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## Exeunt Capital?

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"Economics & Utopia", by Geoffrey M. Hodgson, responds to an urgent and profound intellectual demand of our epoch. The response itself, however, falls short of its mark.

The book is intellectually challenging and provocative. It touches an amazingly variegated array of important topics, on each of which the reader is offered hints and questions in profusion, together with the author's strongly asserted opinions. Eventually, as the same reader stops at some passages for relevant pickings, slides over others that look repetitious or somewhat off the point, groping all the time for the thread of argument, he or she comes to cope with a highly demanding conceptual task.

The dilemma may be present, admittedly, in other books, certainly in all those that carry some real stuff -between an easygoing "let it be" stance, and an active involvement in the workings of the concept. But the usual reader's dilemma is brought to a paroxysm by this particular and strikingly singular book, and it is a chief purpose of the present review to bring out the source of its inner tension.

Indeed, "Economics & Utopia" is devoted to the central theme of the present. The author convokes other authors from diverse currents in social science, particularly in economics, to find out whether or not they have something to say about the possible outcome of capitalism; in consequence, about the present, and the likely proximate, history of modern civilisation. Most authors thus brought to the fore are found wanting -some more wanting, though, some less, others almost not at all. Among the latter, institutionalists rank high. Indeed, the author himself declares from the outset that "the present work is better described as institutionalist rather than Marxist".

The general picture is bluntly put: "I am of the firm opinion, says Hodgson, that the conceptual apparatus of much of the mainstream economic theory is ill-suited to the task of both understanding our present condition and of envisioning a viable future".

Hence, two major reproaches are pointed against "mainstream" economic theory writ large. This theory has been hitherto unable, it is alleged, to account for social and cultural diversity within capitalism; and it has been incapable of understanding (let alone explaining, and drawing meaningful insights from) the transformation brought upon today's society by the agency of increasingly knowledge-intensive production processes. It is claimed that these outstanding features of late capitalism (diversity and knowledge-intensity) have been overlooked in the economic literature. (\*) These two major drawbacks (plus several others) render "mainstream economics" incapable of knowing what present history is about.

And what is it about? Let us now turn the table around and beckon the author to come before the high tribunals he has himself set up for the judgement of predecessors. We now expect him to bring forward either a reformed political economy or significant guidelines towards updating the forlorn science.

It is with this aim that severe corrections are prescribed. Apropos the diversity question, it is declared that "the rectification of this error is a major theme of this book" (p. 93). Reprobation in this regard is directed against a very broad spectrum of economists, the accusation being that "neither neo-classical, Austrian nor Marxian economics recognise the functional [sic] necessity of non-capital structures and relations within capitalism" (p. 147). Against this alleged neglect, Hodgson wields the so-called "impurity principle", according to which it is wrong "to sustain a view of a singular and purified capitalism". Authors as reciprocally antipodal as Marx and Hayek are brought together under the charge of incurring in the same mistake: "[T]hey both ignore the fact that variable systemic impurities are essential to the functioning and development of the system" (p. 101).

Do they? Such recrimination is not quite in line with what is said some pages further on, where the following occurs: "Finally, although Marx recognised the co-existence of capitalist with non-capitalist structures in any (?) capitalist society, he shared with Hayek and von Mises the view that commodity and market relations could grow to the eventual exclusion of all non-capitalist features" (p.147). So now it transpires that it is not that these authors "ignore the fact that... impurities... are essential to the ... development of the system", but rather that they believed capitalist development could tend to erase non capitalist features! And again, but referring now to Marx alone: "[C]ultural and structural variations were recognised, but did not play a core analytic role in Capital. Instead of encompassing variation in his analysis, Marx focused on the unique definitional essence" (p. 121).

True, provided that "the unique definitional essence" is the Commodity, then undoubtedly "Marx focused on the unique definitional essence". He did so because he considered the commodity-form as the most abstract and universal form of capital and hence the most appropriate starting place for capital theory. However, it doesn't follow that "cultural variations did not play a core analytical role in Capital". The opposite is true: just think of class "variation", that plays a "core analytic role" in Capital, and none whatsoever in Economics & Utopia!

According to Hodgson, in Marx's Contribution "the concept of the commodity was located as the starting point in the analysis of capitalism" (p. 275, fn.). If this was true of the Contribution, then (let us add) it would hold for Das Kapital, Book I, Section I. But it's not true. Marx himself famously explains (in his glosses on Wagner, inter alia) that his research does not start from a concept -instead, he develops one.

Such development considers Commodity as the generalised form of capital and, thereby, as the sole all-encompassing social link in the capitalist world system. Consider, instead, the following caveat (closely bordering sophistry) interposed by Hodgson: "As long as the word 'generalised' is not taken to mean 'universalised', then the existence of impurities and non-commodity forms within capitalism can be accommodated" (p. 275, fn.).

