

Review of Geert Reuten’s “Unity of the capitalist economy and state” by Andy Blunden, January 2024

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INTRODUCTION

My aims in this review

My motivation in reviewing Reuten's book is to further my understanding of how to analyse complex social processes in general, not just political economy, supplementing what I have learnt from Activity Theory. My own approach is grounded in Hegel and Marx, and as such it is impossible to avoid the question of the relation between Hegel's *Logic* and Marx's *Capital*. This topic has been the site of a discourse of its own since Lenin's famous aphorism in 1914: "It is impossible completely to understand Marx's *Capital*, and especially its first chapter, without having thoroughly studied and understood the whole of Hegel's *Logic*. Consequently, half a century later none of the Marxists understood Marx!" Interest in this topic has been particularly intense for the past 20 years or so.

Political economy is itself of considerable interest to all socialists, and I certainly do hope to further my understanding of the workings of capitalist political economy by my study of Reuten's work, but it is not my principal aim to enter into this discourse. 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 capitalism as it is today which threaten crisis – either the collapse of capitalism altogether or forcing drastic change. And Reuten delivers on this, pointing to at least six contradictions in the present 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.

Overview of Reuten's book

Geert Reuten was from 2007 to 2015 a member of the Senate of 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) including 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. At the same time, it should be noted that those other members of the ISMT continue to promote their own, different, takes on the relation between *Capital* and the *Logic*.

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. (p. 9)

Reuten does indeed deviate very considerably from Marx's treatment, and I will deal with these issues below. 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 interest is only 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 rights supporting the given economic formation. In the case of capitalism this means specifically bourgeois right, that is, the right to 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, the 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 my reader to take advantage of this offer and read the book. I also urge my reader to make their own study of Marx's Three Volumes of *Capital* 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 exemplified today in the 27 core OECD countries. In *Capital*, Marx claimed to present a systematic-dialectical reconstruction of the capitalist economy as it was 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 a

reconstruction the writer distinguishes between *contingencies* – features of the formation which are accidental and are not necessary for the accumulation of capital, and *necessities* – the main focus of the reconstruction, those features of the object which are necessary for the on-going accumulation of capital.

As Reuten is at pains to point out, *Capital*, Hegel's *Philosophy of Right* (whose method Hegel outlined in *The Logic*) and the book presently before us are *logical*, or *structural*, reconstructions of the concrete whole of modern society, beginning from some very simple and indisputable initial representation. The sequence in which the categories are presented and derived has nothing to do with the sequence of their appearance in history. (This claim turns out to be not as simple as it sounds, but more of that later). 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). The four works just mentioned are all systematic-dialectical reconstructions. This makes reviewing the work difficult, because this systematic-dialectical presentation entails presenting social formations which at any given moment are untenable and never have or could have existed historically. The exposition itself is driven by addressing contradictions in the given social formation, identifying how they are overcome, in turn uncovering new contradictions, and so on. The reconstruction is complete only at the end of the book – “in which thought appropriates the concrete, reproduces it as the concrete in the mind.”

Given my aims 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 general 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 reconstruction is what Reuten takes to be the meaning of “capitalism” in its barest essentials, the schema which “captures the essence of the entire system” (p. 15). One class of the population owning all the means of production, including relevant elements of Nature, as their private property through *enterprises*, and the rest of the population living 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.

This situation Reuten calls “dissociative,” meaning that it is a situation which cannot sustain itself as an on-going form of human life.

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.

Specifically, the households buy the goods they need to sustain their lives and the enterprises hire the labour capacity created in the households to operate their 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 there must be money, while 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 or 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” predicts prices.

The book can be read in order, Chapters 1, 2, 3 etc., following the development of the economy first and then the state, 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.

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. A state is required. 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. These latter rights are the “core economic entitlement claims” (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? Here Reuten’s approach differs from Marx and I think he has a point, though I shall have more to say on this later. Reuten does not accept the idea of money as a commodity, and nor does he see the state as having an essential role in creating money. *Money is created by commercial 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) on the basis that by using this money the enterprise will be able to 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.

This implies that investment does not arise out of savings. Savings in fact are a drag on capital accumulation. The banks create money *ex nihilo* (p. 103) on the basis of trust. In short, enterprises require three conditions for realisation of

surplus value: money, labour capacity and Nature. There can be no production without investment by a bank.

