

# Geert Reuten's "Updating" of *Capital*

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Reviewing "The unity of the capitalist economy and state: A systematic-dialectical exposition of the capitalist system," Geert Reuten, 2019.

## Introduction

From works concerned with a textual analysis of Marx's early work on political economy, I now move to the opposite focus, an effort by an economist to "update" *Capital* for our times.

I hope that in reviewing Reuten's book I will be able to further my understanding of present day political economy, as part of my project of learning how to understand complex social processes in general. Political economy is itself of considerable interest to all socialists, but it is not my principal aim to enter into the discourse on economics. I am an outsider to the very specialised domain of "Marxian Political Economy," and have no standing in many of its aspects. But in other aspects of the Marx-Hegel relation I do have standing and my criticisms of Reuten's book outlined in the 8 "issues" below ought to be taken seriously.

One of the interests socialists have in political economy is to understand what are the contradictions in present day capitalism which threaten crisis – either the collapse of capitalism altogether or which force drastic change. And Reuten delivers on this question, pointing to at least six contradictions in the present day configuration of political economy which herald the approach of impossible situations, situations for which there is no apparent solution other than a drastic transformation of the world economy or its collapse. Capitalism has met such contradictions before and overcome them, but these situations are of central interest to those who hope to one day transcend this system entirely.

The book also contains a wealth of material about the kind of day-to-day economic and political issues which fill the pages of serious newspapers, and Reuten deals with a host of such issues based on the fundamentals laid out in earlier chapters of his book.

Further, examining this effort to appropriate the principles of *Capital* and the *Logic* (rather than a textual analysis) will give me an opportunity to clarify in a relevant context just what these principles are.

## Overview of Reuten's book

From 2007 to 2015, Geert Reuten was a member of the Senate in the Netherlands representing the Socialist Party and in that position had to publicly defend his economic ideas against, amongst others, those responsible for running capitalism in that country. In addition, he is a member of the ISMT (International Symposium on Marxian Theory) which includes Geert Reuten, Tony Smith, Fred Moseley, Christopher Arthur, Martha Campbell, Patrick Murray, Guglielmo Carchedi, Paul Mattick Jr., Riccardo Bellofiore, Nicola Taylor, Roberto Fineschi, Andrew Brown and Guido Starosta. Each of these have defended their own line on *Capital* and the *Logic*, all different, and they

have met once a year since 1991 for discussion. Reuten also teaches Economics at the University of Amsterdam. Reuten himself has been continuously working on this book since its first version was published in 1989. In the light of this background, the book has to be taken seriously.

Reuten defines his relation to Hegel and Marx in the following terms:

Although the systematic-dialectical method used here sometimes deviates significantly from that of Hegel and Marx, I nevertheless proceed in their scientific tradition and am greatly indebted to these authors.

(2019, p. 9)

Reuten does indeed deviate very considerably from Marx's treatment, and I will deal with these issues below. But it is right and proper that a present-day writer would differ from Marx; capitalism itself has totally changed over the 150 years since *Capital* was written, as has the bourgeois science of political economy of which this book must be an immanent critique. Differing from Marx is no sin; my criticism relates only to when Reuten differs from Marx to the detriment of the science.

What makes Reuten's book unique is his claim to apply the systematic-dialectical method to the capitalist economy *and the capitalist state* together. He claims, correctly, that no economy can exist without the support of a state which grants and enforces (reifies) rights supporting the given economic formation. In the case of capitalism this means specifically *bourgeois right*, that is, the right to own private property in the Earth, the right to appropriate the product of the labour of others using means of production which they own as private property, as well as the right to existence and public security core to any state. In fact, a capitalist state is the sine qua non of a capitalist economy. Hegel's treatment in *The Philosophy of Right* likewise deals with civil society and the state in a single dialectical reconstruction, but in writing at a time when the bourgeoisie had a monopoly of political power in Britain, Marx took it for granted that the state grants rights as demanded by the development of the capitalist economy and dealt only with tendencies immanent in the economy.

The publisher, Brill, has made a PDF of Reuten's book available for free download at <https://brill.com/display/title/38778> and I urge the reader to take advantage of this offer and read the book. I also urge the reader to make their own study of Marx's Three Volumes of *Capital* which are available at <https://www.marxists.org/archive/marx/works/1867-c1/index.htm>, especially the first few chapters. In the end, you have to make your own judgment.

Reuten claims to have produced a systematic-dialectical reconstruction of capitalism as it is instantiated today in the 27 core OECD countries. In *Capital*, Marx presented a systematic-dialectical reconstruction of the capitalist economy as it was essentially manifested in Britain, at the time the most advanced capitalist country. I use the word "reconstruction" alluding to Marx's words: "the method of rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in the mind" in "The Method of Political Economy" in the *Grundrisse* (p. 100). In any such reconstruction the writer distinguishes between *contingencies* – features of the formation which are accidental and are not necessary for the social formation to

function, and *necessities* – the main focus of the reconstruction, those features of the object which are necessary for the on-going reproduction of the social formation.

Reuten is at pains to point out that *Capital*, Hegel's *Philosophy of Right* (whose method Hegel outlined in *The Logic*) and his own book us are *logical*, or *structural*, reconstructions of the concrete, integral whole of modern society, beginning from one simple and indisputable initial fact. The sequence in which the categories are presented and derived is quite distinct from the sequence of their appearance in the *history* of the social formation. (This claim turns out to be not as simple as it sounds, but more of that later). For Reuten, the dialectic at work in history is something distinct from the dialectical analysis of a social formation at some given moment and the object is taken to be a systemic whole (rather than some hybrid). I dispute this claim insofar as it pertains to *Capital*, as does Marx. The systematic-dialectical presentation, as it is conceived by Reuten, makes reviewing the work difficult, because social formations are posited which at the given point in the reconstruction are not only counterfactual, but untenable and never did or could have existed historically. The same is actually true of *Capital*, but not to the same extent. The exposition itself is driven by addressing contradictions in a given conception of the social formation, identifying how they are overcome, in turn uncovering new contradictions in the modified formation, and so on. The reconstruction is complete and tenable only at the end of the book – “in which thought appropriates the concrete, reproduces it as the concrete in the mind.”

Given my aim in writing this review, and Reuten's immersion in political economic theory, I am inclined to take Reuten as an authority in the matter of political economy. But that does not oblige me to believe anything he says about the matter of “systematic-dialectics” or methodological issues, any more than I would take the advice of *any* economist on those questions.

I will now provide a very brief overview of the eleven chapters of Reuten's book.

*Chapter One*: The starting point of the logical reconstruction presents what Reuten takes to be the meaning of “capitalism” in its barest essentials, the schema which “captures the essence of the entire system” (2019, p. 15): one class of the population owns all the means of production, including relevant elements of Nature, as their private property through *enterprises*, and the rest of the population lives in *households*, lacking access to any means of production. The enterprises meanwhile can produce nothing unless labour capacity (this is the term Reuten uses in lieu of Marx's “labour-power”) can be acquired to operate the means of production. Meanwhile, those living in households can only live if they can gain access to the products produced by the enterprises.

Reuten calls this situation “dissociative,” meaning that it is a situation which cannot sustain itself as an on-going form of human life. There is no suggestion that such a dissociative society ever existed even in some marginal way, or that capitalism grew out of a situation of this kind.

Now we see how the exposition unfolds.

Reuten asserts that the only way, and the way evidently adopted by capitalist nations, for this social formation to exist, is that there is *trade* between the households and the enterprises (and the enterprises with each other). The

enterprises will pay a price for labour capacity solely depending on the value the enterprise can realise by its use. The cost of living of working class households is irrelevant to the price of labour power and Reuten rejects of Marx's concept of the value of labour-power.

The households buy the goods they need to sustain their lives and the enterprises hire the labour capacity created in the households to operate the enterprises' means of production. Reuten further claims that this trade is only possible if there is money. Only by means of money can products be brought into relation with each other universally and assigned a value for the purpose of exchange. So, the conclusion of Chapter 1 is that *given* the above "dissociation," logically, *there must be* money, and goods and labour capacity must take the social form of commodities.

It should be noted that Reuten takes value to always be expressed in the dimension of money, the unit being euro, dollar, or whatever. "Socially necessary labour time" does not figure in his analysis, and consequently, nor does the so-called "transformation problem," i.e., how an economic theory based on "value" could predict prices.

The chapters alternate between the economy and the state, so the book can be read in order, Chapters 1, 2, 3 etc., following the development of the economy first and then the state in Chapters 6, 7, ..., or in a zig-zag fashion 1, 6, 2, 7, etc., so that we can follow the logic of the state, side by side with that of the economy it supports. I will follow the latter sequence.

In *Chapter 6*, beginning the conceptual reconstruction of the state, we learn that the economy in itself has no means of creating and enforcing the *rights* which are implied in this formation – only a state can protect private property. In addition to securing the right of persons to exist, including public security and ensuring that others do not interfere with persons exercising such rights, it is down to the state to see to it that enterprises have the right to appropriate elements of Nature (insofar as this is possible) and appropriate the entire product arising from the application of labour capacity to the means of production they own. Therefore the state must enforce these latter rights, the "core economic entitlement claims" (2019, p. 303) on which capitalism rests.

*Chapter 2*, continuing the discourse on the economy, is confronted by the problem of: where is this money to come from? There must be money because otherwise there could not be commodity exchange. Reuten does not accept the idea of money as a commodity. Nor does he see the state as having an essential role in creating money. Money is created by commercial banks.

If there is to be dissociation there must be commodities, and if there are to be commodities there must be money and if there is to be money there must be banks.

So this chapter must posit the existence of banks as entities distinct from production enterprises. A bank creates money when it speculatively gives credit to an enterprise (which in turn acquires a debt to the bank, thus keeping the bank's books balanced) betting that by using this money the enterprise will make a profit, i.e., extract a surplus from the use of labour capacity after paying the labourer for its use. By this means, the bank can recover their initial investment and a share of the surplus, and production continues on an

expanded scale. Money is not only a medium of exchange, supporting markets, but also a medium of credit, facilitating investment and the accumulation of capital.

Investment does not arise out of savings. Savings in fact are a *drag* on capital accumulation. The banks create money *ex nihilo* (2019, p. 103) on the basis of trust. In short, enterprises require three conditions for the realisation of surplus value: money, labour capacity and Nature. There can be no production without investment by a bank. Capital always begins from a sum of money.

*Chapter 7* confronts the fact that the state has been required to do all this work in order to enforce capitalist rights claims, and has somehow to acquire money to do that work. Reuten claims that it must therefore collect taxes, and has in fact historically done so. Taxing the capitalists is an infringement on the very rights that the state was there to protect, so here we have the beginning of sources of political conflict between the state and the class whose interests it protects. Over and above this, the vast majority of the population see that the state, which claims to represent the “general interest” is in fact furthering the exploitation of the majority of the population, so we see also the source of conflict with the working population. However, the function of the state in ensuring the specifically bourgeois rights claims is generally invisible to the broad population of a country.

The state must also regulate the monetary system, imposing a common standard on the money issued by banks – euros or dollars, and ensure that banks make adequate provisions against bad loans, etc., activity which entails making decisions which inevitably favour one group against another, whatever they do.

*Chapter 3*, deals with the finance system. Quite frankly I am way out of my depth in this chapter. It is a world which is foreign to me. I can only recommend Reuten’s exposition to the reader.

*Chapter 8* concerns the state’s expenditure, and here we meet an important theme. The state has to *legitimate* itself, that is, the state must see to it that the *vast majority* of the population accept the laws and regulations laid down and enforced by the state. Were it to fail to achieve this, then economic and social life would become impossible – laws would be flouted, law and order would break down and the capital accumulation would cease. The state may achieve legitimation by brutal repression alone or by open and democratic deliberation on its activity, no matter, but a state with a deliberative legislature is the most efficient if it can carry it off.

However, here arises the largest component of state expenditure, the social security system, including pensions and transfers of all kinds, which ensure that all those for whom capitalism cannot provide a living can nonetheless live a decent life, and as a result, will in practice consent to the existing order. It also supports Reuten’s claim that the cost of living for a working class family does not affect wage levels, because if the employers cannot provide profitable employment, the workers can go on welfare. The need for legitimation which drives social security expenditure continues to be a factor in all which follows.

