

The Logic and History of Capital

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What mainstream analysis mistook for an unfortunate trend in the repayment of subprime loans among American homeowners has erupted into worldwide crisis. This much seems fairly clear. However, uncertainty about the maintenance of the international capitalist system lingers, and continues to influence economic, political and social processes around the world. From the rise of reactionary populist movements in the us to the implementation of draconian austerity measures across Europe, from reduced remittances to Africa to the uneven recoveries in the major economies in Asia, these effects are wide-ranging. Given the continued unpredictability of capital flow, all of these settings remain characterised by continued dispossession and emergent struggles. In short, the destabilising effects of finance capital have never been more apparent, and the need for a systemic understanding of this has never been more urgent.

It is in this context that David Harvey has written his latest book, *The Enigma of Capital and the Crises of Capitalism*. There have doubtless been many analyses of the latest capitalist crisis, but few synthesise the logic and history of capitalism with the conjunctural unfolding of recent events in such a manner. Harvey builds his argument around the central insight that capital accumulation is driven by a logic requiring an annual compound growth rate of 3%. Though capitalist development since the 18th century has repeatedly overcome limits by shifting the barriers to maintaining this rate of growth, the tendency to crisis remains unresolved. Applying this formal analysis to a concrete historical period, Harvey highlights the relationship between neo-liberal reforms since the 1970s and repeated financial crises of increasing size and scope over the last several decades.

In this sense, *The Enigma of Capital* is both a formal study of “the strange logic” (vi) of capital flow, and an analysis of capital’s behaviour in the contemporary moment. Such an approach brings together Karl Marx the formal theorist in *Capital*,

The Enigma of Capital and the Crises of Capitalism by David Harvey; Profile Books, 2010; pp 256, price not indicated.

and Marx the brilliant commentator and critic of politico-historical events, as in *The Eighteenth Brumaire of Louis Bonaparte*. This should come as no surprise that David Harvey has undertaken such an approach, given his longstanding commitment to Marxist analysis – having taught *Capital* some 40 times – and his central role in reviving interest in Marxist thought through a flexible conceptual approach. At this conjuncture, however, a systemic analysis to the logic and crises of capital flow seems particularly salient. As he takes us through the particulars characteristic of the recent crisis, including geographic changes in the global landscape of production and wealth accumulation since 1970, Harvey notes that the politics of neo-liberal capitalism – what he identifies as the “state-finance nexus” – necessitates the protection of financial institutions “at all costs” (10). The form of his critique places the logic and history of capital in a dialectical relationship in order to unfold the tendencies that articulate its present.

A Multidimensional Whole

Theories of crisis in the Marxist tradition are prone to privileging specific barriers to capital accumulation such as access to reserves of labour, the falling rate of profit, or underconsumption. The falling rate of profit theory, for example, highlights the contradiction between the drive to technological innovation in order to capture surplus profit and the decline in the overall rate of profit as a result of an increasingly organic composition of capital. However, as Harvey points out, “it is hard to make Marx’s theory of the falling rate of profit work when innovation is as much capital or means of production saving...as it is labour saving” (94). With a focus on capital’s need for continuous movement, Harvey elaborates on the different barriers to accumulation, providing an analysis of the

specific factors that limit or facilitate the social reproduction of a capitalist order at different points in time. However, perhaps the most useful contribution of *The Enigma of Capital* to the study of capitalist crises is that it offers a way of integrating various partial – and often reductive – understandings of capital into a multidimensional whole, emphasising the necessary and dynamic interplay between all of these factors in the workings of capital.

An aggregated conception of the different barriers to capital accumulation demonstrates how capital adjusts to one barrier at a moment of crisis, only to encounter another. A return to the example of neo-liberalism is particularly illuminating in this regard. A number of reforms, including a loosening of immigration controls, has enabled capital to reduce the power of organised labour and depress real wages in the us since the 1970s. However, diminished wages leads to the problem of underconsumption. This was addressed through the extension of credit in the 1990s, which, in turn, contributed to the genesis of the latest crisis in the us housing market. Capital faces changing limits to accumulation at different conjunctures, constituting changing geographies of production and accumulation in the process. Thus, for Harvey, there is no single cause for capitalist crisis, but rather in its dynamism and flow, capital is confronted by a number of barriers and blockages. This aggregated analysis of capitalist crises is historical without being teleological. As capital overcomes each barrier it is confronted by another barrier such that “the crisis tendencies are not resolved but merely moved around” (117). Capital evolves, in this sense, but crisis remains endemic to its evolution. The larger crisis for capitalism, as Harvey sees it, is sustaining a 3% compound rate of growth amidst a diminished capacity for absorbing this surplus – a situation that has generated crises with increasing frequency over the last 30 years.

