entity but a symbolic representation of commodified differential power. It is commodified because ownership claims to income-generating assets – the symbolic representation of capitalist power – are vendible (you can buy and sell them within the limits of the law) and it is differential because accumulation-read-power is a relative phenomena (some accumulate more and faster than others). What gets accumulated in this framework then, is not productive machines or dead labour but power itself, symbolically represented in pecuniary terms:

Pecuniary earnings, we argue, do not have a material ‘source’, whether counted in utils or labour time. Instead, they are the symbolic representation of a struggle – a conflict between dominant capital groups, acting against opposition, to *shape and restructure the course of social reproduction at large*. In this struggle, what gets accumulated is not productivity as such, but the ability to *subjugate creativity to power*.

(Nitzan and Bichler 2009: 218)

Furthermore, they argue that the dualities mentioned above are patently unhelpful in approaching the study of capital because 1) envisioning an economy untouched by politics and power is inconceivable; 2) in the final analysis capitalists only care about the nominal realm of prices; and 3) there is no objective way to bifurcate the economy into ‘productive’ or ‘industrial’ capital and ‘financial’ or ‘fictitious’ capital to start with. This is largely why they claim that capital is ‘finance and only finance’ (2009: 262). So how do they arrive at this new understanding of capital as commodified differential power? They argue that we ought to understand capital from the point of view of actual capitalists! And since the capitalist viewpoint is gradually imposed on everyone else, the implication is that our starting point should be the central ritual of modern capitalism – capitalization:

The modern corporate owner does not view capital as comprising tangible and intangible artefacts such as machines, structures, raw materials, knowledge and goodwill. Instead, he or she is habituated to think of capital as equivalent to the corporation’s equity and debt. The universal creed of capitalism defines the magnitude of this equity and debt as *capitalization*: it is equal to the corporation’s expected future profit and interest payments, adjusted for risk and discounted to their present value.

(2009: 8)

In other words, capitalists want to know how much they should pay now (present value) for an ownership claim (typically stocks or bonds) to a future stream

of income. The goal for capitalists is to ensure that their levels of capitalization rise faster relative to other absentee owners trying to do the same – the goal is to accumulate *differentially*, not to meet benchmark returns but *surpass* them. And as Nitzan and Bichler have demonstrated in their work, the way this has been done over the long term is by driving up corporate profit faster than the average.⁷ In other words, higher differential earnings typically mean higher differential capitalization (see glossary), or what is practically the same, rising relative share price. So if capitalists are ultimately capitalizing expected future earnings, we should focus on how those earnings are generated and Nitzan and Bichler argue that this is largely a matter of dominant capital (see glossary) exerting power over the social process writ large. Since they see capital as a mode of power, earnings are not a narrow offshoot of material production as in the Marxist and neoclassical interpretation. For example, Facebook's profitability is not solely contingent on its ability to produce a social media platform but on a wide range of factors that all involve the exercise of the firm's power to shape and reshape social reproduction and everyday life from influencing privacy laws, attracting advertisers, targeting adverts, buying up potential competitors, resolving legal disputes, avoiding corporate espionage and the list could continue. The simple, yet powerful point is that Facebook's earnings are not determined by its service provision alone but by the power of its owners and directors to shape and reshape politics, society and culture. This power is what capitalists consider when they capitalize the firm's ability to generate income while the overall capitalization of any given firm can be taken as a measure of the firm's power to shape and reshape social reproduction. The fact that Facebook's opening capitalization garnered in its initial public offering was cut in half in the weeks that followed was a powerful indication that investors lost confidence in Facebook's ability to monetize the site properly and generate the differential earnings implied by the initial differential capitalization.

Two more points are worth considering. First, Nitzan and Bichler argue that capitalist power can be exerted because the institution of ownership allows the owner to exclude others from access to goods or services. Second, contrary to the neoclassical and Marxist schools that view capital as constantly innovative and productive, the authors build on Veblen's [1904] (2005) conceptual distinction between business and industry. In their view, industry or material production can only be a social product and as society grows in complexity it becomes next to impossible to try to isolate individual contributions to production. Industry is concerned with serviceability to the community, workmanship, creativity and livelihood – it is the productive potential of humanity – what we *can* do. Business, however, is very different. Business is concerned with profit and profit alone. As such, it is necessarily counter-productive and must control and partly incapacitate human creativity in order to earn profit in the first place.⁸ This may seem counter-intuitive to some readers who look around them and see a world of production, innovation and commodities. But the argument put forward here is not that businesses fail to innovate or that profit would be served by no output, but that business has to strategically incapacitate human endeavour as

- [download online *Eating Purely: More Than 100 All-Natural, Organic, Gluten-Free Recipes for a Healthy Life* pdf, azw \(kindle\), epub](#)
- [Burqalicious pdf, azw \(kindle\)](#)
- [read online Le Grand Loin](#)
- [read online Cassandra at the Wedding pdf](#)
- [Radio Times \[UK\] \(14 May 2016\) pdf, azw \(kindle\), epub, doc, mobi](#)
- [read online Paradise Lost \(Penguin Classics\)](#)

- <http://betsy.wesleychapelcomputerrepair.com/library/Fear-of-Flying--40th-Anniversary-Edition-.pdf>
- <http://patrickvincitore.com/?ebooks/Burqalicious.pdf>
- <http://berttrotman.com/library/Ivan-the-Terrible--BFI-Film-Classics-.pdf>
- <http://cambridgebrass.com/?freebooks/NeverSeconds--The-Incredible-Story-of-Martha-Payne.pdf>
- <http://aseasonedman.com/ebooks/Crooked-Hills.pdf>
- <http://www.celebritychat.in/?ebooks/Paradise-Lost--Penguin-Classics-.pdf>