By this point, Reuten has completed what he calls the “*conditions of existence*” of capitalism. What follows he calls the “*concrete manifestation of capitalism*”

particularly its realisation through market interaction. In the first chapters, we see the positing of untenable, abstract formations from which the writer concludes that this or that institution must therefore exist, because otherwise there could be no capitalist system (i.e., a tenable system essentially conforming to the initial model). *Now* we move to a situation where the relevant contradictions, i.e., “impossible necessities” (2019, p. 506), do arise in really existing social formations, and the officials of the state self-consciously make whatever innovations are necessary to deal with the given contradiction. The theoretical cognition of the writer is replaced by the real-time political calculation of real actors in the capitalist state and its enterprises and banks. The analysis of these manifestations, explaining *why* the state, banks and enterprises *must* take the actions which they in fact do, rests on the fundamental work of the early chapters which have already set the chief features in place. Different state officials will propose different policies, but Reuten argues his case on the basis that the necessities arising from the political-economic theory laid out in the first three chapters will inevitably be agreed upon.

*Chapter 4* describes how competition actually takes place in a modern capitalist society. This was new to me, but the simple idea of price or quality competition is evidently mistaken. Reuten paints a picture of a sector of production in which the each firm has more or less outmoded and more or less up-to-date technique, and they compete by means of a price leader deliberately over-producing, forcing inefficient producers out of the race. What results is a rotation of price-leadership and innovation. This is an engaging chapter and I fully accept that it gives a truer picture of how competition happens than the usual naïve conceptions. The results are pretty much the same however.

In *Chapter 9* we learn how the state formulates its own conception of “proper competition” and imposes a competition policy avoiding the formation of monopolies. Again, the resulting conflicts of interest demand measures to ensure legitimation of the state which frequently entails the delegation of state functions to purportedly “independent” authorities, such as the Central Bank. Here we learn how the state (or a surrogate) obliges a monetary policy which determines “creeping inflation” (see 2019, p. 344). This creeping inflation is vital for several reasons. Firstly, it avoids capitalism slipping into stagnation, which would otherwise occur; secondly, it enhances the accumulation of capital, especially its concentration in financial institutions, essential for expanded accumulation; and thirdly, it puts the working class constantly on the back foot, having to fight for wage increases just to maintain the same real wage. The same situation affects small savers. Creeping inflation effectively socialises the losses of all those who cannot secure a rate of profit greater than the rate of inflation while privatising the gains with those who can.

*Chapter 5* deals with the ever-expanding demands for regulation of all kinds: the business cycle, the concentration of capital, the quality of products, the supply of labour capacity and its quality, the fierce rivalry between capitalist firms. Every new regulation generates a dozen new loop-holes, and the cycle is then repeated on an expanded scale as governments try to plug loop holes. We find that the demand for more and more regulation is unlimited; already the leaders of large financial institutions do not know what they own or what they

are legally allowed to do! A number of openings for terminal crises appear at this point which I will summarise later.

In *Chapter 10* Reuten deals with the “reach” of the state, the ever-increasing proportion of GDP absorbed by social security transfers, the appearance of banks too-big-to-fail (that is, were such a bank to fail, no state would be able to save it and its capital would be wiped out). Regulation has become so complex and provisions so complicated that no one understands them. More on this later.

In *Chapter 11* we learn that the state must exist in a world side-by-side with *other* states, something hitherto unaccounted for in the reconstruction. This chapter deals with international trade, including the complexity and fragility of the international transport infrastructure supporting that trade, international regulation of trade and production, the flight of capital, and the movement of production into and out of nations, depressing the conditions of the more advanced economies when production is moved off-shore to low-wage economies who in turn enjoy improved conditions, (provided the state can provide satisfactory security and basic capitalist economic rights). Thus, the tendency for the movement of capital to very slowly equalise economic conditions in countries around the globe. Imperialism is not on the horizon here and there is no consideration of non-economic issues between states, such as warfare.

And beneath all of this is the impending climate crisis which the uncontrollable destruction wrought by capitalism makes inevitable. In fact, despite the claim of being a “dialectical reconstruction,” a number of crucial features are fact derived from observation of *historical* tendencies in capitalist development, rather than as logical consequences of the foregoing construction: the secular growth of the cost of welfare spending, the secular growth in the extent and complexity of regulation, the ever-increasing risk of runaway bank failure and ever-increasing international trade.

### Issues with Reuten’s “Dialectical reconstruction”

#### 1. The Starting Point

“Every beginning is difficult, holds in all sciences” (Marx 1867, Preface). In Reuten’s words:

The idea of a systematic-dialectical methodology is that one can best present a system in a layered movement that begins with *general-abstract concepts* of the (putative) system, gradually developing these into more concrete complex ones. ... the starting general-abstract concepts should capture key characteristics of the system as a whole.

(2019, p. 29, my italics)

That starting point is, he says, “a concept that captures the essence of the entire system.” Reuten says that for Marx the starting point is “commodification.” This is not true. I will defer explanation of this claim to the companion volume, but briefly, “commodification” entered the English language in 1977. The general idea is to be found in Marx’s work as early as the *Communist Manifesto*, but he *never used the word*. It is a Latinised, process word which arises from within

the theory, an effect of capitalist development, and as such *cannot* be the starting point of a dialectical reconstruction, either Hegelian or Marxist. Marx began from “the commodity,” an everyday word indicating an artefact which is mediating exchange and the substance of wealth.

In Reuten’s case the starting point is “dissociation” – a society bifurcated into two classes, enterprises and households. This Reuten calls a “general abstract” characterisation.

By “general-abstract” Reuten means a feature which characterises the whole system in its barest essentials. “Dissociation” is taken to be this concept:

the formal starting point of this chapter is Division 1 (on ‘dissociation’), which establishes that a key characteristic of the capitalist system is its structural-institutional separation between households and privately owned enterprises.

(2019, p. 29)

Private households (where the reproduction of human life is conducted) and private enterprises (in which goods are produced) are taken as *given*. The starting point is the *separation* of households and privately-owned enterprises, that is, the *bifurcation* of society into two classes one of which owns the enterprises as private property and a class of free labourers who have *only* labour-capacity to offer but no means of labour. What remains to show is how such a capitalist social formation can and has maintained itself in existence, not how it came into existence, however.

The dissociation has been resolved (the first step in the systematic reconstruction) by the exchange of goods produced by enterprises and labour-capacity created in households, all as *commodities*, which in turn requires *money* as a universal measure of value. Any historically outmoded means of exchange being irrelevant to the logical reconstruction of modern capitalism. Reuten does not consider any other possible resolution to the dissociation other than commodities and money, and indeed it is hard to imagine any other resolution of that impossible situation. Money and markets do appear necessary given the starting point of dissociation. Nor does he inquire into how and on what basis dissociation itself has been established. Simply that if it exists, then exchange of goods and labour-capacity is *needed*, and thus money is *needed*. Where money comes from and how the dissociation is maintained is the work of successive moments of the reconstruction.

So Reuten’s starting off point is the vision of an entire society as a system of the basic classes and institutions, a vision which it does seem must inevitably develop as a capitalist society, given that all production is *already* in the hands of one class to the exclusion of all others, who are *already* “free,” propertyless workers – a situation which would generally be regarded as a *product* of capitalist development, rather than its presupposition. He goes on in this book to show us how all the institutions found modern capitalist societies are necessary given this logical starting point of a society already bifurcated between owners of enterprises and sellers of labour capacity, using as his empirical reference point the contemporary OECD countries.



### ***Marx's starting point***

Marx made his starting point the *commodity*:

The wealth of those societies in which the capitalist mode of production prevails, presents itself as “an immense accumulation of commodities,” its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity.

(*Capital*, opening words.)

He introduced money and private enterprises in the next stage. Money is derived as a commodity, in the next couple of chapters and capital – buying and selling for a profit – only in Part 2 of Volume 1, beginning with Chapter 4.

So it is clear enough that Reuten's starting point is very different from that of Marx (and Hegel). Reuten took a minimal, abstract conception of an entire capitalist system. Marx took a *universal individual relation* (commodity) which *predated* capitalism albeit only as a marginal activity, and which in reality provided the real soil on which capitalism grew. Reuten, on the other hand, posited an extreme and already essentially capitalist *social system* from the outset. Which is not to say that Reuten is wrong, but simply that he contradicts his own claim to be using the method of Hegel and Marx:

Hegel and Marx also produced the chief paradigmatic examples of a social-scientific systematic dialectic, that is, the method that is adopted in this book.

(2019, p. 9)

Hegel described the starting point of a science in the following terms:

The progress, proper to the Concept, from universal to particular, is the basis and the possibility of a *synthetic science*, of a *system* and of *systematic cognition*.

The first requisite for this is, as we have shown, that the beginning be made with the subject matter in the form of a *universal*. In the sphere of actuality, whether of nature or spirit, it is the concrete individuality that is given to subjective, natural cognition as the *first*.

But in cognition that is a *comprehension*, at least to the extent that it has the form of the Concept for basis, the first must be on the contrary *something simple*, something *abstracted* from the concrete, because in this form alone has the subject-matter the form of the self-related universal or of an immediate based on the Concept.

(Hegel 1816, §1734, p. 801. The italics are Hegel's.<sup>1</sup>)

Note that the first for Hegel is something simple, a self-related universal, an immediate based on the Concept – not an “general abstract concept.” It is

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<sup>1</sup> Note that most of the participants in the current *Capital* / *Logic* debate fail to grasp this. Because the topic presupposes *Capital* mirroring the *Logic* in some way, they all believe that Hegel's advice is to begin from a contentless concept like Being.

widely recognised that Marx was following Hegel's advice in choosing the commodity as the starting point of *Capital*. For comparison, Hegel began his *Philosophy of Right*, in which he outlined his vision of a constitutional monarchy, with "abstract right," which in modern terms, means the right to own private property, rather than exchange of products or bare-bones constitutional monarchy.

The social arrangements implicit in Marx's starting point are a society of simple commodity exchange, since nothing else is prefigured, neither bifurcation nor capital. Of course, no society had ever existed in which exchange of commodities was the sole economic relation; distribution of goods and labour has always been regulated by *some* state-form, and commodity exchange was marginal in the past. But it is Marx's *logical* starting point, it is empirically *universal* in modern capitalist society and *historically* capitalism emerged from commodity exchange on the peripheries of ancient societies. Reuten's starting point, on the other hand, presumes a terminally developed capitalist society, already ruptured absolutely between free labourers and capitalist owners, which is of course an idealisation of reality, an idealisation which could exist only in the head of the writer.

One of the effects of choosing a *system* (households without means and privately owned enterprises) as the starting point is that it relieves the writer of explaining how it comes to be that households have no means of production and are dependent on the sale of labour capacity for a living, which is logically and historically a *result* of capitalist development, not its presupposition. Indeed, it is not posited that any such configuration did or could exist in the absence of other elements. Reuten *deduces* the commodity from the hypothesised total bifurcation of society. "Deduces" in the sense that given that bifurcation exists, therefore there must be commodities, but there is no sense of precondition or causality here. It is solely *a movement of theoretical cognition*. It is not the claim that bifurcation *created* commodity production because it *needed* commodity exchange. Like Sherlock Holmes, the *writer* needed commodity production in order to *explain* the already hypothesised bifurcation, to make it plausible that such a society continue to exist. And of course, the writer could see that commodity markets did indeed exist in the reference group of OECD countries. These markets are now explained by the hypothesised bifurcation.

Further, whilst Marx derives wages and money as special forms of commodity, Reuten firmly rejects the idea of money as a commodity. Marx took pains to "derive" money from the logical-historical development of commodities, whereas Reuten simply declared that money is necessary for commodity exchange, therefore money exists. Reuten says that Marx took money as a special commodity because that was the norm among political economists of the time whose theory he was critiquing. Reuten instead embraces the modern theory of money as bank credit. Bank credit and paper money was common enough in Marx's day, too.