That crisis is endemic to the logic of capital flow and accumulation, and that the rate of growth is unsustainable in the long-term, are central to Harvey’s argument. These two points provide an opening for thinking about social formations that might resist capitalist development. In transforming technological, organisational and natural forms, capitalist development

has profound implications for social relations and mental conceptions of the world. Harvey refers here to a footnote in Chapter 15 of *Capital Volume 1*. As part of a discussion on the development of machinery, Marx notes, “technology reveals the active relation of man to nature, the direct process of production of the social relations of his life and of the mental conceptions that flow from these relations”. From this material basis for conceptualising social relations and mental conceptions, Harvey delineates seven “activity spheres”: technology and organisational form; social relations; institutional and administrative arrangements; production and labour processes; relations to nature; the reproduction of daily life; and mental conceptions of the world (123). These seven spheres are stitched together by capital flow, but just as capital generates a geography of uneven development, the same can be said of these aspects of social life. As with the notion that capital’s spatial fix affects the built environment in significant ways, uneven development of the activity spheres can be thought of in spatial terms, too – reflecting Harvey’s broader theoretical contribution of bringing geographical concerns to Marxist thinking.

Not unlike his analysis of the barriers to capital flow and the shifting locus of crisis, Harvey emphasises the interrelated character of these seven activity spheres in order to critique perspectives that take one aspect to be determinant of the others. Just as a falling rate of profit theory misses the ways in which capital shifts barriers to accumulation, an overemphasis on natural resources or technological innovation, for example, misses the ways in which these activity spheres co-evolve in geographically distinct ways. Moreover, the co-evolutionary ensemble of activity spheres necessarily operates in a contingent manner. Our mental conceptions are often contested and unstable, for example, and changes in these conceptions of reality may alter the horizons of possibility in a number of other realms. As an example of this, Harvey cites Mao’s “Great Leap Forward” for having reorganised traditional social relations and mental conceptions and contributing, perhaps, to the unintended consequence of capitalist development in subsequent

decades (137). In this, as with any other example, no one sphere “solves” the tensions brought about by developments in another. Rather, “uneven development between and among spheres produces contingency as well as tensions and contradictions (in much the same way that unpredictable mutations produce contingency in Darwinian theory)” (128). This aggregated understanding of the dialectical tensions between different activity spheres provides an opening for thinking about political subjectivity. Recognising the potential for anti-capitalist alliances amidst capital’s capacity to organise

social relationships and social production, within and against people’s competing interests, represents a major theoretical contribution of this book.

Forging Transformative Politics

Indeed, *The Enigma of Capital* provides a theoretically sophisticated analysis both of capitalist crises and the possibilities for transformative response. Much of it may be familiar to those who have read *The Limits to Capital, A Brief History of Neo-liberalism* and other of Harvey’s works. However, this book is unique both in its engagement with the recent crisis, and its use of Marxist



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political economy in a palatable, accessible way. In a work that operates at the level of the general, this study has opened up a number of intellectual questions and possibilities for further research. Such work needs to address the challenges of forging transformative politics through engagement with political and social movements in the particular context of marginalised and subaltern classes, from urban townships to third world rural societies.

