

Why is Vol II so radically misunderstood?

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Seminar on Vol II

The People's Forum

Outline

- Introduction
- What is Vol II about? Why is it so fundamentally misinterpreted in Western Marxism?
- Why does it matter?
- What Marx really says about the question of demand? Does Vol II endorse Say's Law, even in its 'productivist' form where it's only a question of proportions?
- Rosa Luxemburg's battle against 'pure capitalism' and for an understanding of the intimate relationship between capitalism and imperialism.

Introduction

- Little of what I have to say today will be comprehensible without knowing two things:
 - That I have argued, most fully in my *Geopolitical Economy* (2013) that nations are as material as classes.
 - that, over the decades of my study of *Capital* and Marx's other writings, I have become very critical of the intellectual formation known as Marxist Economics
- Not of all of it, not of individuals but of its structure and the intellectual dead ends to which it leads.
- My writings:
- [‘Consumption Demand in Marx and in the Current Crisis’](#)
- [The Value of History and the History of Value](#)
- [Capital at 150: An Invitation to History](#) (Originally titled ‘History in *Capital* and *Capital* in History’)
- [Political Economy](#) (on where political economy had arrived when Marx encountered it and how he solved its conundrums)
- [Marx's Critical Political Economy, ‘Marxist Economics’ and Actually Occurring Revolutions](#)
- What is Marxist Economics?
 - Classical Political Economy, Marx and Neoclassical Economics
 - Policy of Theoretical Reconciliation: training, imperialism, reformism
 - Fundamental misunderstanding of Marx's analysis of capital as contradictory value production
 - Transformation problem, Claims that Marx did not consider demand a problema and was wrong about falling profits
 - Marx was wrong, let's right him is a veritable academic industry.
- My view, read Marx *without the lenses of Marxist Economics*
- When you do, you will not read Vol II as demonstrating the possibility of a demand unconstrained capitalist economy
- Before proceeding further, we must dispatch an important irony about neoclassical economics. It posited a self-regulating market order which could exist anywhere at any time as a ‘system of provision for human needs’.¹⁴ In this form, it catalysed the socialist calculation debate and later discussions of welfare and planning.¹⁵ However, precisely for that reason, it could only fail to penetrate the one historical form of social production that was the farthest thing in human history from a system for provisioning human needs: capitalism.

Vol II, its content and misinterpretation

- Is about circulation, and specifically capitalist circulation
- Hence particularly easy prey for Marxist economics and its ‘proof’ that for Marx, demand was not a problem.
- This is even though Vol I contains the great refutation of Say’s Law in the chapter on money and Vol III clearly states ‘“The ultimate reason for all real crises remains the poverty and restricted consumption of the masses” (Marx, 1981, p. 615).
- Why does it matter?

Why does it matter?

- Western Marxism portrays capitalism being only about class
- Ignores imperialism
- Ignores anti-imperialist resistance
- Ignores the centrality of the latter in the building of socialism
- Discounts actually existing imperialism's role in creating the wealth of imperialist nations and the poverty of imperialized ones
- Result: Attribution of Promethean productivity to capitalism
- Neglect of the necessity to organize production for socialism in Western countries.
- So, what does Marx say in Vol II?

Capitalist's Demand and his Supply

- In Volume II, Marx specifically treats the circulation of capital and its realization. Although his main focus is on demonstrating realization's possibility, rather than its difficulty, he nevertheless registers the latter.
- *The maximum limit of the capitalist's demand is $C + C=V$, but his supply is $c+v+s$ the greater the percentage of s produced (the rate of profit), the smaller his demand in relation to his supply. Although, as production advances, the capitalist's demand for labour power, and hence indirectly for necessary means of subsistence, becomes progressively smaller than his demand for means of production, it should not be forgotten that his demand for mp is always smaller than his capital, considering this day by day. (Marx, 1884/1978, pp. 197–198)*

Workers as Consumers

- Marx goes on to add, “That many capitalists are involved here, and not just one, in no way affects the matter” (Marx, 1884/1978, p. 198), clearly dismissing arguments that capitalists buying producers’ goods from each other was the solution. Nor does he dismiss the role of foreign trade in alleviating overproduction in both Department I and Department II, remarking that it “only shifts the contradictions to a broader sphere, and gives them a wider orbit” (Marx, 1884/1978, p. 544). However, the problems created by the limits on workers’ demand are noted only in a footnote, and postponed, once again, for proper discussion to a later volume:
- *The workers are important for the market as buyers of commodities. But, as sellers of their commodity – labour-power – capitalist society has the tendency to restrict them to their minimum price. ...the periods in which capitalist production exerts all its forces regularly show themselves to be periods of over-production; because the limit to the application of the productive powers is not simply the production of value, but also its realization. However, the sale of commodities, the realization of commodity capital, and thus of surplus-value as well, is restricted not by the consumer needs of society in general, but by the consumer needs of a society in which the great majority are always poor and must always remain poor. (Marx, 1978, p. 391n)*