Chapter 7 confronts the fact that the state is required to do all this work in order to grant 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 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. 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 ensuring that banks make adequate provisions against bad loans, etc., activity which again 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.

In *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, or any 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 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 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. 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, otherwise there could be no capitalist system (i.e., a tenable system conforming to the initial model posited). *Now* we move to a situation where the relevant contradictions, i.e., “impossible necessities” (p. 506), arise in a really existing social formation, and the officials of the state make whatever innovations are necessary to deal

with the given contradiction. The theoretical cognition of the writer is replaced by the 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. Different state officials will propose different policies, but Reuten argues his case on the basis of necessities deriving from the economic theory laid out in the first three chapters.

Chapter 4 describes how competition actually takes place in a modern capitalist society. This was all new to me, but the simple idea of price competition is apparently 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 produces 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.

In *Chapter 9*, we learn how the state formulates its own conception of “proper competition” and imposes a competition policy. Again, the resulting conflict demands measures to ensure legitimation of the state, avoiding the formation of monopolies, etc. Legitimation frequently entails the delegation of state functions to purportedly “independent” authorities, such as the Central Bank. Here we learn how the state obliges a monetary policy which determines “creeping inflation,” (See 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. In effect, creeping inflation effects socialising the losses while privatising the gains.

Chapter 5 deals with the business cycle and the ever-expanding demands for regulation of all kinds, regulation of the concentration of capital, of the quality of products, of the supply of labour capacity and its quality, regulation of 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. 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 exists in a world side-by-side with *other* states. 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 conditions in countries around the globe.

And beneath all of this is the impending climate crisis which the uncontrollable destruction wrought by capitalism makes inevitable.

A note on Reuten's mathematics

The authority of Reuten's book rests in part on the mathematical formulae he uses to calculate value, profit, surplus value, labour capacity and so forth.

In his own words: "An equality is always an equality in terms of a particular dimension and standard (this applies for any applied mathematics generally)" (p. 65). So for example, it is mathematically meaningless to say that 12 (hours) = 72 (dollars). But you can say $12 \text{ (hours)} \times 6 \text{ (dollars per hour)} = 72 \text{ (dollars)}$ – both sides of the equation have the dimension of dollars. But Reuten never tells us the dimension in which any equation is made; we have to refer to the appendix beginning on p. 659 to find out what dimension a given variable has, and sometimes no dimension is specified. On p. 65, Reuten tells us that all the equations in the book are in the dimension of monetary value, unless otherwise stated, but frequently the dimension is effectively monetary value per annum, annual rates or dimensionless and this is never indicated.

Subscripts may be added to a variable, as in K_t , to distinguish a variable such as K , from a particular instance, K_t . Superscripts could be used in the exactly the same way, as in L^α , to distinguish an instance of L from others. But here L and L^α are two entirely different entities. L is labour capacity measured in full-time equivalent person-years, while L^α is not an instance of L , but the *monetary value of the actual labour done*. But we are never *told* whether α or L^α is in person-years or dollars or is dimensionless, which is a vitally important piece of information. Further, α , "the productive power of labour," seems to be interpreted as a *power* mathematically, which would be nonsense. Reuten seems to make no distinction between superscripts, coefficients and powers. α turns out to be a dimensionless coefficient whose value is a *multiplier*, applied to the value of wages expanded by exercise of the labour capacity, in turn the product of a coefficient related to technical efficiency and a coefficient related to intensity of labour. Relative to what, we are not told, but I think $\alpha = 1$ signifies a rate of surplus value of 0.

I will say no more, but ask that if Reuten is to give us any further editions of his work please state the dimension of each variable and equation and desist from using "powers" when what you mean is "coefficients," and restrict the use of subscripts to particularisation of general variables. Otherwise, the reader is burdened with an unnecessary and frustrating labour of interpretation.

ISSUES WITH REUTEN'S "DIALECTICAL RECONSTRUCTION"

1. The Starting Point

I know from Marx's intellectual struggles, and those of myself, that the intellectual process of *getting to* an appropriate starting point is far from simple. 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. (p. 29, my italics)

That starting point is "a concept that captures the essence of the entire system." In Marx, Reuten says the starting point is "commodification."¹ This is false. In his own case it is "dissociation." – specifically, the unmediated bifurcation of society into two classes.