One of Harvey's important contributions in recent times has been the transformation of Marx's theory of "primitive accumulation" into a theory of "accumulation by dispossession". In adapting this conception of the means through which capital is initially assembled, Harvey draws our attention to the fact that this process takes place not only at a preliminary stage, but repeatedly and through a wide range of techniques. The forcible removal of residents from the outskirts of a city in a developing country to make way for new buildings is one example of this process; however, the credit system is another. It is through such varied processes that social inequalities and uneven development of societies are put to use in the absorption of surplus capital. In this context, we would argue that understanding the logic of capital flow in terms of the financialisation of capitalism in the west and its blockages leaves much room in terms of our understanding of political economic processes in some developing countries. The state-finance nexus and its role in facilitating accumulation through dispossession is a useful concept for eliding the analytical separation between political power and finance capital. However, in certain developing countries, the state apparatus has been largely decoupled from finance capital and other forms of investment. In sub-Saharan Africa, for example, the economic impact of the recent crisis has been blunted precisely because many countries remain largely disconnected from foreign capital investment. In these and other regions, the relevant political economic issues may pertain to questions of exclusion from the flow of capital and, in turn, the virtues of "delinking" from the global capitalist system.

On a broader level, *The Enigma of Capital* provides a compelling, historically specific account of how responses to the current

economic crisis rest on a "state-finance nexus". Each state and state-finance nexus has its own particular characteristics and institutional arrangements, but this fusion of state power with control over credit has become a generalised characteristic of the flow and accumulation of capital. This institutional arrangement has become particularly pronounced with the financialisation of the US economy since the 1970s, a concomitant rise in the production of "fictitious capital", and the increasing prominence of Wall Street and its financial instruments such as credit-default swaps and derivatives, among others.

Crisis of Legitimacy

Now, in situating today's crisis within a particular historical project – the consolidation of capitalist class power that was itself a response to the major economic downturn of the 1970s – we see that this political economic project, neo-liberalism, is facing a crisis of legitimacy. However, as Harvey notes in the final chapter of the book ("What Is To Be Done? And Who Is Going To Do It?"), a crisis in capital accumulation does not necessarily entail a concomitant crisis of moral or political legitimacy. In relation to the Great Depression, for example, "it took...three or four years for the stock market crash of 1929 to produce the massive social movements...that emerged after 1932 or so" (217). What are we to make of this disjuncture between capitalist crisis and broader demands of legitimacy? Certainly, *The Enigma of Capital* should draw our attention to the contingent interrelationship between capitalist developments and the multiple activity spheres of social life. Acknowledging such contingency opens not only theoretical, but also practical, grounds for considering questions of organisation, subjectivity and consciousness.

Our broader question relating to *The Enigma of Capital*, however, is that as a theory of capitalist crises, it does not address other sources of legitimation for these different state-finance nexuses buttressing the flow and accumulation of capital. Thus, much like the research of Giovanni Arrighi, to whom Harvey also refers, a deeper attention to the global capitalist order and forms of legitimation are required, and would be timely. Such research might look not only at global political economy and the

ideological forms of legitimation, but also institutional forms such as international law and regimes of international security. Of course, this is perhaps less a shortcoming of the study, than another opening provided by the systemic analysis of the flow of capital. Given the crises endemic to 3% compound growth, what other factors buttress the political economic order that facilitates ongoing capital accumulation? Can these sources of legitimation be located in specific institutions? By attending to questions of moral, legal and political legitimacy that also serve to sustain global political and economic order in times both of crisis and growth, we might further our understanding of the potentiality – and contingency – of transformative action.

Harvey's timely contribution has opened up considerable ground for research and intellectual engagement on the dynamics of capital flow and accumulation. Through a systemic analysis of the crisis tendencies in capital flow, we get a dynamic understanding of the historically changing ways in which capital operates. Moreover, with attention to the state-finance nexus that organises institutional responses to capitalist crises, this study provides insight into thinking about political power and accumulation through dispossession. In addition, *The Enigma of Capital* has further developed ideas for social transformation in our day. Given the uncertainty surrounding capitalist order, and the wide-ranging effects of the current crisis, this insight into social formations and political subjectivity is particularly apt. The seven activity spheres provide an analytic approach for thinking about the potential for a transformative response to the destruction wrought by capitalism. This systemic analysis provides a powerful understanding of the logic of capital and invites detailed social study to fill in the particular histories and geographies of development, crisis and resistance that alter or reproduce this logic. In sum, Harvey's insightful Marxist synthesis of the logic and history of capital in motion is necessary reading for all those concerned about understanding and thinking beyond capital, its injustice, and the stunted imagination it propagates.

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