If one is going to understand the problems of finance and economic planning in a modern economy, it makes a lot of sense to embrace the idea of money as credit issued by a bank, and I will return to this later. However, the conception of money as bank credit should not *exclude* the conception of money as a commodity any more than Marx saw the conception of money as a commodity

as limiting money to its historical origins in gold or silver coins, etc., or excluded his discussion of bank credit in later volumes of *Capital*. His aim was always to come to bank-money at a later stage in the analysis as the need for bank money emerged, logically and historically, rather than simply posit it at the outset because “it is logically necessary to explain commodity exchange.”

In the *Grundrisse* (Marx, 1973/1858), Marx prefigures beginning the dialectical reconstruction of bourgeois society from “value,” but by the time he came to write *Contribution to the Critique of Political Economy* (1859), he began from an historically specific *social form of value*, the commodity: “something simple, a self-related universal, an immediate based on the concept” (Hegel) of value. Value might be described, if you will, as a “general-abstract concept,” which Reuten says must be the starting point, but commodities certainly are *not*. A commodity is a “universal individual.” Commodities appear to the denizens of bourgeois society as immediately given, discrete, everyday objects: anything which is available for purchase or exchange is a commodity. Marx does not posit “general-abstract” concepts, like “value,” or “bifurcation” or “commodification” at the outset. The first chapter of *Capital* is an exploration of value beginning with an examination of the commodity. He begins from “the simplest social form in which the product of labour presents itself in contemporary society, and this is the ‘commodity’” (Marx, 1881). The commodity is *universal* in the sense that it encompasses all the products of labour which can be passed to another to meet the other’s needs; it is characteristic of bourgeois society – bourgeois society is essentially a market place. And this is still the case to this day (even if it is *measured* by money and if even working class people pay their bills from their bank accounts using their phones). The commodity relation is abstract in the sense that it is taken *in abstraction from* the multifarious shapes in which commodities appear, and the multifarious conditions which are presupposed by the ubiquity of commodities, but it is as concrete as any socially-constructed thing could be. But it is not abstract in the sense which we can say of “value.” Value is not given in perception; it is a social property of an artefact, meaningful only within a specific theory or form of society (not including, as it happens, *economic science for most of the 20th century*). “Commodity” is a concept shared alike by everyday bourgeois consciousness as well as all theories of economics. It is a secure starting point for a science, rooted in the natural consciousness of the practice it reflects.

There is *some* sense in starting the enquiry from the bifurcation. After all, commodities existed for millennia without the development of industrial capitalism, which began (in Britain) only after the Enclosures created a class of labourers without access to means of production which could be exploited by industrial capitalists. But the Enclosures themselves presupposed conditions in which a landed aristocracy was dominant. The point is that industrial capital *regenerates* the relative bifurcation on which it continues to rest. Bifurcation is not a “self-related simple something” as Hegel says. It is an abstract *system-attribute*.

Commodities, like capital, existed even in feudal societies, but it was marginal. It was trade in commodities which opened the door to capital, eroded traditional relations and was the principal reality which *brought about* the (relative) bifurcation of society. Commodities were both logically and

historically prior to the bifurcation of society which is taken by Reuten as the starting point. Capitalist society could not develop on the basis of commodity exchange alone, but required a propertyless class of labourers and a class who owned capital. That came later, both logically and historically.

By beginning with the commodity, Marx began with a simple, easily understood fact. All the books of Hegel's *Encyclopaedia* begin from a "germ cell" (*der Keim*) like this: in Hegel's Physics he does not begin from Space (the subject matter of the first section of the Philosophy of Nature), but from the point, and in turn the line, the surface and the volume, all simple forms of space.

The fact that the dissociation, and all the other features which figure in Reuten's reconstruction are found in all the OECD countries is far from proving that these features are *necessary* and not contingent with respect to capital accumulation. A logical and historical investigation would be necessary to prove this. These nations share a long history throughout which they have acted upon one another; all the present-day OECD countries have developed under the sway of the World Bank, IMF, United Nations and the USA as the dominant capitalist power, in the arrangements established in the wake of World War Two. Reuten says however that he is "not concerned with the possible economic impact of one country on another" (2019, p. 328). In reality, none could choose an independent road, nothing was spontaneous. Any reconstruction which represents each moment as it is *actually found* is of interest, but it does not necessarily provide a comprehension. For example, China cannot simply be dismissed as "underdeveloped" or in some way defective. It is an *alternative* to what is found in the OECD countries, and in a sense the most modern, having developed only in the past couple of decades. These countries do not *have to be* as they are. They have been *made* that way.

That Reuten began from an abstract-general system attribute rather than a simple universal individual does not prove that Reuten's representation of capitalism is wrong. In fact, Reuten builds a masterful representation of the capitalist economy and state in this book and identifies crucial problems at the current moment in its development. But as Hegel says, the point of a dialectical synthesis is to provide a "cognition that is a comprehension" (Hegel, 1816, p. 801), and by making his *beginning* from a bare-bones capitalist system, and then finding that all the existing institutions are necessary, Reuten fails to provide that. It was assumed at the outset. What the system *needed* to survive is not the same as what it essentially is.

For me, it is more the point to understand how a society came to be divided between owners of enterprises on one hand, and free, propertyless labourers, on the other, and whether and how it can be otherwise once this has become the case. Marx identified that commodities created the conditions for the development of capitalism, which had emerged historically and become ubiquitous *despite* the efforts of feudal states to suppress them. Marx did not take a bifurcated class society as the logical or historical precondition for commodity production, but on the contrary showed how such a rupture occurs given a *foundation created by commodities*, subject to some other conditions.

## 2. Functionalism

Reuten does not speculate at all about a form of society in which bifurcation is not evident. That is a matter for the historian or the novelist. He shows that bifurcation exists (essentially; of course bifurcation is nowhere complete even now and as a matter of fact, things are not even tending in that direction) and claims to have shown that all the necessary features found in modern capitalist states can be so arranged, beginning with the bifurcation, that each additional feature introduced makes the existence of otherwise untenable features already posited *explicable* and sustainable.

Bifurcation exists. How is the continuity of human life possible then? Only because there is commodities and money. Therefore commodities and money are necessary. Where does this money come from? Banks. And so on.

Historically, commodities and money existed before the bifurcation, so the historical order is here the opposite of the “logical” order of presentation. But under what conditions do we expect the logical and historical sequences to be opposite to one another, how do we determine what the historical sequence is, and under what conditions do the sequences coincide?

### ***Two phases of reconstruction***

Reuten’s systematic dialectic has two phases. Chapters 1 to 3 deal with the “conditions of existence” of the capitalist economy, setting out the fundamental institutions which make the accumulation of capital *possible*, and Chapters 4 and 5 deal with self-conscious *state responses* to “manifestations of capitalist accumulation” which arise from market interaction. My criticism here is directed at the first phase: “conditions of existence,” as the situation is far less clear in Chapters 4 and 5.

Here is the procedure: Reuten identifies a contradiction (a defect or impediment to the continuity of social life, an impossible situation) and then identifies the “grounds” (the conditions which the continuation of human life possible *despite* the existence of the contradiction) such that the defect is sublated (cured, overcome, transcended, but not obliterated). This condition in turn invariably reveals further contradictions which *must have been* sublated were social life to continue, and indeed *do* exist. Each step “proves” that the given existing formation exists in order to overcome a defect which would otherwise have been present. This is the basic structure of the systematic dialectic as Reuten sees it. It is an avowedly logical presentation, not an historical review. Food exists so that people can eat.

It seems to me that it is this sequence from “contradiction” to “ground,” in turn uncovering a new and deeper contradiction might be the basis for Reuten claiming (as he does) that his systematic dialectic builds on the logic of Hegel’s Essence Logic (*Shorter Logic*, §112 to §122). In A§10-a (p. 614-615), including footnote 16, Reuten claims in fact that the second part of his book (which I have not come to yet), “would be a further development of Hegel’s ‘actuality’” (i.e. *Shorter Logic*, §142 to §159, also part of the Essence Logic). And indeed there is some merit in this claim with respect to the *latter* part of the book (which I will come to later). Reuten cites the support of Tony Smith in the claim that it is Hegel’s Logic of Essence which provides the “model” for his dialectical

reconstruction, who in turn cites Arash Abazari for proving it. Both insist that the dialectical reconstruction is irrelevant to the Concept Logic (the outcome of the Essence Logic). There is no reference to the Logic of Being in Reuten's book (though others, such as Chris Arthur (2015), establish a strong likeness to that section of the *Logic*). So, I will proceed on the basis that Reuten sees the first part of his book as building on Hegel's Logic of Essence, in particular, the earlier section ("Essence as the Ground of Existence") as the basis for what Reuten calls the presentation of the "conditions of existence" of the capitalist economy and state.

### ***Hegel's Logic of Essence***

The movement Reuten has alluded to is indeed, the Essence Logic, a movement of cognition. The Essence Logic (*Shorter Logic* §112 to §159) begins from the moment of identity and culminates in the infinite regress seen in the latter moments of Actuality (See *Shorter Logic* §150 to §159), and Ground is one moment in this process (*Shorter Logic* §121) which, like all the moments of the Essence Logic, *falls short* of the "*causa finalis*," the Concept (*Shorter Logic* §160-§244).<sup>2</sup>

Hegel's *Logic* is the logic of a cognitive process, a process of *enquiry*. Although it can be read to reference the thinking process of an individual investigator, its *objective* basis is that *social processes are themselves practical critiques of existing activity*. "Thought" for Hegel is human activity (a.k.a., social practice) not an internal mental process, and activity is a process of self-change and self-comprehension, an objective process which an individual thinker is able to observe and mentally reconstruct, but alas only rarely anticipate. Essence is the logic which responds to the question: what is the essential problem here? but when it eventually discloses that "essence," the *concept*, the Concept Logic takes over, a logic of development from abstract to concrete, the unity of Being and Essence, the conceptual reconstruction of what is.

In particular, the Logic of Essence is that phase of cognition which begins from a qualitative/quantitative knowledge of a situation apprehended under existing beliefs and commitments (The Logic of Being, §§86-111); (the Essence Logic, §112 to §159) seeks a theoretical explanation of the situation, until a new concept emerges which captures in a nut-shell (the Concept Logic §160-§244) and concretises that concept. The Essence Logic is manifested for instance in the history of the sciences, social movements, practical critiques of existing conditions, as well as spontaneous social processes such as the development of aspects of bourgeois society. The Essence Logic is the logic of the development of specific practices (or theories) and there is a sense in which the history of a single form of practice (or ideology), once it comes into existence, abstracted from the impact of other processes, follows the sequence whose concepts are exhibited in the Essence Logic, until it reaches the form in which it can be institutionalised in a new Concept.

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<sup>2</sup> Hegel does not use the word "essence" for any of the moments of this process; "Essence" refers to the *whole process*. The final outcome, the moment which most corresponds to the intuitive idea of "essence," is the Concept – the next division of *Logic* and the outcome of Essence.

Once a form of practice “breaks through” into the existing formation, every part of that existing formation is *transformed*, and is itself successively transformed by successive such “critiques.” This is exhibited in the Concept Logic. It is *here* that the *historical first* becomes the *logical last*. However, for Hegel and Marx, the most recent, dominant concept (e.g. industrial capital) is first grasped as a universal individual, not as an abstract general feature, far less as a systemic whole or system. It *becomes* a system only at the very end of the story.

The movement of the Logic of the Concept which follows is one of the movement from the simple-abstract to the systematic, concrete whole. The second phase of Reuten’s reconstruction is relevant to capital once it has established its own state which responds to *other* processes as they arise and accommodates them.

“The history of a science is a part of the science itself,” said Goethe (1988, p. 161) correctly, but mainly so as to give advance explanation for the selection of the starting point of the logical exposition of the science. *Pace* Goethe, the history of a science is not generally included in the logical exposition of the science. Marx’s copious manuscripts on the history of Political Economy, should they ever be written up in a systematic logical way, might reflect the Logic of Essence, but *Capital* begins from the *outcome* of that history – with the simplest, discrete social form of value, the commodity, not with properties of the capitalist system as a whole.

In the *Philosophy of Right* (1821), Hegel refers the reader to the *Logic* for the method, and begins with private property, in his terms, “abstract right” – individuals with the right to private property – not with a system of constitutional monarchy or with the Crown, not with an abstract system characteristic. Hegel began with private property, Marx began with exchange of property. The historical first, but not the first dominant relation – the relation which existed all along and only became dominant at the end.