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. (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 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.

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. Money and markets do appear necessary given the starting point of

¹ I will explain this claim in a separate article. "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, 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 as it happens mediates exchange, the activity characterising the market and the substance of wealth, in particular, the accumulation of capital.

dissociation. Nor does he inquire into how and on what basis dissociation itself has been established. Simply that 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. He goes on in this book to show us how all the institutions found modern capitalist societies are necessary given this starting point of a society 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 took his setting off point with 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. (The opening words of *Capital*.)

He introduced money and private enterprises in the next stage. Money is derived 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 Hegel and Marx. Taking a minimal conception of an entire capitalist formation rather than a *universal individual relation* (commodity) predating capitalism like Marx did, Reuten has posited an essentially capitalist *social system* from the outset. Which is not to say that Reuten is wrong, but simply 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. (Reuten, 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* (*das Einfache*), 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, p. 801, S 779. The italics are Hegel's)

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 widely recognised that Marx adhered to Hegel's advice in choosing the commodity as the starting point of *Capital*. Hegel began his *Philosophy of Right*, in which he outlined his vision of a constitutional monarchy, with “abstract right,” basically people enjoying bodily autonomy and the right to private property, rather than exchange of products.

The social arrangements implicit in Marx's starting point are a society of simple commodity exchange; neither bifurcation nor capital accumulation is presumed. Of course, no such society ever existed, as distribution of goods and labour has always been regulated by *some* state-form, but it is Marx's *logical* starting point, and is empirically *given* in modern capitalist society. 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 exists only in the head of the writer.

One of the effects of choosing a system (households without means of production, and privately owned production 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. Indeed, it is not posited that any such configuration did or could exist. 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 *a movement of theoretical cognition*. It is not the claim that bifurcation *caused* commodity production because it *needed* commodity exchange. The *writer* needed commodity production in order to *explain* the 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.

Further, whilst Marx derives wages and money as special forms of commodity, Reuten firmly rejects the idea of money as a commodity. He says that Marx took money as a special commodity because that was the norm among political economists (and capitalists) of the time whose theory he was critiquing, and Reuten instead embraces the modern theory of money as bank credit. If one is going to understand the problems of finance and economic planning in a modern economy, it makes a lot of sense to directly 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 excluding 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.

In the *Grundrisse* (c. 1858), Marx prefigures beginning the dialectical reconstruction 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” of value. Value might be a “general-abstract concept,” which Reuten says must be the starting point, but commodities 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, but 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 produced to meet the needs of others, and 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 bills from their bank accounts with their phones). It is abstract in the sense that it is taken in abstraction from the multifarious shapes in which commodities appear, and the multifarious relations which are presupposed by the ubiquity of commodities. 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 (not including, as it happens, economic science for most of the 20th century). “Commodity” is a concept shared alike by all theories of economics as well as everyday bourgeois consciousness. It is a secure starting point for a science.

There *is* sense in starting 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, and so could be exploited by industrial capitalists. But the Enclosures themselves presupposed conditions in which a landed aristocracy could transform itself into an agrarian capitalist class. These conditions were created by trade, specifically merchant capital, all of which presupposed commodities. Resting on commodities, bifurcation is a precondition for capitalism, but is it a “self-related simple something” as Hegel says? I think not. It is an abstract system-attribute.

Commodities, like capital, existed even in feudal societies, but it was marginal (the original meaning of “capital” was a grant of land from the Crown). It was trade, that is, commodities, which opened the door to capital, eroded traditional relations and was the principle reality which brought about the bifurcation of society. Commodities were both logically and historically prior to the bifurcation of society which is taken by Reuten as the starting point even though it is true that 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 we begin with understanding as well as a simple 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.

The fact that this 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. 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" (Chapter 6, p. 328). None could choose an independent road, nothing was spontaneous. A reconstruction which represents each moment as it is *actually found* is not without interest, but it does not necessarily provide a comprehension. 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 concept rather than something simple which is also a 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 what is more identifies crucial problems at the current moment in 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 capitalist system, albeit in its barest essentials, and finding that all the existing institutions are necessary, Reuten fails to provide that.

