Tracking Marx's *Capital*

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In the Tracks of Marx's Capital: Debates in Marxian Political Economy and Lessons for 21st Century Capitalism is an important new book by two well-known Marxist economists from Turkey. Ahmet Tonak and Sungur Savran bring together a series of works written by them over the last 40 years that ***track*** the development and relevance of Marx's analysis of the capitalist mode of production to the present day. Sungur Savran teaches at Istanbul Okan University and E. Ahmet Tonak is a research affiliate at Smith College and teaches at UMass Amherst

The book is divided into four parts to explore the core ideas of Marxian political economy relevant for modern day economies. The first part gives an overview of *Capital* and its methodology. The second part discusses the application of these ideas to the question of measuring what is ***profit on alienation***, the rate of exploitation, the reconstruction of input-output tables and the role of the welfare state and social wage. The third part discusses new research in Marxian analysis in the 21st century, facing the challenges brought about by digital labour and the global economic crisis. In the final part, Sungur Savran discusses the differences between Marxist value theory and Sraffian, neo-Ricardian economics. Overall, the aim of the book is to develop an "adequate analysis of capitalism, with a view to counter and finally overcome the exploitation, oppression and alienation that this mode of production offers humanity."

In part one, Tonak takes the reader on a trip through Marx's first notes on his analysis of capitalism as expressed in what is now called the Grundrisse, written during the year after a major economic crisis in 1857. Tonak discusses the historical context and the content of the text in detail and summarises Marx's main arguments on alienation, value and post-capitalism.

Savran takes up the story with two chapters dealing with the key points in all three volumes of Marx's masterpiece, *Capital*. Savran emphasises the radical difference between Marx's understanding of capitalism compared to the ***classical*** economists like Adam Smith and David Ricardo. Savran makes the very important point, often ignored by other Marxist economists, that *Capital* was seen by Marx as ***critique of political economy*** as it was in the 1850s, not just a development of the classical school, as many eminent contemporary Marxist economics, like Anwar Shaikh, appear to argue.

As Savran says *Capital* "should be understood as a wholesale criticism of that school." While the classical economists recognised that value in an economy was created by human labour power, they denied the contradictory character of capitalist accumulation ie the exploitation of labour by capital and so the causes of regular and recurring crises in capitalist production and investment. As Engels said, one of the great discoveries of Marx was surplus value, how the owners of the means of production appropriate a surplus from the producers of value, the labour force, seemingly through equal exchange: wages for labour. This is ignored by the classical economists. What is more, Savran insists that, while the classical economists assumed that capitalism as a mode of production is here to stay forever and never questioned the categories of capitalism such as value, money, wage-labour, profit etc., Marx dwelt at length on these categories themselves and laid bare the historically specific and transitory relations of production that they embodied.

In the next chapter both authors combine to present the very important distinction in capitalist production between productive and unproductive labour, by looking at the different branches of activity in the modern economy. Marx says that new value is only created by human labour power – but not all labour. Productive labour for capital consists of those sections of labour that create new value for the owners of the means of production. Unproductive labour is due to those sections of labour that meet often very important economic needs but do so in exchange for wages paid out of the surplus value created by the productive sectors. "Major sections of the working class in capitalist society are unproductive workers", but "this does not imply in any sense that they are less important either for the well-being of society or the class struggle." State employees, teachers, social workers, health workers are unproductive for capitalism as they do not deliver new value and surplus value for capital – indeed their wages are a deduction from overall surplus value. That partly explains why capital is so opposed to state spending and investment and in favour of privatisation. And from the point of view of Marxist analysis, it clarifies the need to look at the profitability of productive labour as the key indicator of the ***health*** of capitalism.

Tonak was joint author with Anwar Shaikh of the seminal work, *Measuring the wealth of nations: the political economy of national accounts,* which measures the production of nations using Marxist categories of productive and unproductive labour. And in another chapter Tonak and Yiğit Karahanoğulları clarify the distinction between productive and unproductive labor. It first defines the meaning of exploitation based on the Marxian labour theory of value, on which the sole criterion of being exploited becomes the appropriation of surplus labour - even of those unproductive laborers, and then empirically estimates rates of exploitation of those unproductive workers in Turkey's government, finance, and trade sectors. In another chapter, Tonak joins with Alper Duman to apply the Marxist classifications of productive and unproductive labour to economies using input-output tables. This reveals the dynamics of capitalist production, unlike mainstream classification left simply at ***manufacturing*** and ***services***.

In part 2, Tonak and Alper Duman discuss the vexed (in my opinion) question of the category, profit on alienation. Profit on alienation (POA) is presented as an extra source of profit in capitalist economies in addition to the profit appropriated in capitalist production. This rubs against my view of Marx's value theory of equalities of value; namely that total value equals total prices of production in the aggregate after the redistribution of value between capitals; and so total surplus value will also equal total profit, interest and rent. These equalities support the view that only labour creates value, and it is the distribution and circulation of that value that leads to unequal shares of total value.

The idea that there is another source of profit does not work for me. Profit on alienation is an idea that comes from an early classical economist, James Steuart. Some Marxist economists like Anwar Shaikh, and it seems Tonak and Duman follow him, interpret Marx to have accepted Steuart's concept of profit from alienation as another source of profit that does not come from the exploitation of labour in production but from the circulation of capital.

But I don't think Marx says this about Steuart's concept – on the contrary. When you read what Marx says about Stueart's classification, Marx says;

> Before the Physiocrats, surplus-value - that is, profit in the form of profit - was explained purely from exchange, the sale of the commodity above its value. Sir James Steuart on the whole did not get beyond this ***restricted view***; (but) he must rather be regarded as the man who reproduced it in scientific form. I say ***in scientific form***, for Steuart does not share the illusion that the surplus-value which accrues to the individual capitalist from selling the commodity above its value is a creation of new wealth.