"Accommodated" is quite an awkward word in this context. Are we offered to settle up for some half-way-house between the moments of the concept? Yet, the notion that capitalism involves a world system (a concrete totality, the unity of multifarious inner differences) is alien to Hodgson, who, in several passages of the book, envisions the coexistence of a plurality of "capitalisms", each combining a different admixture of "impurities". For while he rightly stresses that there are remarkable differences within capitalism, he leaves out of his inquiry the question of where these differences come from. Having mentioned (and this, repeatedly) the sub-systematic character of capitalist structure, he nevertheless denies the system of which the subsystems are such.

It is this reviewer's contention that the "impurity principle" stands upon an unmitigated misunderstanding of elemental political economy. Indeed, as the author of Economics & Utopia points out, "the argument in this volume depends crucially on a forensically precise definition of capitalism" (p. 263). But the definition adopted by Hodgson eventually leaves out the notion that capitalism is and was, ever since its inception, a world system.

Consequently, it denies or plays down the fact that capital's general commodity-form (and, hence, its derived money-form) prevails therein as the sole overall social link; furthermore, that capitalist development, by and large, tore previous social bonds and social structures asunder, and replaced them with commodity, money, capital. While these constitute the sole general, all-encompassing, absolute, and, thereby, universalised, social relation, they are not the only social relation. This is true beyond the obvious fact that in ordinary life we also enter into other direct, immediate, perhaps local, social relations. Three very brief observations are germane to the stages of the sub-systematic conformation of capitalism.

First, capitalism subsumes (and turns capitalist) several older, amply diverse, forms of exploitation (collective tribute, slavery, servile bondage), and only replaces them with modern appropriate "capitalist features" when it suits the capitalist profit-rate principle to do so. Before, capitalism may unleash unprecedented brutality over and upon unredeemed victims of former direct forms of exploitation, as it did with serfdom in Eastern Europe under the "second servitude", and with slavery in the New Indies' cotton fields.

Second, in a stage enveloping the emergence of industrial capitalism, the profit-rate principle was eventually better served under political arrangements that preclude personal dependency. Such arrangements are properly characterised by the polar notions of modern state and civil society. It has to be stressed that these paradigmatic forms are limited to a portion (both in geographic space and historical time) of the capitalist world-system; that is, they arose only within a lapse of modern history, and they were circumscribed to a few, mostly European, countries. National economies, extended eventually by means of a colonialism, provide the main subsystem of undifferentiated capitalism.

Third, from Marx's death to this day, an inner capital differentiation process increasingly took hold of capitalist development, transforming the capitalist system as a whole, and thereby radically changing the general conditions for its supersession. It is against this highly specific and entirely unprecedented transformation of the social world that both Political Economy and Socialism must, and cannot help but, be conceived anew. Which brings us to the former question about what is happening in present history. A rather faint glimmer of capital differentiation is captured by Hodgson's notion of a Learning Economy.

"Lord, give me the strength to change what can be changed. Lord, give me the endurance to bear what cannot be changed. And Lord, grant me the wisdom to know the difference". This beautiful and opportune old Russian prayer was chosen for the epigraph that presides over Economics & Utopia. Actually, however, the wisdom invoked in the prayer was not fully bestowed upon the author, for the innermost difference within capital itself has escaped his conceptual grasp almost altogether. This neglect is undoubtedly harmful for his present theoretical endeavour, considering that a highly specific kind of immanent capital differentiation is the most consequential process in late capitalist development.

Eventually, the whole argument goes astray. Almost unbelievably, Hodgson accuses Adam Smith (and Marx too, as a matter of course) of ignoring the role of knowledge, chiefly of "tacit" knowledge, in the work process. "True, [Smith] considered the mental as well as the manual division of labour. However, his implicit separation of the process of conception and execution in the labour process robbed manual labour of tacit and other knowledge and denied the unity of knowing and doing. Furthermore, although Smith put technological change to the forefront, this was not linked explicitly and primarily to an increase in knowledge but to an increase of physical capital goods. Marx inherited these traits from Smith and other classical writers" (p. 185). Now this passage should not be read literally, else Smith and Marx are found guilty of ignoring that workers under capitalism suffer a specific kind of alienation; worse, they are accused of actually having robbed the manual workers of their

different kinds of knowledge -the first being untrue, the second senseless.

However, it is fair to say that Hodgson does point at an outstanding expression of the capital differentiation process when he underscores the increasingly knowledge-intensive character of production processes as well as -he would surely add- their vertiginous rhythm of renewal. This observation should stimulate capital theory to its bone marrow and lead directly to the notion of capital differentiation. But instead, the author takes issue on the question of whether the new processes impose either increasingly or decreasingly complex labour skills. Under a quite inappropriate title, "Where Marxism Goes Wrong", he carries on this discussion abstractly, heedless of his own claim that variability has to be acknowledged for. Indeed, capital differentiation calls for both de-skilling individual workers and increasing training standards. Hodgson leaves unmentioned some further and most relevant "differences" resulting from capital differentiation, such as, first, the difference between the kind of working skills needed to carry on technical processes and those required to conceive, create and develop new production techniques; and, second, the difference between two basic types of capital firms, those that innovate repeatedly and those that don't. But it is this difference that accounts for world-wide sub-systematic structure in present capitalism and has far-reaching bearings on class composition and class struggles -which certainly "did not play a core analytic role" (if any) in "Economics & Utopia".