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 *on 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, is 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 that, beginning with the bifurcation, each additional feature introduced makes the existence of 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 did this money come from? 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.

Reuten’s systematic dialectic has two phases however. 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 the “manifestations of capitalist accumulation,” phenomena which arise from capital accumulation in a market. 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 under which the human life does *not* collapse despite the existence of the contradiction) such that the defect is sublated (overcome, transcended but not obliterated). This condition in turn invariably reveals further contradictions which *must have been* sublated if social life was to continue and indeed does exist. And so on. This is the basic structure of the systematic dialectic as Reuten sees it. It is clearly a logical presentation, not an historical review.

It seems to me that it is this sequence from “contradiction” to “ground,” in turn uncovering a new and deeper contradiction could be the basis for Reuten claiming 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). And indeed there is merit in this claim with respect to the *latter* part of the book (which I will come to later). Reuten cites the support Tony Smith in the claim that it is Hegel’s Doctrine of Essence which provides the “model” for his dialectical reconstruction. Both insist that the dialectical reconstruction is irrelevant to the Concept Logic, and I see no reference to the Logic of Being in Reuten’s book (though others, such as Tony Arthur, in Smith & Moseley, 2015, do see a likeness in 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 described is indeed a movement of cognition. The Essence Logic (*Shorter Logic* §112 to §159) is a movement of cognition which 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).

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

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), seeking, but not yet able to determine a new concept which captures the situation in a nut-shell and concretises that concept (as in the Concept Logic). The Logic of Essence is manifested in social movements and the history of the sciences, practical critiques of existing conditions. The Logic of Essence is the logic of the development of specific practices (or theories) and there is a sense in which the history of a form of practice (or ideology), once it comes into existence, follows the sequence whose concepts are exhibited in the Doctrine of Essence, until it reaches the form in which it can be institutionalised. Once however a form of practice "breaks through" into the existing formation, every part of that existing formation is *transformed*, and is 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, as a system. The movement of the Logic of the Concept which follows is one of the movement from the simple-abstract to the systematic, concrete whole. I contend that it is the Concept Logic which underpins Marx's *Capital*, ascending from the simple-abstract to the concrete-universal.

"The history of a science is a part of the science itself," said Goethe (1988, p. 161) correctly, but only 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 the capitalist system as a whole. In the *Philosophy of Right* (1826), Hegel refers the reader to the *Logic* for the method, and begins with private property, in his words, "abstract right" – individuals with the right to private property – not with the system of constitutional monarchy or with the Crown. Hegel began with private property, Marx began with the commodity, i.e., exchange of property.

So the difficulty we face in assessing Reuten's claim to follow Hegel's Essence Logic, is this. He begins with a simple abstraction of the capitalist system and ends only with further contradictions awaiting sublation – "too big to fail" banks

and escalating and impossible demands for regulation in the face of the climate crisis, and this is indeed *appropriate* for an Essence Logic, which sets off from a completed quantitative/qualitative analysis of Being (an “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 *genesis* of its essential principles, and Reuten, starting from the absolute bifurcation of society, makes no pretence that his work in any way represents a genesis of either political economy or capitalism itself, at least, not in the first three chapters.

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, though to do so, he departs from his strictly synchronic method by *historically* reflecting on these tendencies, which he must, because they are as yet unsublated contradictions. 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; it is already something *which needs explaining* and that explanation never comes; (2) because the form of movement is actually the *reverse image* of the Logic of Essence.

ad (1). Bifurcation is a systemic feature which is taken at the outset as a self-related fact (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-explanation. It could just as well be claimed that the conditions 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 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.

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" (*Shorter Logic*, §114), I will resort to a metaphor.

"Ground" is an ambiguous term. The ground of 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 fix the problem, the same method may be repeated. Along one route a multiplicity 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 treatment, 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. One line of enquiry leads to a cure of sorts; the other line of enquiry leads to a concept of the contradiction which is the root cause underlying the observed feature, and which can inform an effective treatment program.