### ***Essence, diagnosis and remedy***

So the difficulty we face in assessing Reuten’s claim to follow Hegel’s Essence Logic, is this. It proceeds through the successive remedy of an initially simple but flawed arrangement, becoming more and more complicated, generating further contradictions awaiting sublation – “too big to fail” banks, escalating and impossible demands for regulation, the climate crisis, and this is infinite regression is indeed *appropriate*. The Essence Logic begins on the basis of a completed quantitative/qualitative analysis of Being (an “economic almanac” of the OECD nations) and concludes with mounting contradictions, infinite regressions and possibilities to be realised. There clearly are *echoes* of the Logic of Essence in Reuten’s exposition of his dialectical reconstruction. But according to Hegel, the Logic of Essence is not a systematic dialectical representation of a science but of the logical *genesis* of its essential principle.

Thus the *dialectical movement* of *substance* through causality and reciprocity [the final moments of Essence] is the immediate *genesis* of the *Concept*, the exposition of the process of its *becoming*. But the significance of its becoming, as of every becoming is that it is the reflection of the transient into its *ground* and that the at first

apparent *other* into which the former has passed constitutes its *truth*. Accordingly the Concept is the *truth* of substance.

(Hegel, 1816, §1281)

Reuten, starting from an absolutely bifurcated society, does not present a genesis, logical or historical, of either political economy or capitalism itself, at least, not in the first three pairs of chapters. “Genesis” implies growth, or self-development. Reuten “assembles” the system from outside so to speak.

And yet, Reuten’s exposition both *resembles* the Essence Logic *and appears* to be a reconstruction of the concrete whole (a Concept Logic). How is this possible?

I grant two of Reuten’s claims. (1) His exposition *resembles* the structure of Hegel’s Essence Logic, particularly the Logic of Reflection from contradiction to Ground (*Shorter Logic* §112 to §122), and in its overall trajectory: beginning from analysis of a fundamental contradiction and concluding with a contradiction-ridden structure marked by infinite regression; (2) His exposition is a good representation of the object, capitalism as it is manifested in modern OECD countries and it contains elements which are clearly a comprehension; (3) In the course of his exposition he identifies important contradictions – unresolved problems threatening the continuity of social life. But when he comes to these “interesting bits,” he departs from his strictly synchronic method by *historically* reflecting on these tendencies. Which he must, because they are as yet unsublated contradictions. Most of the insights in the latter part of his exposition result from diachronic, not a logical investigation. He doesn’t know what new institution will step into the breach, if any. Capitalism might indeed collapse.

The question is: *is this a cognition which is a comprehension?* I say it isn’t, (1) because the starting point is already an *abstract-general* concept of the whole as a system, as a capitalist system; it is already something *which needs explaining* and that explanation never comes; (2) because the form of movement is actually the *mirror* (i.e., inverted) *image* of the Essence Logic.

ad (1). Bifurcation is a systemic feature which is taken at the outset as a self-related fact (just as Marx took the ubiquity of wealth in commodities as a self-related fact), and Reuten has arranged all the given features of the object in order such that each feature performs a function *without which the feature just described would be inexplicable*. This is not a comprehension, it is **Functionalism**, a pseudo-rationalisation. It could just as well be claimed that the condition of existence of bifurcation is the possession of an entrepreneurial spirit or a capacity for delayed gratification or inheritance of capital or ‘social capital’. Any given fact has many grounds (Hegel, 1831, §121, note). One ground should not be arbitrarily selected so as to prove what one wants to prove. There has to be self-evident premises and an essential logic to it. Many different grounds have been proffered for bifurcation in the history of political economy. Marx found the ultimate ground in the concept of bourgeois society, value, and *derived* the concentration of wealth in the hands of the bourgeoisie from that.



### *A metaphor*

Owing to the difficulty of explaining Hegel's Essence Logic and the fact that few people are really familiar with this book, which Hegel called "the most difficult branch of the Logic" (1831, §114), I will resort to a metaphor.

Like most of the concepts of the Essence Logic, "Ground" is an ambiguous term. The ground of a doctor claiming that a patient has hypertension may be a simple blood pressure measurement using an inflatable cuff, and a doctor can prescribe a beta blocker. But the ground of the patient's hypertension may rather be the patient's diet, and the doctor may refer the patient to a dietician. Already we can see two opposite paths of enquiry and treatment.

In either case, if revelation of the ground fails to produce a solution to the problem, the same method may be repeated. Along one route a series of pills and procedures could keep the patient alive, along the other route, the root cause may be found to be economic inequality and poor public health education and ultimately, capitalism. In the latter case, which follows the logic of Hegel's Doctrine of Essence, the doctor would *then begin* a treatment program based on an understanding that the patient's illness was primarily a result of their social position in a capitalist society. Exactly how he would proceed would depend on many other aspects of the patient's situation. Here the doctor would be realising Hegel's Concept Logic. In the former case there is no transition to a remedy, no Concept Logic, but merely a succession of cures based on diagnoses of the current condition that may drive the patient deeper and deeper into ill-health while keeping them alive. That is the path of Functionalism.

Both types of logic lead to some kind of understanding of the object and some kind of corrective action. Both set off from some feature of the object, potentially the same feature. The second line of enquiry leads to a cure of sorts; the first line of enquiry leads to a concept of the root condition underlying the observed feature, and which can inform an effective treatment program. Only the first constitutes a *comprehension*.

### *The Place of Essence in Systematic Dialectic*

Hegel and Marx did use "Essence-like" Logic in their analysis of the structure of modern society, inasmuch as the logic paralleled historical development, but only in a *subordinate* way. (By "Essence-like," I mean transitions in which each new form incorporates the content of the preceding concept, displacing it, but not abolishing it). The overall structure is that of Concept Logic, a systematic reconstruction of a concrete concept "rising from the abstract to the concrete." For example, in the *Philosophy of Right* section on Contract (§§72-81), Hegel demonstrates the *genesis* of Contract from Gift using an Essence-like Logic. But the transition from Abstract Right to Morality is of a wholly different character because morality has independent roots relative to abstract right, and likewise the logic of the transition from Family to Civil Society or from Civil Society to the State – each have separate roots (For example, the Norman kings of England had no role in civil society in the land they conquered, and the two existed side by side for several centuries). There is a difference between the autonomous unfolding of an institution according to its own logic (e.g. Contract) in a given context, on one hand, and on the other hand, the concrete development of an institution as it comes under critique from *other* practices

having their own independent roots, such as the impact of the State on civil society, which must draw on the Concept Logic.

In the above I say “Essence-like Logic” rather than “Essence Logic” because the logic which arises from critique of the concept and practice of Gift cannot be the same as the logic which arises from critique of the concept of Identity. Contract has external, social content, Essence does not. But the Essence Logic is the archetype of such critiques.

### ***Theory and Social Practice***

Reuten’s cognitive process begins with an abstract-general feature of the system in which life would actually be impossible (the bifurcation) and selects a feature (commodities and money) thanks to which social life nonetheless could continue. Reuten is modelling the capitalist society as successive remedies to remedies to bifurcation. This resembles the point of view of an “Architect” of capitalism. But (at least in the first three chapters) the “remedy” (commodities) historically preceded the “disease” (bifurcation). The “movement” is entirely in the head of the writer. It does not correspond to any social-historical process at all. If anything, it reflects the point of view of the *capitalist state* applying remedies to crises, not that of the scientist or the socialist revolutionary.

Commodities are *not* a practical critique of a bifurcated society as is proposed, but in fact prove to be a practical critique of an *unbifurcated* society, drawing it *towards* bifurcation. For Reuten, commodities are a *theoretical* response to an *unviable conception* of a society, rather than a conception of an increasingly *unviable society*. The movement from bifurcation to commodities is a purely theoretical move which set off from a mental characterisation of the system, and one which is by no means immediately given, but rather is abstracted from a *relatively* bifurcated society and *deemed* to be essential. It is only a relative truth, and is selected from the concrete conception of the object arbitrarily *so as to* provide a basis for “deducing” commodities and money. “Bifurcation” is an extreme, abstract characterisation of a system which has *already* been determined as a capitalist economy (all means of production are privately owned, the labourers have nothing to sell but their labour capacity). It presumes what is to be proved, and in fact what may never come about, as all really-existing capitalist states are only partially bifurcated. It is an unviable theoretical construct not an immediately given fact (as was the starting point of *Capital*). And facts are surely the starting point of *all science* and *all* social action.

The term “abstract general” is not a term which Hegel uses in his Logic. Reuten takes it to mean a concept of the object (an OECD economy) which “abstractly captures the totality of the capitalist economy.” But characterising a totality is no simple matter. Hegel, for example, derived his starting point for understanding bourgeois society, private property, from the Subjective Logic (his study of the human psyche), which preceded the *Philosophy of Right* in his system.

Now, admittedly, the above observation seems picky. Surely propertyless labourers, capitalists and a state enforcing bourgeois right exist, and how could capitalism exist otherwise? The point is that all the other institutions “derived” in this book have the same status: such-and-such an institution exists, therefore

such and such problems must arise and indeed have arisen, and these problems had to be overcome by such and such novel institution and have been so overcome. So, given that you have “free labour” and private ownership of the means of production, then this institution is serving such and such a function. Every institution is shown to have a specific *function* in facilitating capital accumulation by maintaining conditions for capitalist accumulation. This function does not make its existence comprehensible.

For example, Chapter 7 claims to prove that the exercise of law *requires* taxation. But this is not necessarily true. Post World War Two Britain made extensive inroads into the market economy which provided plenty of opportunity to generate government income without imposing taxation and without generating the need for legitimation which taxation creates, but it would have had to violate the postulate of bifurcation. State-owned industry is not a modern, exceptional invention, but has an ancient lineage. Likewise, many petro-states fund state activity with oil revenue, as does Norway, which uses taxation mainly for income redistribution. And in no way do these measures *impose* on private enterprises. So we know the *function* of taxation, but this by no means proves the *necessity* of taxation or tells us about the *conditions* under which taxation is appropriate and sustainable or by what *motivation* of which *actors* do we have taxation.

And it is not as if the 30-odd OECD countries are independent natural experiments which have all produced substantially the same results. The histories of these nations are all deeply intertwined and the post-World War Two Bretton Woods arrangements *imposed* common features on to all European countries. An ‘isolationist’ USA in 1945 would surely have led to a different Europe and there is nothing in the Functionalist reconstruction of the status quo which could prove otherwise.

At the starting point of his exposition, Reuten:

sets out condensed-abstractly how the capitalist economy appears in empirical reality. However, the starting point does not reveal *how* it can have ‘existence in’ concretely interconnected relations between these households and enterprises.”

(2019, pp. 34-35)

It merely sets a problem, so to speak, which has yet to be provided with a solution. This is how Reuten sees the systematic dialectical reconstruction proceeding. Labour capacity and the means of labour are the property of two distinct classes. How is life possible in such a system? The solution in fact adopted by the OECD countries is not necessarily the only solution possible.

The commodity is a really existent relation and it does *not* presuppose bifurcation or capital. Bifurcation is a final result of considerable development. By taking bifurcation as the presupposition, Reuten is *describing* existing capitalist societies in such a manner that he can claim at each moment it is all *necessary*. For socialists, the implication is that if you are to transcend capitalism, then you must abolish the bifurcation of society into households owning only labour capacity and private owners of enterprises, but that could have been said without writing the book; it’s essentially a truism.

Reuten points out that Marx’s beginning (“The wealth of those societies ...”) “on the one hand, refers to everyday perception,” but on the other hand is the

“abstract perception” of the *resolution* of this initial bifurcation, i.e., the formation of markets to mediate between producers and consumers. He observes that: “If so conceived, Marx’s starting point may not be fundamentally different from the current one” (2019, p. 39). Marx’s starting point, wealth in commodities, is more consistent with Proudhon’s imagined society of independent producers; Marx introduced capitalist employers only in Part 2 of Volume 1, and exchange of commodities between enterprises only comes in Volume 3. It is not essentially the same at all.