What Vol II really argues (Mandel)

- ‘...the basic function of the reproduction schemas is to demonstrate that growth (i.e. the very existence of capitalism) is at least *possible* under the capitalist mode of production. Given the extremely anarchic nature of the organization of production (under laissez-faire capitalism on the home market, under monopoly capitalism on the world market), and given the very nature of competition, this is by no means as obvious as it sounds. The reproduction schemas locate the combination of value and use-value structures of the total commodity package within which growth *can* occur. But Marx never sought to prove that these proportions are automatically and constantly guaranteed by the ‘invisible hand’ of market forces. On the contrary, he insisted again and again that these proportions are difficult to realise and impossible permanently to retain, and that they are automatically upset by those same forces that bring them occasionally into being. In other words, the reproduction schemas show that equilibrium, not to speak of equilibrated growth, is the exception and not the rule under capitalism.
- In a footnote, Mandel quotes Marx in Vol II, p.p 570-571 which attributes the problem to the role of money, just as in the refutation of Say’s law in Vol I.

An Elaboration: Desai, 2010 (pp. 112-3)

- Realization is as central to capitalism as is production
- It was the market, therefore, that determined whether, and to what extent, the various concrete labors successfully realized themselves as abstract labour. It translated the private into the social, the concrete into the abstract. It was only because use value and exchange value, concrete labour and abstract labour were not immediately identical that they required the mediation of the market which, in turn, “implied the possibility of crises.” Capital or surplus value did not arise in circulation, nevertheless “it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation” (Marx, 1867/1977, p. 268).
- In distinguishing use value and value in the first pages of Capital, Marx had meant neither to discount the first, nor to imply that the latter could be self-sustaining as in accounts which one-sidedly view capitalism as merely “production for production’s sake”: “nothing can be a value without being an object of utility” (Marx, 1867/1977, p. 131). His point was rather more complex: Value was condemned to seek fulfillment as the satisfaction of individual and concrete human needs, to become a use-value, however real or fan/phantastical, in order to realize itself as abstract and social. As for the heroes of yore faced with similar “missions,” for the ever-growing mass of commodities let loose on the market by the grotesque-Promethean productive powers of capital, there might be numerous detours in the fulfillment of their mission of realization as a use value, including becoming producers’ goods, but the ultimate test of human utility could never be foregone. In order to be sold, commodities had to have use value – whether directly as an object of consumption or indirectly as objects that were used to produce objects of consumption. If in the process of valorization capital appears to be “value which can perform its own valorization process, an animated monster which begins to ‘work,’ ‘as if its body were by love possessed,’ ” the animus that drives it is the search for realization as use value (Marx, 1867/1977, p. 302).

Marxism's Say's Law: Productionism

- Discounts the importance of realization
- Place problems of capitalism in production alone
- Assumes expansion of the production of producers' goods to an extent and in a way that would obviate any potential for paucity of workers consumption to cause crisis.
- Tugan Baranowski originates protectionism, sees crisis only in form of disproportion which is avoided could lead to endless production of producers' goods.
- But this forgets that commodity production has to be useful ultimately and end in final sales to consumer
- Bound up with arguments against Russian populists and based on reading of Vol II
- Rosa Luxemburg rightly criticizes this as overkill: "The question was whether capitalism in general, and Russian capitalism in particular, is capable of development; these Marxists, however, proved this capacity to the extent of even offering theoretical proof that capitalism can go on without limits, one has obviously proved the unlimited capacity of capitalism to survive! (Luxemburg, 1913/2003, p. 304)
- In *The Accumulation of Capital*, which is regularly dismissed as flawed with the appellation "brilliant" attached, one suspects, as a consolation prize, she had posed a very simple question: for successful accumulation to take place
- the desire to accumulate plus the technical prerequisites of accumulation is not enough in a capitalist economy of commodity production. A further condition is required to ensure that accumulation can in fact proceed and production expand: the effective demand for commodities must also increase. Where is this continually increasing demand to come from which in Marx's diagram forms the basis of reproduction on an ever rising scale? (Luxemburg, 1913/2003, p. 104)
- This way, Luxemburg connected the contradictions of capitalism to imperialism, something which the Western Marxist interpretation has systemtically elide.