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. The overall structure is that of Concept Logic. For example, in the *Philosophy of Right* section on Contract (§§72-81), Hegel demonstrates the *genesis* of Contract from Gift using Essence 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. There is a difference between the autonomous unfolding of an institution according to its own logic, 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. To demonstrate that Marx uses the Concept Logic in *Capital* will be dealt with elsewhere. For now, the focus is Reuten's book.

Theory and Social Practice

Reuten's cognitive process begins with an abstract-general feature of the object which would actually make life impossible (the bifurcation) and selects a feature (commodities and money) thanks to which social life nonetheless continues. Reuten is modelling the capitalist society as successive remedies to remedies to bifurcation, which resembles the point of view of the "Architect" of capitalism. But (at least in the first three chapters) the "remedy" (commodities) historically preceded the "disease" (bifurcation). This is at least insofar as commodity exchange was practised *within* a social formation (as opposed to the practice of merchants travelling from one country to another, or exchanging goods at the border). 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*, not that of the socialist revolutionary.

Commodities are not a practical critique of a bifurcated society, but 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 *unviable society*. The movement from bifurcation to commodities is a purely theoretical movement which has begun from an abstract general 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 a theoretical construct not an immediately given fact (as was the starting point of *Capital*) which is the starting point of all science.

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.

Now, admittedly, the above observations seem 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, such and such problems must arise and indeed have arisen, and these problems have been overcome and had to be overcome by such and such novel institution. So, to the extent 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 human life despite capitalist accumulation.

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 created, 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. 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 according to what *motivation* by 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 could 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.” (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 in fact presuppose bifurcation or even capital. Bifurcation is a final result of considerable development. Reuten is *describing* existing capitalist societies in such a manner that, like this, he can claim at each moment it is all *necessary*. The implication is only that if you are not to have capitalism, then you must abolish the bifurcation of households and private enterprises and the bifurcation of society into owners of labour capacity and owners of entities, but that could have been said without writing the book; it’s essentially a truism.

Reuten points out that Marx’s beginning, cited above, “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” (p. 39). Marx’s starting point, wealth in commodities, is also consistent with Proudhon’s imagined society of independent producers; Marx introduced capitalist employers only in Part 2 of Volume 1. It is not essentially the same at all.

Centuries passed from when commodity production first emerged in late mediaeval England and when 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. In the very beginning of commodity production, a monthly court had to be convened to certify a purchase (Loyn, 1984). A bourgeoisie had to be created – a class of people who trust each other in the buying and selling of commodities, and are able to accumulate capital, supervise labour, and adapt to market demand. And the bourgeoisie also has to curtail 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 need to live. The Enclosures was crucial in creating a proletariat in England and this was achieved by wholesale theft. Granted that the creation and maintenance of a proletariat presupposes the existence of a state of some kind, so maybe the capitalist state could be logically deduced from the existence of the 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 not suit the needs of those who 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 the structural insights are what is required as the product of analysis, 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 knew that the USA was the supreme power in 1945 and the People’s Republic of China did not even exist and most of the world were colonies of one of the other powers.

Marx famously explained in the *Grundrisse* how the reconstruction of a 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. ... (1973, 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 realized 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.** (*Grundrisse*, 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, that is, 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 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. (*Grundrisse*, p. 44)

When such 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. (*Grundrisse*, 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.

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 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 from the point of view of a socialist revolutionary.

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, even 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 first problem that the dialectical reconstruction faces is the choice of this simple relation from which to begin the logical exposition. 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 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.

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, making it possible for capitalism to develop even whilst the feudal state remained in place. As a result, the feudal state was gradually transformed into a state serving the interests of mercantile capitalism. These development took place in a Europe in which states were perpetually at war with one another. My point being that there is in fact 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 which is a simple instrument for easing the way to capital accumulation.

Reuten’s argument is plausible. For example, the bifurcation requires that a person has a right to own parts of the natural world as their private property and that a person has the right to appropriate the product of the labour of another if that other uses means of production which they own. Presumably, 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 landowners had game-keepers just as factory owners had guards and supervisors. However, it is clear that, for the accumulation of capital to continue and be secure, a *state* is required to 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.” (p. 6).

Generally speaking, these needs arise from economic activity; the state serves these needs. But 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.

In the context of the Functionalist exposition this all makes abundant sense. 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 serve those needs.

However, much about 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. The state, generally speaking, was the work of nobilities 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 barbaric hordes) 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.