In England, centuries passed from when commodity production first emerged in late mediaeval times and the misnamed Glorious Revolution in 1688 created a constitutional monarchy suited to bourgeois rule, and still more centuries passed before “full-blown” capitalism was achieved in England. This suggests that a lot of work was required to produce the preconditions for bifurcation and “full-blown” capitalism. At the very beginning of commodity production in England, a monthly court had to be convened to certify a purchase (Loyn, 1984)! A bourgeoisie had to be created – a class of people who trusted each other in the buying and selling of commodities, and were able to accumulate capital, supervise labour, and adapt to market demand. And the bourgeoisie also had to withstand interference by the landed aristocracy, notwithstanding the nobility’s armies and landed wealth.

Most of the work of creating the conditions for full-blown capitalism was to create the proletariat by separating the workers from the means of production that they needed to live. The Enclosures was crucial in creating a proletariat in England and this was achieved by wholesale *theft*. For several centuries after the Norman Conquest, the state did not intervene in civil society at all, but I grant that the creation and maintenance of a proletariat presupposes the existence of a state of some kind, so maybe a capitalist state supervising civil society could be logically deduced from the existence of a bourgeoisie and a proletariat, but the Enclosures were carried out in defiance of the state at the time.

In summary, Reuten’s Functionalist exposition of the capitalist economy and state is a *rationalisation*, not a comprehension. It expresses the practice of those who govern capitalism, but it does help those who seek to comprehend it and seek to overthrow it.

### 3. The Logical and Historical Sequence of categories.

The Structuralists and Functionalists, Reuten, and many Marxists claim that to understand any social phenomenon it must be analysed “synchronically,” while “diachronic,” i.e., historical analysis, can contribute nothing to that synchronic analysis. Now it is true that structural analysis of the existing state of affairs here and now before our eyes is the most important insight, but this by no means proves that historical analysis has no role to play in understanding a social formation. The current arrangements for international trade and finance make no sense, for example, unless you happen to know that alongside the USSR, the USA was the supreme power in 1945 and the People’s Republic of China did not even exist and most of the world had been colonies of one of the Allied powers.

Marx famously explained in the *Grundrisse* how the reconstruction of the complex whole always begins from “the simplest determinations” such as “such

as labour, division of labour, need, exchange value. ..." whether in Marx's own work or in that of the earlier political economists.

[The concrete] appears in the process of thinking, therefore, as a process of concentration, as a result, not as a point of departure, even though it is the point of departure in reality and hence also the point of departure for observation. ...

the method of rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in the mind. But this is by no means the process by which the concrete itself comes into being. ...

(Marx, 1973/1858, p. 101)

Marx then reflects on the sequence in which the categories come into existence historically, as compared to the sequence in which they are taken up in the logical presentation:

"do not the simpler categories also have an independent historical or natural existence pre-dating the more concrete ones? **That depends.** Hegel, for example, correctly begins the *Philosophy of Right* with possession, this being the subject's simplest juridical relation. But there is no possession preceding the family or master-servant relations, which are far more concrete relations. ... the simple categories are the expressions of relations within which the less developed concrete may have already realised itself before having posited the more many-sided connection or relation which is mentally expressed in the more concrete category; while the more developed concrete preserves the same category as a subordinate relation. ... the simpler category can express the dominant relations of a less developed whole, or else those subordinate relations of a more developed whole which already had a historic existence before this whole developed in the direction expressed by a more concrete category. To that extent **the path of abstract thought, rising from the simple to the combined, would correspond to the real historical process.**

(Marx, 1973/1858, p. 100, 102, my bold)

So the logical development from simple relations may correspond to the historical sequence, or not. It depends. As the concrete, the entire social formation, develops either the simple relation develops as an expression of the more developed ones or it is incorporated and subordinated within a more concrete relation.

But the same does not necessarily apply to more concrete relations, in particular entire sectors of the economy and *which* sector of an economy will "determine the relations of all other branches as well ... as though light of a particular hue were cast upon everything, tingeing all other colours and modifying their specific features." (Marx, 1859)

... where agriculture predominates, as in antiquity and the feudal period, even industry, its organisation and the forms of property corresponding thereto, have more or less the character of landed

property. ... The *reverse* is the case in bourgeois society. Agriculture to an increasing extent becomes merely a branch of industry and is completely dominated by capital. ... Capital is the economic power that dominates everything in bourgeois society. It must form both the point of departure and the conclusion, and must be analysed before landed property. After each has been considered separately, their interconnection must be examined.

(Marx, 1973/1858, p. 44)

(As it turned out, Marx did not make capital the point of departure, he started from the simplest social form of value, the commodity, but he did make analysis of capital logically prior to the analysis of rent, etc.)

When such *concrete institutions* come to be analysed in the context of a more developed social formation, the logical order of the categories is the *reverse* of their sequence in prior history:

“It would therefore be inexpedient and wrong to present the economic categories successively in the order in which they played the determining role in history. Their order of succession is determined rather by their mutual relation in modern bourgeois society, and this is quite the **reverse** of what appears to be their natural relation or corresponds to the sequence of historical development. The point at issue is not the place the economic relations took relative to each other in the succession of various forms of society in the course of history, ... Rather, their order within modern bourgeois society.

(Marx, 1973/1858, p. 107-108)

The sequence of the subject matter in history, on one hand, and in a logical presentation on the other, may be from the least to the most developed or from the most developed to the least, according to the writer's intent in taking up a specific category. *It depends*.

Much like Hegel's treatment of Gift and Contract in the *Philosophy of Right*, in §3 of Chapter 1 of *Capital*, Marx takes up the various concepts of money in historical sequence using Essence-like Logic, in order to demonstrate the essential nature and multiple roles played by money in pre-capitalist societies and finally, in a capitalist economy. The form of money continues to develop within the subsequent development of capitalism. I will return to this specific question later in respect to the appropriate conception of money for a dialectical reconstruction of capitalism.

The importance of these reflections is seen when we come to determine the starting point for a dialectical reconstruction of the capitalist economy. We have seen above that we must begin from a “simple relation,” rather than from an abstract characterisation of an entire system, but that there are many relations which could be selected as the “ground.” It is the history of political economy and the history of the *theories* of political economy which provides the resources from which a choice of the starting point can be made. All economic *systems*, including those of Marx's predecessors, begin from simple relations. The problem is: *which* of these simple relations “such as labour, division of labour, need, exchange value” (*op. cit.*, p. 100) truly corresponds to the essential nature

of the whole, and in what *sequence* should other simple relations be introduced to modify it. The political economists whose work Marx criticised generally started from the Trinity: land, interest and profit. The first problem that the dialectical reconstruction faces is the choice of this simple relation from which to begin the logical exposition of the whole. In the course of this exposition, the sequence of categories may follow the historical sequence in which the relation was dominant, or may be the reverse of that order. Hegel, for example, saw the state as an organism, each organ of which had had its own history separately from the state before being subordinated and transformed into organ of the state (*Philosophy of Right*, §269); consequently, the nature of those various organs of the state depended upon the character of the state and would be different in different historical eras when they might even have functioned as independent institutions altogether separately from the state. For example, after the Norman Conquest, civil society in England continued quite independently of the state, but was gradually subordinated by the state over the succeeding couple of centuries.

In short, the sequence of categories in the dialectical reconstruction of a social formation depends on conclusions which can only be drawn from a study of the *history* of political economy, principally seen through the eyes of its theorists, the political economists, *and* a study of the history of economic life, but “to develop the laws of bourgeois economy, it is not necessary to write the real history of the relations of production” (*Grundrisse*, p. 460), merely in outline.

In any case, it is simply impossible to perceive something as complex as the political economy of a country without recourse to historical documents and theories which are the products of historical processes. Impossible. The sequence in which concepts are introduced into a conceptual reconstruction may correspond to the historical order of their appearance or not. It depends.

#### 4. The State as an epiphenomenon of the economy

On p. 307, Reuten correctly points to the fact that the feudal state in England “collaborated” with the bourgeoisie, having been obliged to chiefly because of the exigencies of war against other states, making it possible for capitalism to develop even whilst the feudal state remained in place. As a result, the pre-existing feudal state was gradually *transformed into* a state serving the interests of mercantile capitalism. These developments took place in a Europe in which states were perpetually at war with one another. My point being that there is more to the state than the demands of bourgeois economy.

A remarkable feature of Reuten’s book is that it claims to derive both the capitalist state and the capitalist economy *as a unity*, rather than, as Marx had done, first abstracting economic activity from the state, family, science, religion, etc., and dealing only with the tendencies inherent in the economy. Marx never found the opportunity to write his theory of the state. The closest he came was in his journalism in which he developed his theory of Bonapartism and Imperialism (See Spencer, 2023), both of which were a far cry of the conception of a state as simply an instrument for clearing the way for capital accumulation, which he had described in 1843.

Reuten’s argument seems plausible. For example, the bifurcation requires that a person has a right to own parts of the natural world (mainly land) as their

private property and that a person has the right to appropriate the product of the labour of another in its entirety if that other uses means of production which they own. These practices emerged historically in a context in which they were novel, and consequently may have been objected to by those who missed out under such arrangements. Presumably factory owners had guards and supervisors just as landowners had game-keepers. However, it is clear that, for the accumulation of capital to continue and be secure, the *state* must enforce these rights claims as law.

Reuten says: “to the extent that the state grants *these* (bourgeois) rights in particular, it is identified as a ‘capitalist state’, which constitutes a unity with the capitalist economy” (2019, p. 6).

Generally speaking, these needs arise from bourgeois economic activity; the state serves these needs. But the state has *separate roots*, as I have indicated, and the development of the state also has *its own* logic. For example, as Reuten highlights, taxation to fund the state’s interventions requires an imposition upon the rights of capital. Consequently, the state faces the need for legitimation, and duly engages in all sorts of activity which help win consent to their right to extract taxes from everyone. *The capitalist state is the intersection of two separate lines of development.* The state has to be understood by first abstracting it from the economy and examining it in its own right. It is a fundamental mistake to derive them both from the same origin in the bifurcation.

In the context of the Functionalist exposition Reuten makes abundant sense, of course. After all, once the capture of the state by the bourgeoisie has been completed then we have ministers, civil servants and lobbyists who *self-consciously* diagnose the needs of capital accumulation and take legislative and administrative action to remedy any problems. Self-conscious strategic management of a process is not the same as immanent tendencies in the spontaneous development of that process; rather it is a reaction to it.

But much about present day capitalist reality makes no sense by these lights. For example, it is only in Chapter 11 that the fact of the state being one among many states appears in the analysis. This draws attention to the fact that the state – not a capitalist state, but a state of some kind – long pre-existed bourgeois society, and had reason to exist. The state, generally speaking, was the work of nobles who sought a monopoly over exploitation of certain people and resources, generally but not exclusively in some geographical domain, and was specifically motivated by rival nobilities (or tribal peoples) seeking to deprive them of that monopoly. In other words, before the state became a capitalist state it was already a national state as against other nation-states, and *remains so*. States are not merely trading partners.

Here is the problem of theorising the unity of two institutions which have separate roots by this Functionalist approach. Reuten points to the demand of the capitalists for certain services to be delivered by the state and their resistance to the state imposing on their free market activity in so doing. What in fact happens, is that a state which the bourgeoisie first encountered as a protagonist with which it had to plead and bribe to get its needs met, and ultimately *captured*, a state which had already made its relationship with its citizenry on the basis of historically *earlier* relationships, and had to be



moulded to its will by the capitalists under conditions where a multiplicity of classes *compete for hegemony in the state*. Why bother with a Socialist Party otherwise?

Insofar as the state has been captured, and is compliant to the needs of capital accumulation and is well-advised, then we have a *class-subject*. In the extreme conception, the capitalist state is that self-conscious class-subject. But in actuality this is never quite the case. Government and even the state itself is ever the subject of contest by competing classes in capitalist nation states. And as a capitalist state it is, as the saying goes, holding a tiger by the tail.

Here is where the attempt to make the dialectical reconstruction by “building upon” Hegel’s Doctrine of Essence is so wildly misconceived. The Subjective Logic (i.e., the Concept Logic) is the appropriate logic for dealing with the process where a subject develops while being continuously challenged by other subjects (institutions, practices), and entering into a process in which the various competing concepts in some way and to some degree *merge* with and accommodate one another. It seems to me impossible to develop a practical and realistic theory of the state on the flat, dogmatic assertion that it is a *capitalist* state. It is always necessary and wise to recognise the multiplicity of interests which are at play in the political sphere. Long gone now are the days when only property-owners voted and only the children of the wealthy held high office in the state. The state is *also* an *arena of class struggle*. To paint the state as an out-growth or even epiphenomenon of the process of capital accumulation is to disarm those who would seek another kind of state.