Voilà la différence. Capital differentiation is a powerful source of "social and cultural diversity within capitalism", that dominates over all other conditions of structural variety. In spite of the homonymous "principle", the resulting "diversities" are certainly not "impurities", but, instead, the gradual, necessary and consequential outcome long-run capital accumulation. "To know the difference" is today's motto, for us too. We don't pray, but if we did, we would first thank the Lord for the change he has already bestowed upon us, through capitalist development, and then seek to disclose the potentials for human emancipation that this change has brought about.

Marx's own grand research-program on Capital had that same purpose. But he set out to attain it by means of the critique of political economy. The path followed by Hodgson is quite the opposite. He too believes that by taking some economists to task he may contribute relevant criteria allowing us to discuss and assess the feasibility of political programs for social reform. We "know the difference", though. Even merely formal signs show the deeper contrast, for while Marx's critique is of an intrinsic nature, Hodgson's isn't. For instance, Marx painstakingly expounds Ricardo and ultimately surpasses the Ricardian horizons by the sheer rigour of his unyielding commitment to Ricardo's own concept. Instead, Hodgson's critique of other authors (chiefly of Marx) is hardly more than a flat rejection, being neither immanent nor (as a consequence) actually transformative.

Marx had a scientific program and he sought to lay therein the foundations for socialist politics. In these terms only, his critique of political economy was also meant as a critique of utopian socialists. For, as Hodgson rightly points out, "these radicals were criticised by Marx and Engels for failing to root their ideal in an analysis of the real forces in capitalist society that could lead to their realisation". It is fairly well-known that this concern is a landmark laid out by Marx himself. Hodgson lacks a scientific program of the same kind. Nay, he abhors one. "It is wrong to see socio-economic systems as blindly working out their own logic, simply according to their own in-built tendencies and mechanisms, as if no imagination or creativity were relevant or possible. The past and its legacy bear down upon the living, but history has no single, inexorable logic, and real change and choice are possible to a degree. Economies are not machines..." (p. 9). Indeed, according to Hodgson, "History has no pre-ordained path of goal of any kind...". To prove such assertion, he summons us to behold the never-ending variety of "capitalisms" displayed in the present world. While some usually bad boys are given unusual credit (Robert Malthus, Herbert Spencer), a surprising accusation is levelled against Marx, of whom it is said that he "showed an excessive faith in the power and scope of human reason". The dictum against social science would condemn

him, anyway: the pretence of finding general laws in capitalist development involves... teleology!

It is to be noted that attacks on Marx are not led by an intention to vindicate utilitarianism as an inspiration for abstract economic thought. Quite the contrary, John Ingram is quoted to the effect that "Economic science is far larger than Catallactics", and we are reminded of Lord Keynes saying of the Benthamite tradition that "I now regard that as the worm which has been gnawing the insides of modern civilisation and is responsible for the present moral decay". At this point Hodgson takes sides with Mill in his claim that economic values be made accountable to moral values. He stops short of the grand Smithian project of bringing political economy to bear on Jurisprudence, or the Marxian program in which the critique of Political Economy was (is) to render the strategic broad guide-lines for Revolution.

This brings out yet another difference. By and large, economic doctrines in modern times can be envisioned as roughly falling into two categories, depending on whether or not they have achieved the notion of economic system. System-theories form an outstandingly heterogeneous collection. Unending clash within and between them accounts for most of past and on-going economic debate, and certainly for grand debate. A most basic instance of contrasting views is concerned with the concept of Commodity: while Economics holds the view that commodities are nothing but exchangeable goods, Political Economy, both in its classic and in its critical form, even if the latter failed to attain a complete exposition, have a virtually more complete understanding of such exchangeable goods as reproducible products. Thus, Political Economy has a potential for subsuming Economics. As it were, they do share a basic idea bearing upon the role of Commodity as the general interactive link that brings, and keeps, the whole capitalist economy together.

Non-system doctrines are bereft of this particular concept. Furthermore, they frown upon concepts as such, deeming concepts as akin to mere speculation. On this ground they wage a bitter war upon the moment of speculation that is a sine qua non of the concept. Instead, they claim to be immediately concrete. They practice "open-mindedness" by indiscriminately picking up jargon from diverse system-doctrines, all this to feign a synthesis with a shallowly syncretistical admixture.

And yet, given the sorry state of all system-theories, and considering that Marx's program stands today in urgent need for a vigorously critical updating, we can only welcome "Economics & Utopia" as a vigorous call for renewal. In agreement or otherwise, a thorough discussion of this book (beyond this brief and modest review) is bound to touch the marrow of this epoch.

#### NOTE

(\*) In fact, the present reviewer has written extensively on both issues.. He did so from an approach that is at loggerheads with Hodgson's. He has a different view regarding capital sub-systems, and other issues. See "El Capital Tecnológico", FCE/Catálogos, Buenos Aires, 1998.]]