Here is the issue of theorising by this Functionalist approach the unity of two institutions which have separate roots. Reuten's points to the demand of the capitalists for certain services to be delivered by the state and their consent 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*.

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.

Here is where the attempt to render the dialectical reconstruction by "building upon" Hegel's Doctrine of Essence is so wildly misconceived. The Subjective Logic, the Concept Logic in other words, is the appropriate logic for dealing with the process where a subject develops while being continuously challenged by other subjects, and entering into a process in which the various competing concepts in some way and to some degree *merge* with 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 an arena of 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.

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.

Reuten explains that Nature, the banks and the working class provide the necessary ingredients for enterprises to produce surplus, and in no case at any cost to themselves it seems. “A bank, for example, issues money that it creates ‘ex nihilo’” (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; banks demand a share of the profits, but only 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**. (p. 68, my bold).

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. (p. 75, my bold)

and further:

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

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 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 support them in their dotage, is bizarre. 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 upon reaching adulthood. And it was always so.

Reuten accepts that, as part of the legitimation of the state, the state must ensure that every citizen is able to live “decently” (p. 364). But what underlies this is a many-generation-long struggle by the workers’ movement to define and redefine what is meant by “decency.”

And to suggest that raising children does not have a cost! Self-evidently, households are not mere *consumers* of products, 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 hoped their sons would apprentice 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., etc.

It is interesting to compare this, what is to me, odd position, which Reuten has taken to his observation that civil servants do produce surplus value (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, but it is not distributed; rather it is consumed by families in their enjoyment of a “decent” standard of living.

How does Reuten think wages are determined if it has nothing to do with the cost of 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. (p. 92, my bold)

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. (p. 93, my bold)

I doubt that this contrast is valid. Parents, especially working class parents, are conscious that their children’s education is an “investment.”

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. 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. Labour capacity no more has costs of production than timber growing in a native forest – 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" reduces 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.

There is an argument that working-class households, being distinct from enterprises in owning no capital, and in a system shaped by entitlement to a rate of profit proportional to the total capital deployed in creating value, are therefore entitled to no surplus value, only for the commodities purchased from capitalist enterprises and passed on to employers without expansion in its value. There is therefore grounds for denying that working-class households "produce" labour capacity. *Owning* capital is precondition for entitlement to surplus value. But *every* seller is entitled to recover their costs of production.

Utility

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 the exercise of their capacity to labour adds to products in the course of its use by an enterprise, its usefulness to the buyer in producing surplus value. Its **utility** alone in other words.

Why, 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 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 then she stops producing the product. But Reuten is at pains to deny this element of symmetry that does exist in this relationship. Why?

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.² 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., reducing the value of the minimum wage. Reuten's capitalists are realists, and calculate only on the status quo and the present year; the effects which lead to changes in the economic environment are always *over the horizon for him*. The intriguing Chapter 4 on competition by overproduction and innovation is perhaps an exception.

Reuten's point seems to be to deny any kind of symmetry between households and enterprises, with households seen as enterprises producing labour capacity, much as a robotics factory might produce robots for use in the factories. If so, I believe this caution is misplaced. Humans produce a surplus, and there is always a struggle over appropriation of that surplus. Capitalism provides the conditions for capitalists to exploit workers and appropriate that surplus.

Given access to socially average means of production, human beings labour and produce more than they need to live day by day, under conditions which may be very far from the conditions which they find in a modern workplace, but hope to live well by appropriating any surplus 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.

The word “labour” is often used for that alienated type of activity, working for an alien class, to distinguish it from consumption and domestic activity on one's own behalf, which is sometimes little removed from the kind of labour belonging to an earlier epoch. However, this dichotomy has itself proved to be problematic in its failure to recognise the economic impact of the exploitation of women's *domestic labour*. Workers and their children can be recreated entirely by means of 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. The value of the product, labour capacity, is just the same. 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

² The 1832 Reform Act which restricted the vote to 1/6 of male heads of households who qualified as property owners would be an alternative, political, benchmark.

the determination of wages but extends to the problem of the value of *any* commodity.

In appropriate 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. Pushed to the point, it will be in the *market* at the point of sale 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 use is its capacity to realise value. So, yes, an employer will only pay the market rate 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, his wealth is no longer capital and he will be out of business.