That said, I do not deny that Reuten’s exposition of the various functions of the state, insofar as it is a capitalist state, are very helpful, well-informed and insightful. Producing a book which analytically separates tendencies which are immanent in the economy from phenomena which derive from the actions of a state is also immensely helpful in developing a theory of capitalism, whether it corresponds to a genuine dialectical reconstruction or not. The whole book in fact remains a treasure trove of insights into the working of modern capitalist nation states.

My disagreement lies mainly in the section on the “conditions of existence” of a capitalist state and Reuten’s claims in relation to Marx and Hegel.

#### 5. Households “create” rather than produce labor-capacity?

It is evidently important for Reuten that:

The form of labour as the distinctive activity of production implies for workers that ‘non-labour’ takes the form of *revitalisation and recreation* at the site of households.

(2019, p. 34)

Reuten explains that Nature, the banks and the working class provide the necessary ingredients for enterprises to produce surplus. “A bank, for example, issues money that it creates ‘ex nihilo’” (2019, p. 103). Enterprises are prepared to pay for these ingredients, if they must, so long as each factor can be purchased at a price equal to or less than its utility in producing surplus utility under the prevailing conditions. Nature is in principle free, because it doesn’t

belong to anyone else; banks demand a share of the profits, but only the employment of labour capacity creates new, surplus value.

Reuten has his own way of explaining the origin of the capacity of workers to produce more than they need to just reproduce the capacity to work again the next day, while enjoying a standard of living which has been established as normal for their class.

But the key point is that whilst labour-capacity is grasped by the monetary-value dimension (the wage), it is not ‘produced’ within the capitalist sphere of production as a commodity. Rather, it is *created* within the sphere of households. The price of labour-capacity (i.e. the wage) does not represent previous value-added and it has *nothing to do with the ‘price of production’ of labour-capacity*.

(2019, p. 68, my italics).

His difference with “conventional Marxist Theory” being:

The thesis that the price of the capacity to labour (i.e. the wage) has *nothing to do with the ‘price of production’ of labour-capacity*, and that these terms are indeed incompatible, appears very un-marxian.

(2019, p. 75, my italics)

Indeed. And further:

“value-added is in [no] way proportional to labour-time.”

(2019, p. 75)

A footnote further explains:

Labour-capacity is *created* in the private sphere of the household; what is involved is the activity of procreation – it is *not produced with a view to sale*. It is created within the household sphere, and used (exerted labour) in enterprises; (final) commodities are produced within enterprises and used within households. ... children are not produced for sale and hence do not have an actual price of production.

(2019, my italics)

No one suggests that children are born for sale (i.e., as slaves – an elision to which Reuten repeatedly resorts, obfuscating the distinction between selling a person and hiring out their labour capacity), but to suggest that parents in a capitalist society procreate without having in mind that their children will *work*, have a career or profession and support themselves (by means of wage labour in the case of *working class* families) and their parents in their dotage, is *bizarre*. Where has Reuten been? Parents work hard to equip their children with the means of living. I have never in my life met a parent entirely indifferent to the capacity of their children to earn a living and contribute to their parents in some way upon reaching adulthood. And it was always so.

Reuten accepts that, as part of the legitimization of the state, the state must ensure that every citizen is able to live “decently” (2019, p. 364). But what

underlies this is a many-generation-long *struggle by the workers' movement* to define and redefine what is meant by “decently.”

And to suggest that raising children does not have a cost! Self-evidently, households are no longer mere *consumers* of products (out-sourcing many caring services to the market), but *producers* of labour capacity and they need products to do so and have fought down the centuries to establish a standard of living congruent with the raising of children who will enjoy a life equal to or better than their own. This has gone on since mediaeval tradesmen apprenticed their sons into the trade to present-day immigrants who sacrifice everything so that their first born gets an education and goes on to become a doctor, etc., etc.

It is interesting to compare this, what is to me, odd position, which Reuten has taken with his observation that civil servants *do* produce surplus value (2019, p. 390). This value is distributed however to the benefit of all citizens in the course of the state's activity. Isn't something similar happening in the domestic sphere? Domestic labour also produces a surplus product. Not surplus value, but a surplus product nonetheless. And this surplus product is not distributed; rather it is consumed by families in their enjoyment of a “decent” standard of living.

Granted it is not as simple as that. “Value” pertains only to products with use-value, i.e., usefulness which can be transferred to others, and only appears at the moment of sale. Wealth is not yet value. So it must be true that within Marx's terminology domestic labour does not have value even though it obviously is a form of wealth creation. And one could argue about whether the concept of “labour” in Marxist literature could or should include domestic labour, or whether “labour” has a more restricted meaning, but so what? Domestic labour does not produce *value*. But labour power *does have costs of production*, it is found only in capitalist society, and not in “wild nature,” and entails the purchase and consumption of commodities.

How does Reuten think wages are determined if it has nothing to do with the cost of living for workers and the cost raising working class children?

Whereas for straight commodities a *demand-induced* price increase evokes an increase in their production, demand-induced wage increases do not evoke an increasing ‘production’ of children [or increased participation?]. In this respect the ‘labour market’ – inasmuch as the ‘money market’ – is very different from ordinary commodity markets.

(2019, p. 92, my italics)

and

Money and labour-capacity are similar in that it is merely their demand, not their supply, which mimics commodity markets. As to their supply they are similar in that they are not ‘produced’, but rather created.

(2019, p. 93, my italics)

It seems that working class households as sources of labour capacity are viewed by Reuten in much the same frame as natural resources: nature-given though privately owned. Nature creates, labour produces. The enterprise purchasing it will pay whatever is asked up to the level of its “utility” in application to the

production of profit. The sellers conversely will push the price up until it reaches this level, whereupon they find that the buyers are no longer willing to pay. Thus the wage rate is *unilaterally* determined by its utility as a factor of production and the going rate of profit. Labour capacity no more has costs of production than the oxygen burning in the furnaces – it just has to be brought to the factory gates for use.

What advice does it give to the workers' movement? It tells them that wages cannot be increased because the capitalists are already paying as much for it as they can. Just go back to recreating and procreating and take a job when you can. How different from Marx's invitation to workers to fight to reduce the length of the working day!

On p. 94, Reuten speculates on how "in the limit case of an around subsistence wage, wages do have an indirect effect on population growth and the supply of labour-capacity." This misses the point that since *Les Misérables* and *Wealth of Nations* were written, the industrial, social and political struggles of the workers' movement have lifted their standard of living beyond the point where "child starvation" is the only factor reducing the supply of labour. Reuten accepts that as a problem of legitimation, the minimum wage will be set such that it provides a living; but what constitutes "a living" is very elastic. On the other hand, Reuten tells us that "an increasing rate of capital accumulation gives rise to an increasing wage rate," based, presumably on his utility theory of wages.

In a system where entitlement to a profit is proportional to the total capital deployed in creating value, working class household are entitled to no surplus value. They are paid only the value of commodities purchased from capitalist enterprises, consumed and, in the form of labour capacity, passed on for the use of employers. Therefore working-class households do not "produce" labour capacity. *Owning* capital is precondition for entitlement to profit. But under capitalism *every* seller is entitled to and *must* recover their costs of production. But if the buyer can't pay that, then they can't buy. Equally, if an employer can't make the going rate of profit *given* the cost of labour capacity, then they go out of business.

### *Utility?*

Reuten does not use the term "utility" because he is aware of its origins, but uses the term "usefulness" instead. For clarity, I will continue to use the term "utility" because it clearly indicates the implications of using this concept, rather than obscuring the implications by introducing a term like "usefulness."

Contra Adam Smith and Karl Marx, Reuten thinks that the standard of living of the working class, the life-time cost of raising new workers, does not exert any pressure on wages, determined *solely* (as it turns out) by the amount of value which use of their capacity labour adds to products, its *usefulness* to the buyer in producing surplus value. Its *utility alone* in other words.

Why, and to what purpose, does Reuten insist on "*creation*" of labour capacity and not "*production*," and that the capacity to work does not represent the expenses made in the course of their upbringing and education, and has *nothing to do with* the the cost of living at a certain cultural level according to one's

place in the given social formation – the result largely of past social and industrial struggles of the workers’ movement?

It is of course integral to Marx’s (and Adam Smith’s) view that sustaining the life of a working class family does indeed have a cost to them, and there is a minimum wage below which a worker cannot or will not present themselves or their off-spring to work in the next cycle of production and from time to time workers emphasise this point by striking. Like the capitalist, if the worker cannot recover her costs (so as to be able to live and work again the following day) then she stops producing the product. She might find another kind of work or emigrate, but she will not come to work.

It was the insight that wages were determined by workers’ costs of living which was at the centre of the 1815 Repeal of the Corn Laws – to reduce the production costs of labour capacity at the expense of the landed aristocracy, which Reuten nicely identifies as benchmark for bourgeois economic domination of England. It is worth noting also that Reuten uses “rate of surplus value” as a characteristic of a single firm, and is thereby blind to the effect on the cost of living of the workers they employ resulting from economy-wide effects of innovation, length of the working day, etc.

Reuten’s capitalists are realists, and do their calculations only on the status quo here and now; the effects which lead to changes in the economic environment are always *over the horizon* for them.

Humans produce a surplus product, and there is always a struggle over appropriation of that surplus and its valorisation as profit. The struggle to appropriate that surplus product is as old as class society. Capitalism provides the conditions for capitalists to exploit workers and appropriate that surplus product by means of the legal norm which means that a worker’s product is the property of whoever owns the means of production. The surplus product is transformed into surplus value by means of its sale, realising a profit subject to various technical and market conditions. Many workers nowadays produce in their domestic life more than the minimum needed to work. This is not surplus *value* because it is not valorised, it is simply consumed as their share of the social surplus. That right is the product of class struggle.

Given access to socially average means of production, human beings work and produce more than they need to live day by day, under conditions which may be far from the conditions which they find in a modern workplace, but hope to live well by appropriating any surplus product for themselves. To whom does the surplus product belong? Working in their own domestic sphere, workers appropriate what is over and above what they need to survive by living a decent life. Working for an employer, that surplus may be appropriated by the employer under bourgeois right.

Labour, Marx says, is the first premise of all human existence. It is not limited to conditions where it is exploited by an alien class. It is conventionally distinguished from consumption and domestic activity on one’s own behalf or in friendly collaboration. However, this dichotomy has itself proved to be problematic in its failure to recognise the social and economic impact of the exploitation of women’s *domestic labour*. Workers and their children can be recreated *almost* entirely through the market, the cost being the sum of the

costs of the goods and services purchased, or, working class families can perform the necessary work themselves. Import substitution. The saleable product, a quantity of labour capacity, is just the same. Workers need money to buy the goods and services needed to produce their labour-capacity and they will have to buy it on the market. No economic recognition is given to the consumption of the means of life or other care work. But it still costs. Working class life is social, human life, it is not merely a “part of Nature.”

Reuten insists that it is in labour capacity’s application to production, when properly employed, that the value of labour capacity is *unilaterally* determined, rather than its “price of production” (Reuten’s quote marks). If so, then I believe this is a profound misunderstanding of *Capital*, not limited to the question of the determination of wages but extends to the problem of the value of *all* commodities.

In some circumstances, the total labour required to produce a given product may widely differ from what that product can bring on the market, in competition with other products meeting the same need, and it won’t be sold. It is always the *market* which determines the value realised, never mind what was actually spent in production. This is true of labour capacity as much as of any product. In the case of labour capacity, its utility is its capacity to realise value. So, yes, an employer will only pay what he can afford whatever difficulties a worker may face providing the required capacity. The employer is a *realist*. He is not interested in *how things got the way they are*. All that takes place *behind his back*. But if a given capitalist can’t make a profit by employing labour he will be out of business.

There is a difference between scientific reason and the understanding of the players in any given practice. People do as they must, but why must they?