And Marx goes on:

> This profit upon alienation therefore arises from the price of the goods being greater than their real value, or from the goods being sold above their value. Gain on the one side therefore always involves loss on the other. ***No addition to the general stock is created.*** (But) his theory of 'vibration of the balance of wealth between parties', however little it touches the nature and origin of surplus-value itself, ***remains important in considering the distribution of surplus-value among different classes and among different categories such as profit, interest and rent*** (my emphasis).

So, there is no new profit from trade or transfer. This ***relative*** profit is just that, relative.

Why does Shaikh, however, want to make much of this? Unfortunately, Shaikh accepts that Marx's equivalences (total value = total price; surplus value = profit) do not hold, which is the neo-Ricardian critique. So, he seeks to restore the equalities by finding new value from outside the exploitation of labour in production. Also, this supposedly helps explain how in the 20th century, finance capital can gain extra profit from outside production. This extra profit comes from ***revenue*** (i.e., profit circulating or hoarded and now outside production). Just as a burglar can gain profit from stealing and selling on, so can a banker from extorting extra interest and fees from workers' savings and mortgages.

Now finance capital can gain profit from slicing off a bit of workers' wages in bank interest or from squeezing the profit of enterprise (non-financial capital), which is perhaps what Tonak and Duman mean. But this is not an ***extra*** source of profit but merely a redistribution of surplus value or a reduction of the value of labour power. It does not mean that finance capital ***creates*** a new source of value in the circulation of capital.

In my view, it is wrong that an extra source of profit must be added into economic accounts within Marxist theory or for that matter even with the ***classical tradition*** as suggested by Stueart. This concedes to the ambiguities of the modern ***financialisation*** theories, namely that it is finance alone that is now the exploiter, not capital as such.

That does not mean we should not estimate the amount of profit being gained from workers' wages through mortgage interest and house prices by the financial sector – and Tonak and Duman provide just that with their empirical examples in the chapter. But this financial profit is just a part of total surplus value appropriated by producer capitalists and redistributed to finance capitalists through interest and rent and/or from workers' wages (variable capital). The examples show financial profits (much of it ***fictitious*** in the Marxist sense). Moreover, it is not necessary to find another source of profit to balance the Marxian equations because the neo-Ricardian critique has been refuted by successive Marxist analysts: Marx's equivalences are consistent within his model.

In part 3, Tonak looks at the new forms of exploitation of labour in the digital economy. He argues that the digital economy can, as opposed to the opinion of many, be analysed on the basis of Marx's theory of surplus value and profit. Facebook produces commodities just like other companies. Moreover, the surplus value produced by the productive workers of Facebook is the main source of the profits of the company and the wages of its unproductive workers, not some extraction of ***rent***.

In another chapter, Savran demolishes theories that claimed after the 1980s that the world capitalist economy had entered a new stage that could be characterised as ***post-Fordist***, implying that somehow ***flexibility*** was equally good for the worker as it was for the capitalist. On the contrary, he demonstrates that the present digital methods of labour process control are but even more brutal forms of the subordination of labour to capital.

In another chapter, Tonak makes a very important point about modern imperialism.

New theories of imperialism mostly focus on its political manifestations (such as wars and military invasions) or on the economic consequences of capitalistically imperialistic relations (such as inequality and poverty). But the real focus should be on the role played by uneven economic relations between North and South in constituting the basis of political domination. The profit motive is fundamental to imperialism and the mechanisms of value transfer must be viewed as the means of reproducing unevenness among capitalist economies sustained by the global processes of capital accumulation. This is a view that Guglielmo Carchedi and I also expressed in our work.

In an excellent chapter, worth reading the book for this alone, Tonak and Savran summarise their views on the causes of crises in capitalism. Like me, they characterise the world economy in the aftermath of the so-called ***global financial crisis*** of 2008-2009 as in a long depression *in the lineage of the 1873-1896 Long Depression and the Great Depression of the 1930s*. Depressions are an expression of the historic decline of capitalism. Tonak and Savran survey all the modern theories of crisis and trenchantly demolish them to show the superiority of Marxist theory based on the law of the tendency of the rate of profit to fall for understanding the post-2008 crisis – and some of the empirical data they use to support this view come from my own work.

Finally in part four, Savran takes up the Marxist cudgels in the debate with the neo-Ricardians, who deny Marx's theory of value and from that his theory of crises. This controversy raged among left-wing economists throughout the decades of the 1970s and 1980s. Savran concludes that there is no need to abandon the Marxist theory of the capitalist economy. He rebuts the neo-Ricardians' claim that Marx's theory of value is inconsistent in that it led to ***negative values***. As negative values are pure nonsense, this was the basis for the neo-Ricardian proposition that Marx's theory should be consigned to history. Negative values for a value creation theory would indeed be inconsistent nonsense, but Savran shows this neo-Ricardian claim is a fiction. Behind the neo-Ricardian critique lies the theory of value or production presented by Piero Sraffa. Savran argues that it is Sraffa's theory that is internally inconsistent, not Marx's.

Tonak and Savran show convincingly that Marx's *Capital* remains the bedrock for understanding the laws of motion of capitalist production despite fashionable attempts to revise and refute *Capital*'s analysis. It still provides the only searchlight for guiding us towards a new social formation for humanity that is not based on exploitation of the many by the few but brings human beings and nature together in a world of cooperation and freedom.

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