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, will destroy working class life. In general, viewed momentarily, *the price is determined in two contradictory ways*: from the point of view of the seller and from that of the buyer, and monetary value is established at the moment buyer and seller strike a price. But what happens when the two cannot strike a price is 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, 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. Value is indirectly determined by these processes which are not proximal to the point of sale or even the point of production. 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 tends to be equalised across the whole economy and 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. 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, rather than a necessary, logical starting point. In the hypothetical world of identical enterprises operating 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. No amount of mathematical equations can demonstrate that the value of labour capacity is determined solely by its capacity to generate surplus value. Its value for the

employer, at this moment, yes, but by what luck is it that this price is also sufficient for the workers to “create” the labour capacity (as it usually is)?

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 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

I grant that there is something unsatisfactory, metaphysical so to speak, about the idea of value being the working days of socially necessary labour “embodied” in a product. Fine, so long as this is only a means of visualising a commodity’s hypothetical value as a non-sensory, social attribute of a product having nothing whatsoever to do with its physical properties. It is a case of *practical reification*, just as a commodity taking on a value is a case of *practical abstraction*. But yes, once a product is *sold*, that is its value, irrespective of “embodied labour.”

Value and price

When buyer and seller meet in the market and there is the “leap” which transforms a speculative *value* into a monetary *price*, but what is it that makes one product have more or less value than another prior to reaching the market? “The price of an entity is its monetary value” (p. 44). Yes, and Euros or dollars are an appropriate measure of value (it actually doesn’t matter what standard or measure is used, so long as it is universally applied to all commodities).

Reuten seems to use “price” and “value” in contexts in which “price” implies not only a monetary value, but a *realised* value, while he uses “value” (for example in the course of the process of producing a product) for an “ideal” price, a price which exists only in the expectations, the mind, of the producer, that which the producer *expects* to realise. That is just how I would use “price” and “value,” too. Price is Actuality; value is Possibility, in the meaning of Hegel’s Essence Logic. The means of production, we learn, also have a “current ideal value” (p. 68) on the same basis. But we cannot take the hopes and opinions of an industrialist as a scientific category. The point it is: what quantification *should* the industrialist use in *rationaly 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. But if that turned out to be less than the already “embodied” labour, then she would know she had already made a loss! and her investment was misconceived.

I do think that the “transformation problem” is overblown. Everything else being equal, so to speak, commodities are exchanged at their (monetary) value. Prices may diverge from values for long periods of time because of changes and tensions in the economy. over and above the “scattering” of prices around an average. But I don’t think Reuten can simply *abolish* the question by saying value is the price paid. Surely, a good salesperson doesn’t *produce* value when they fool a customer into paying more than the going price for a commodity?

Around the turn of the 20th century, economists started to eliminate “value” from their vocabulary. Early editions of Alfred Marshall’s books talked about value, but later editions did not mention the word. It was now all just supply and demand. Positivism had taken hold of economics. But the determinant of value acts *behind the backs* of the agents who meet in the market, and *this* is the stuff of political economy.

Measuring working time.

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 trivial word for a more mediated relationship. As I see it, “abstract labour” is 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. And yes, abstract labour is materialised as money.

At the same time, we meet “use-value” which is concrete and qualitative, a certain kind of labour needed to meet a certain need. The quality presumably, in industrial capitalism, deriving from how abstract labour is combined with machinery and materials in one or another trade.

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 *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 *rationaly expect* that this diamond will be equal in value to that car? "The market," is the only answer I can find. If one is to have a *theory* of political economy rather than a mere description, then this is surely unsatisfactory? "Value-added is in [no] way proportional to labour-time."

"Socially necessary" and "socially average"

Reuten rejects any notion of "socially necessary labour time" as a determinant of value. Moreover, Reuten tells us (p. 74) that the meaning of "socially necessary" means not "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?

"Average" is meaningful only in the context of reading the early chapters of *Capital* with its "other things being equal" presumption. "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. It makes the distinction between actual labour and ideal labour, that is, the amount of labour which is socially determined, a *social property of a commodity*. It is *that* labour, abstract social labour, which is embodied, not the *actual* individual labour in a given instance. Again, being a realist, the capitalist employer knows nothing of such a concept.