The point is that this contradiction (in Reuten’s language, an “impediment to on-going sociation”) that if the capacity to add value is less than it costs the worker to live at the socially established standard of living, it will either destroy working class or put capitalists out of business. In general, viewed momentarily, *the price is determined in two contradictory ways*: from the point of view of the seller and of the buyer, and monetary value is established at the moment buyer and seller strike a price. But what happens when the two systematically cannot strike a price may be that *the entire economic system adjusts itself*. Capital flows from one sector to another, workers move to different districts, change jobs, new techniques are applied, firms go out of business, until finally (if ever) a dynamic equilibrium is recovered, and the values determined either way allow purchase and sale to provide the conditions for on-going economic activity including the average rate of profit for capital invested in the given industry. Value is indirectly determined by these processes which are not proximal to the point of sale or the point of production. This is why *science* is needed to understand the economy.

However, because production includes a component, labour capacity, which expands its value in the process of being used, provided that the employer is able to appropriate that surplus, then when stability is restored, profit has not been wiped out by competition, but on the contrary, the rate of profit will have been equalised across the economy and some section of the capitalist class has

appropriated surplus value. Outmoded techniques become marginalised, poorly skilled workers lose their jobs or suffer wage cuts.

This doesn't come into view in *Capital* until Volume 3 after Marx has taken into account the capital markets and the circulation of capital between particular industries. The "other things being equal" presupposition which Marx relies on in Volume 1 is also relied upon by Reuten, but it seems that Reuten wants the happenstance that maybe workers can indeed live on the going wage determined by the utility of labour capacity for the enterprise, and elevates this seeming happenstance to a necessary, logical starting point. In the hypothetical world implied in Volume 1 of *Capital*, in which economically identical enterprises operate side-by-side in the same world that produced the present generation of workers and factories, it so happens that workers *can* just manage to live on wages corresponding to the going rate of surplus value. We have to wait till Volume 3 to learn about the *dynamics* of an *actual*, diverse economy which produces the tendency towards the equalisation of the rate of profit and an economy-wide basic wage rate, etc.

The value of labour capacity, he says, is determined by *demand only*; supply is free. No amount of mathematical equations (of which Reuten has many) can demonstrate that the value of labour capacity is determined solely by its capacity to generate surplus value irrespective of supply costs. Its value for the employer, at this moment, yes, but by what luck is it that this price is (as it usually is) also sufficient for the workers to "create" that labour capacity and live "decently"? Market savvy is not enough to answer that. Science is needed.

Reuten says that "price of the capacity to labour (i.e. the wage) has nothing to do with the 'price of production' of labour-capacity," and his theory of value has nothing to do with "so-called socially necessary labour-time" (p. 74). Reuten says that value is the entity's monetary value.

There is, he claims, no difference in principle between price and value. How then does the labour market unilaterally determine the level of wages without reference to the cost of living? How is the monetary value of labour to be independent of the cost of living of those who provide the labour capacity. At any given instant, the buyer of labour capacity has no mind at all to workers' cost of living. But whether he gets applicants for the jobs he is advertising and whether his investment in capital is ever activated, certainly does depend on whether the wage he offers is a living wage.

I shall reflect in passing on some of Marx's concepts which Reuten chooses to give up.

### ***Embodied labour, value and price***

I grant Reuten that there is something metaphysical about the idea of value being the number working days of socially necessary labour "embodied" in a product. But give me a better way of expressing the fact that a commodity's value depends on the amount of social labour which is necessarily required under existing social conditions to bring to the commodity to market – a non-sensory, social attribute of a product having nothing whatsoever to do with its physical properties. And yes, once a product is *sold* and its value is finally disclosed, how much of that "embodied labour" was socially necessary *appears*,

and is now clear for all to see. But the question is: how did it get so expensive? Why does a house cost so much more than a work of art? That turns out to be a complicated story, but it is to do with a quantity of labour. There is no getting around the fact that (abstract) labour is the substance of value, and price is just the *appearance* of that value, to use the Hegelian term.

The basic point is that *value determines price* which is nonetheless realised subject to market conditions. But “market conditions” are totalising a wide array of social conditions, some quite distant from the point of sale. Value is the substance which takes on different forms in capitalist society, a commodity is the simplest form of value, price is the *appearance* of the value of a commodity. Another metaphor: a painting has no colour unless and until light is shed on it, and what is seen depends on the quality of that light, but we still understand that it is the *pigment* in the painting which determines the colour which is realised by the light; we don’t say that only the observed colour is real and the colour of the pigment has no place in science!

Around the turn of the 20th century, under the influence of Positivist philosophy, economists started to eliminate “value” from their vocabulary. Early editions of the works of Alfred Marshall (1842-1924) talked about value, but later editions did not mention the word. It was now all just price determined by supply and demand. In Economics, Science had given way to Positivism. But the determinants of value acts *behind the backs* of the agents who meet in the market, and *this* is the stuff of political economy. Value is also indispensable to understanding how the working class is exploited, but exploitation is not a concern of modern economic science.

When buyer and seller meet in the market there is the “leap” which transforms a value into a monetary price. But it is still value which appears as the price, still value which is the Substance of what appears, not the other way around. What is it that makes one product have more or less value than another prior to its appearance in the market? “The price of an entity is its monetary value” (2019, p. 44). Yes, and euros or dollars are an appropriate measure of value, but what is the *source* of that value?

Reuten seems to use “price” and “value” such that “price” is a *realised* value, while “value” (for example during the course of the process of producing a product) for the price which exists in the mind of the producer, the *expected* price. The means of production, we learn, also have a “current ideal value” (2019, p. 68) on the same basis. But we cannot take the hopes and opinions of an industrialist as objective scientific categories. The point it is: what quantification *should* the industrialist use in *rationality justifying* her expectations? Would she refer to the total monetary value of “embodied labour,” the “embodied monetary value,” or the going rate on the market at the time? Being a realist, she would use the *going market price* and if she’s smart, she would have ensured that her enterprise can make the product with that quantity of labour.

The value is determined by socially necessary labour time, and wages (the cost of labour-power) determine the share allocated to the working class. The proportion of the total value which accrues as surplus value to the capitalists is determined by Marx in *Capital* in Volume 1. Volume 2 explains how this value is shared with landlords, banks, the state and others who do not extract surplus



value but claim a share in it. Volume 3, largely, determines how the industrial capitalists share this surplus amongst themselves. The industrialist is *not interested* in this two-stage view of how the total surplus value comes to be determined, only in how they get their share of it. The industrialist has no need of “Marxian political economy.” They just have a business to run.

### ***Measuring working time.***

Reuten says that the basic measure of labour is time, with coefficients for the skill and the intensity and efficiency of the application of labour capacity. Reuten chooses the unit of calendar year as the unit of time – full-time equivalent working years. That is, he measures only the *hours worked*, and standardises this to worker-years. Marx on the other hand, uses the *working day* as the standard of time by which labour is to be measured. It was up to the employer to keep workers at work as long as possible. This standard allowed Marx to examine the length of the working day, much as Reuten focuses on intensity and technical efficiency. I think Marx’s standard makes sense, especially in the light of the fact that the cost of living is largely measured per day, somewhat independently of how many hours are worked. It also, helpfully in the 1860s, focussed workers’ attention on the length of the working day.

### ***Abstract labour***

Reuten says that in *Capital* “abstract labour is a placeholder for money” until money appears in the reconstruction. “Placeholder” is a trivialising word for a more mediated relationship. As I see it, “abstract labour” is an ideal; but it is also the type of labour characteristic of fully fledged industrial capitalism: the same worker packs boxes for Amazon one week, skins chickens the next and then serves coffees for Starbucks the next, all for a basic wage. It is abstract labour because it is labour without quality (concrete skill, type). Basic wage work is uniform, simply measured in hours, consequently it is the mirror of money which is the equivalent of just that kind of labour. Purely quantitative labour abstracted from any quality. But yes, abstract labour *appears* as money.

At the same time, we meet “use-value” which is concrete and qualitative, a certain kind of labour produced and transferred to meet *someone else’s* need.

### **6. Rejection of “embodied labour” as determinant of value, for price.**

As to commodities in general, I have tried and failed to find anything in the book which tells me what *creates* or *forms* value if not “embodied labour.” “The actual market trade is the value *salto*, the value leap ... the price of an entity is its monetary value.” Sure, but what makes me *rationally expect* that this diamond will be equal in value to that house? “The market,” is the only answer Reuten gives. To “know the market” is to know where the answer is found, but tell us nothing about the process by which the answer was socially determined. “Value is the market price” is not a *theory* of political economy at all.

### ***“Socially necessary” and “socially average”***

Reuten rejects any notion of “socially necessary labour time” as a determinant of value. Moreover, Reuten tells us (2019, p. 74) that “socially necessary” does not mean “socially necessary” but “socially average.” In the context of the early

chapters of *Capital*, what meaning can “average” have, and how is “average” manifested practically? How does “average” manifest itself as a “thing”? It is an artefact of the statistician and exists in her imagination. Total has a material existence, but average does not.

“Socially necessary” refers to the fact that labour applied to a product which in the conditions of the times is in excess of what was necessary for production of the given use-value, has no value. If somewhere someone can produce the use-value for less expenditure of labour, they will be the price setter. Ideal labour not actual labour, that is, the amount of labour which is socially determined as necessary, a *social property of a commodity*. But even the realist industrialist knows the difference between wasted labour and necessary labour, at some level. Marx says, in broad terms, that something has value to the extent that the commodity requires for its production, a certain quantity of labour at a basic wage, so long as that labour is not wasted in some way but is carried out according to what is socially necessary, and the need met by the commodity cannot be met by some other commodity with less such labour,— *but* value is realised only at the moment of purchase when it is realised as money and the quantity of labour expended in its manufacture is just history. No buyer, no value, and the labour was wasted. Consequently, if an enterprise believes that it has acted according to the best standards of the time and place, then a calculation of “embodied labour” of this kind can be compared with the going rate in the market. The going rate will be realised as the actual value. But in planning the production process, the enterprise would have a mind to whether it will be able to meet that price and still make a profit at the going rate. They can do a calculation of their integral profit along just the lines that Reuten provides us to give us what they would expect to realise on the market. But you never know.

“Socially necessary labour time” is an *ideal* quantity but it is not a mental quantity. It is a property of a commodity which is determined by a vast array of social relations relevant to the production and sale of the product. It is an ideal. The expression “socially necessary” encapsulates the idea that the enterprise does not simply do what is average but more or less accurately divines the state of all the multifarious social factors relevant to their business. That is, it is a product of those social relations *themselves*. It is not a *mental* entity, but an *ideal* entity, something different from “average.”

### ***Fictitious capital***

“Fictitious capital” is a concept mentioned by Marx and Engels only in Chapter 25 of Volume 3 of *Capital*. Reuten does not mention this idea, and yet, it seems to me, it more than retains its usefulness. The concept arises from the fact that bank credits to enterprises are always *speculative*. Banks, enterprises and governments benefit from issuing as much of this speculative capital as possible. But its reality lies in the extent to which the speculation upon which the credit was made is validated by production and purchase of goods and eventual repayment of the debt, the extent to which it can be realised. Given the speculative nature of this credit capital it is never possible until later to say definitively to what extent it is fictitious. When the crisis hits, how much of all that capital was fictitious appears. Just value appears at the point of sale.

This means that the claim that money is the measure of value has to be qualified – only insofar as money continues to retain its purchasing power. If so much credit is outstanding with no possibility of being repaid, it is surely only a matter of time before the fiction is exposed. I would like to know why Reuten neither included nor refuted the concept in his book.

## 7. Money as bank credits or as commodities

According to Reuten: “Money is created by banks” (2019, p. 4) and banks finance enterprises. I am persuaded that present day fully fledged capitalism cannot be comprehended in the absence of an approach to money like this, rather than simply money as a commodity like gold. It goes beyond my life experience to make a judgment about Reuten’s theory in the context of financial discourse. I have always, like Marx, seen banks as “the most effective vehicles of crises and swindle” (*Capital* v. 3, Chapter 36), concerned with the distribution of surplus value already extracted from productive labour. But clearly, capital begins with a sum of money. M-C-M’. The money-commodity is only the germ cell of the present day monetary system. I am willing to take Reuten’s word for what’s going on in the world of financial capital, but I will not expect to understand from Reuten’s exposition anything about how surplus value is extracted from the working class.

This author has not held money, coin or paper, in his hand for more than 4 years now. Nor do I use cheques.

There is no fundamental difference between ‘bank-issued money notes’ and ‘bank account money’ (or ‘bookkeeping money’), the latter being transferred by signature or electronically. There is a tendency for bank-issued money notes to develop into bank account money. This tendency is predicated on, first, cost efficiency. For each of the bank and the enterprises (as well as other agents), the holding of physical money incurs ‘carrying costs’. Secondly, the created bank account money stays with the bank so that, on average at least, its lending power increases.

(2019, p. 105)

It is true that Marx wrote *Capital* as a critique of political economy, and as such he was obliged to criticise the concepts and theories of the political economists, the theoretical capitalists. But not the apologists.

But my activity, and that of other workers, is not elucidated by the conception of money as bank credit. We only stray into bank credit when we get in trouble and fall behind with our bills, not speculatively. My point is that the activity of capitalist, financial managers and government ministers differs from the activity of most citizens whose activity cannot be understood on the basis of people taking out bank credits for the purposes of speculative investment. It is not part of our everyday consciousness because it is not part of the labour process. I remain of the view that capital does not create value; it is a social relation by means of which a share of the surplus is cornered by those who do not work.

I don’t believe that the writer must choose exclusively this or that concept of money. Marx was aware of “bank money” just as he was of paper money even when he talked about the costs of production of gold and so on in Volume 1.

There are different life-worlds in capitalist society, and the world of present day Senators and Central Bank managers is very different to that of the worker and petty capitalist who figure in Volume 1 and do not live in the life-world of commercial bankers and National Treasurers. The commodity idea of money is part of consciousness and practical activity of workers in bourgeois society and therefore not actually part of the labour process. Nevertheless, yes, what goes on in the world of hedge-funds and so on is central to the management and control of the economy and is always on the scene when there is a crisis of capitalism. How capital moves around from one activity to another has to be grasped. Capital has to be raised before production can begin. But I am not convinced that I need to understand speculative capital and its workings.

My aim here is different from Reuten's. My aim is understand the dialectical method of analysis of complex social formations in the tradition of Hegel and Marx, because I wish to apply this method to problems with which I am familiar, not just the political economy of the OECD nations. Consequently, I am content that I must fall silent before Reuten's analysis of the manifestations of capital accumulation in the latter parts of his book. I also accept that the Functionalist approach makes some sense there insofar as these capitalists act as conscious subjects, participating in the design and modification of capitalist governments' economic policies. Functionalism fails however insofar as it claims to enlighten us on the conditions of existence of capitalism.

But since Marx wrote there has been the transition to imperialism marked by two world wars, the Bretton Woods arrangements and their collapse, and the transformation of the labour process by electronic communications. Surely the point is to *continue* Marx's analysis which began from that universal social practice of producing and exchanging commodities, and where necessary add further layers of concretisation whose necessity has only manifested itself in later history. For example, the gold standard *had to* go because it could not encompass the vast expansion in capital required by the post-Keynesian world?

For the moment I am prepared to accept that the chapters on finance capital are well-informed and I value Reuten's conclusions, in particular his observations about inevitably escalating demands for regulation alongside the impossibility of either compliance or enforcement, and the ever-increasing danger of a failure of too-big-to-fail banks.

### Outcomes of Reuten's book: the capitalist crisis

At least six very important observations come out of Reuten's book, and I have indicated that on the basis of his expertise, I am willing to conditionally accept Reuten's analysis here. However, it is worth observing that although the work of the first three chapters underpins all his conclusions, the outcomes which are significant for the possibility of the collapse or at least a crisis of capitalism were possible only thanks to *historical* observation. These tendencies emerged, and then Reuten rationalised them. If Reuten had strictly adhered to his synchronic, structural analysis, these tendencies could not have been included in his book.

In each case, the relevant phenomenon is a "tendency," which Reuten defines as:

A tendency should be distinguished from an empirical 'trend'. A tendency is the generation of a particular form of an entity (e.g. the

corporate form of the enterprise) or the particular quantitative expression of an entity or process (e.g. equalisation of inter-sector rates of profit), this generation being predicated on certain forces or compulsions. A tendency may be counteracted by other tendencies, or by other lower-level complexities.

(2019, p. 691)

That is, it is not enough to notice that prices are going up every month to declare a *tendency* of prices to rise, one must identify the contradiction which is the ground for rising prices in order to call it a tendency. (See 2019, pp. 594-595 for Reuten's summary).

#### 1. Historical tendencies towards large welfare states

The capitalist economy cannot provide a decent living for a large proportion of the population and it generates extreme inequalities of wealth. In addition, the modernisation of technique requires that the population has more and more access to information about the lives of others and ever enhances the capacity of people to communicate with each other. As a result the state must take measures to legitimate itself in the eyes of the vast majority of the population. Most significantly, the state must implement a social security system of some kind. This system provides pensions for both the temporarily and the chronically unemployed, children, the sick and injured and the aged.

In addition, the social security system contributes to moderating the business cycle which would otherwise disrupt capital accumulation every few years and the state is a major buyer for the products of enterprises, realising profit in the process.

On top of this, the state must bear responsibility to ensure that the enterprises have access to an adequate supply of educated, compliant labour capacity (who will be well informed of how the system works, by the way) which pre-supposes a more or less extensive public education system and public health system.

The net result is that in OECD countries the state now absorbs about 45% of GDP, most of this being allocated to the social security system, and this expense must be recovered through taxation. As Reuten points out, most people are blissfully unaware of the "hidden hand" of the state ensuring conditions for capital accumulation. All the wealthy see of the state in their daily lives is the tax deducted from their income, while the majority of the population probably treasure the services provided by the welfare state, but may still resent taxation. Despite tax being collected from the income of the workers as well as the capitalists, the vast majority of tax comes from tax on the wealthy and is transferred to the poor via state services. The need for vast-majority legitimation is put at risk of the wealthy withdrawing their support for the social security system and other public welfare programs.

The on-going off-shoring of production by the developed capitalist countries has proved beneficial for developing countries, but only at the expense of turning whole cities in the old capitalist countries into rust-buckets, threatening the legitimation of the state and placing even heavier demands on the welfare state.

The state budget has increased from 11% in 1870 to about 45% today, and the contradictions which have driven this expansion (and it must be said,

successfully *expanded* the conditions for capital accumulation) continue to drive up the proportion of GDP absorbed by the state. All promises by conservative politicians to limit this expansion are broken as they fail to contain the growth of the state budget. Where will this end?

## 2. Too-big-to-fail banks

The on-going perfection of the practice of concentrating capital into fewer and fewer hands, together with the power of the commercial banks and other financial institutions in modern capitalism leads to ever-larger banks. It turns out that the larger banks tend to be *more* not less fragile than smaller banks. Smaller banks can be allowed to fail and their capital destroyed, but when larger banks fail the state must step in to save them and avoid a vast domino-effect wiping out capital, and destroying large sections if not all of a nation's economy. The 2008-09 banking crisis drew attention to the fact that the world has already come very close to a situation where, were such a collapse happen again, there would be no state with the resources to prevent the crisis spreading globally and obliterating all financial institutions. There are now *numerous*, fragile, "too-big-to-fail" banks and it seems only a matter of time before an uncontrollable collapse occurs. Money being almost exclusively in the form of bank accounts, this means everyone getting up one morning to find we have no money other than the small change in our pockets.

In addition to this, there are large corporations dealing in communications or energy which are also too-big-to-fail in that were they to fail large sections of economic activity would become impossible. (See 2019, pp. 344-346 and pp. 451-456).

## 3. The impossibility of regulating capitalism

The threat of a failure of a too-big-to-fail bank is aggravated by the tendency which produces ever more complex and complicated regulation affecting every aspect of life under capitalism. "Complex" refers to the infinite interlocking of laws and regulations coming under various responsibilities of the state and various sectors of economic life, all of which inevitably overlap. "Complicated" refers to the language and massive detail of each piece of legislation. It is truly impossible for anyone engaged in even the simplest economic activity to know what rules apply to their activity, let alone actually comply with them. Every large enterprise must employ teams of lawyers trying to keep themselves within the law.

When the state tries to *simplify* regulations it has the perverse effect that simple regulations end up being interpreted in the courts and even more time and expense is entailed in concretising simplistic legislation through *litigation*. Although the complexity, complication and sheer mass of regulation defies measurement, there is no doubt that there is a secular tendency to increase, and regulations are almost never repealed. Each new Act adds to the mass of regulation.

The result is that regulation of the activity of capital is becoming more and more impossible. Thousands of lawyers spend their days finding loop-holes to allow their clients to evade regulation, while thousands of public servants beaver away trying to plug those loop-holes. The rate of technological change increasingly

outpaces the capacity of the state to regulate it. In the face of the danger of too-big-to-fail banks – the most impenetrable of all institutions – the rapidly escalating environmental crisis and the complexity of world trade linking together the burgeoning legal frameworks of nations around the world, capitalism seems headed towards its own destruction. (See 2019, p. 479 & pp. 487-488).

#### 4. The Imponderable complexity of financial institutions

In 2014 Andrew Haldane (as chief economist at the Bank of England responsible for the stability of the financial sector as a whole) declared to *Der Spiegel*: The balances of the big banks are ‘the blackest of black holes’.

(2019, p. 461)

The business of the largest financial institutions has become impossibly complex, a situation which has become widely known in the wake of the 2008-09 crisis. In the nature of their business, they hold little in actual deposits, have hundreds of interlocking subsidiaries whose activity they may not understand, and the complexity of their “financial products” are understood only by a very small number of experts, and are generally utterly opaque to the senior managers of those institutions. If the managers of these institutions don’t know what their own firms are doing, what chance is there of the state regulating them? If any of these large banks are heading for collapse, most likely no one will know about until it has happened and no one will be in a position to prevent such a collapse. Again, it just seems a matter of time before a global banking crisis leaves us all with empty bank accounts and no capacity to get hold of money either from our own bank account or through our employment. The consequences defy imagination. (See 2019, pp. 456-452).

#### 5. Paralysis of world trade

Over and above this, the development of international trade, under the imperative of enterprises to maximise profits, has generated a situation where any given product may have passed through the hands of workers in a dozen different countries. This is made possible by aeroplanes and container ships going back and forth across the globe, generating climate-destroying emissions which are unsustainable. If the nations of the world are to meet their commitment to reduce carbon emissions this trade must stop. But, to take Australia as an example, we don’t produce motor vehicles anymore and we are utterly dependent on sending raw materials across the world to sustain life. The covid-19 pandemic demonstrated the impact of even a slight disruption of these supply lines and the fragility of this situation. How is a country to restructure its economy so that it produces what it needs in the absence of international trade? Such a transformation of economic life is almost inconceivable, and yet its continuation is incompatible with continued human life on Earth. (See p. 540).

All five of the above crises represent “necessary impossibilities,” contradictions which threaten the possibility of continued social life. They all come together in the climate crisis.

## 6. The climate crisis

In the face of all this, the promises of governments to limit their carbon emissions so as to avoid the collapse of the ecosystem on which human life relies are simply unbelievable.

## Conclusion

The work of “practical abstraction” carried out by money, binding every human action into a single system makes political economy a science unlike any other. It is the queen of sciences perhaps. So the recent focus on the relation between Hegel’s *Logic* and Marx’s *Capital* is of great interest. Reuten committed himself to a project of the greatest significance in setting out to write the book on political economy in the tradition of Hegel and Marx, but taking as his subject matter capitalism as it is today in the OECD countries.

There is no doubt that Reuten knows a lot about political economy and I can believe his book remains a good textbook of political economy. However, he has not succeeded in realising the tradition of Marx and Hegel, of systematic dialectic, in the context of today’s political economy. I believe Reuten has failed to understand certain key concepts of this method. However, these misconceptions of the work of Marx and Hegel has not prevented him from writing a significant work on political economy. The same could doubtless be said of many other economists. But if I am to apply the method of Hegel and Marx to other situations, then I cannot use Reuten’s book as an exemplar or model.

What I have called “The outcomes” of the book, the six interlocking crisis tendencies, are however very much valued, and deserve further attention.