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 (i.e. actual as opposed to possible) only at the moment of purchase when it is realised as money (in some form) and the quantity of labour expended in its manufacture is just history. No buyer, no value, the labour was wasteful. 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. 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. I see no difference in principle between a calculation of expected value, and Marx's term, "embodied labour." But this Reuten emphatically rejects.

"Socially necessary labour time" is an *ideal* quantity. That is, 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. The expression "socially necessary" encapsulates the idea that the enterprise does not simply do what is average but accurately divines the state of all the multifarious social factors relevant to their business, and makes no mistake. That is, it expresses those social relations

themselves. It is not of course a *mental* entity, but an *ideal* entity, something different from the average.

Value is determined by demand

Much as was found in the case of the value of labour capacity, we find simply that value is determined by the going market rate, actualized at the moment of purchase, if at all. But this is a tautology.

Reuten has a great deal to tell us about money and competition which is light years ahead of the what the original Marginalists figured out. But as to how markets work, I still cannot see how he has made any advance into this difficult problem.

Fictitious capital

“Fictitious capital” is a concept mentioned by Marx and Engels in Chapter 25 of Volume 3 of *Capital*. Reuten does not mention this idea, and yet, it seems to me, it 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 repayment of the debt. Given the speculative nature of this credit capital it is never possible until later to say definitively to what extent it is fictitious. Nonetheless, the concept stands.

This means that the claim that money is the measure of value has to be qualified – only insofar as it 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. Doesn't fictitious capital underlie the problem of too-big-to-fail banks and impossibly arcane investment instruments? I would appreciate knowing 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” (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. It goes beyond my life experience to make a judgment about Reuten's theory in the context of financial discourse. But clearly, Marx's approach sketched in Volume 1, of amassing capital in an enterprise for reinvestment is inadequate. It is only the germ cell of the concrete process of extracting surplus value and using it to generate more surplus value, I am willing to take Reuten's work here as a reference for this topic.

This author has not held money – coin or paper, in his hand for almost 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. (p. 105)

Currently, here in Australia, 76% of transactions are conducted electronically, and it is feasible that before long cash will go the way of other forms of money and fade away. Even though in a sense I am behaving like a capitalist in living through my bank account, this is not my consciousness. *For me*, and the kind of activity I engage in, lacking capital, capitalism is like it is described in Marx's *Capital* Volume 1. In the sense that I must first save and then spend. That's all very well, but of course, the economy is much better understood and regulated by those whose job it is to regulate and capitalist economy, by means of a conception of money like Reuten's.

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. Reuten is right then in investigating modern capital investment, the rate of profit and so on using this more developed concept of money.

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. We don't understand all that finance business and we don't act as if we did. It is not part of our everyday consciousness. My relationship to banks and money has little in common with that of the "investor."

I don't believe that the writer must choose exclusively this or that concept of money. Marx was as 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 well elucidates the form of consciousness of workers in bourgeois society.

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 a variety of problems, 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 sense there insofar as these capitalists act as conscious subjects, participating in the design of governments' economic policies. Functionalism fails however insofar as it claims to enlighten us on the conditions of existence of capitalism.

For the moment I am prepared to accept that these chapters are well-informed and value the conclusions Reuten draws, 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. If Reuten had strictly adhered to his synchronic analysis, these tendencies would not have come to light.

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. (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 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 has to 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 temporarily and chronically unemployed, 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.

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 (well informed of how the system works) 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. 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 by 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 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 process of concentrating capital into fewer and fewer hands, together with the necessary 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 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.

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 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 covering 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 it. Every 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 day finding loop-holes to allow their clients to evade regulation, while thousands of public servants beaver away trying to plug the 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 head-long towards its own destruction. (See 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) declares to *Der Spiegel*: The balances of the big banks are ‘the blackest of black holes’. (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 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 is 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 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 were 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 maintaining it is incompatible with continued human life of 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 first-class textbook of political economy. However, I do not believe he has succeeded in realizing 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. Some of the criticisms he has made of Marx are valid. Of course. 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.

To me, what I have called "The Outcomes" of the book, the six interlocking crisis tendencies, are very much valued, and deserve further attention.

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