EDITORIAL PERSPECTIVES

CAPITALISM, INEQUALITY, AND PIKETTY

Before turning this space over to my colleague, Dr. Julio Huato, for the main event — I hope to post my own entry in the all-important “capitalism and inequality” discussion later on — I would like to share with readers an intriguing communication, which shows that our “Editorial Perspectives” essays do percolate and resonate, even years after their original appearance.

The essay in question is “Snowplows, Cookies, and the Formation of Ideologized Consciousness,” which appeared ten years ago (Winter 2004–2005). There I told the story of an economics professor who, at a 1977 conference, described the USSR’s foreign trade as “unbelievably inefficient,” citing the case of a Soviet shipment of snow plows to Ghana, West Africa. “Someone should have told them it doesn’t snow in Ghana,” he quipped, to an appreciative audience of (presumably well educated) people. On later questioning by yours truly (I was in that audience), the professor revealed that he himself was the source of this anecdote (he had personally seen the plows on the tarmac, while arriving at the airport in Accra, Ghana, in 1967), and that he had been given an explanation: the plows were an experimental shipment, to be converted into road graders! This last piece of information, of course, had been withheld from his audience. In my essay, I was concerned not so much with the perfidy of this little hoax, but with the question, How can such a patently impossible story — viz., that those stupid Russians somehow did not know that Ghana is in a tropical climatic zone, or that they simply shipped snow plows to that country without even informing officials there of their intention to do that — be accepted as true by an audience that should know better? Hence, my references to “cookies,” and to “ideologized consciousness.”

I leave the details of the original essay’s argument to those who are interested (readers should be aware that all of the Editorial Perspectives pieces are available on our website, www.scienceandsociety.com, from Spring 2000 onward). But now to the present. In April of last year, I received this
by email, from a professional manager of a commercial development in the eastern USA (who requests anonymity):

Apparently your audience of highly educated professionals didn’t realize that snowplows are the same thing as graders, or road graders, also called earthmovers. They are highly useful in warm temperatures for building roads, preparing building sites, and preparing parking lots. During the winter in cold climates, when earthmoving is not possible for technical reasons, the road graders are drafted into use as snowplows. So the Ghana story is funny, but the joke is on the initial professor who did not realize that a snow plow is a highly useful grader out of season or in a warm place! Why do I, a mere mortal, know this? I am in charge of a worksite, and we use the same equipment for both earthwork in summer and snow removal in winter! No one who owns such a thing can afford for it to be idle in the off-season!

There you have it. I’m not sure the “joke” is on the professor, however. I subsequently learned that the “snow plows to Ghana” story became something of a staple in the anti-Soviet arsenal. The message — about how anti-progressive ideological structures are put into place and how these structures de-rationalize popular perceptions and consciousness — is still current, and of course with regard to many present-day “fronts of confrontation,” not just the now-historical case of the USSR. Until we understand this thoroughly and address it effectively, the joke may be on all of us.

D. L.

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THE PIKETTY PHENOMENON

JULIO HUATO

Much has been written about Capital in the 21st Century, Thomas Piketty’s 2014 celebrated economics best-seller. The quality and range of his data compilation and analysis have been widely praised and justly so, as far as one can tell without having to replicate his vast work. The clarity and eloquence of his presentation bought him appeal to a broad readership. A Financial Times detractor who quarreled with him about the rigor of his analysis left the one-round fight with a shiner. Pro forma protests against Piketty’s adherence to “neoclassical” economics and, hence, his failure to adopt the Sraffian and post-Keynesian doctrines of value, distribution, and growth were registered publicly, and then allowed to drop out of view without having dimmed the book’s scholarly prestige and popularity. Ways in which Piketty’s
work intersects, or not, with Marx’s radical takedown of capitalism have been remarked (and parodied), but it is only natural that *Science & Society* allow one of its editors to add his proverbial two cents — as much as possible in a short note.

Patently, Piketty’s theoretical disposition is not Marxist. He assumes capital as either a thing or a preterhistorical social institution, not a historically bounded social relation. He conflates wealth with capital, *i.e.*, productive wealth held privately to exploit labor. Et cetera. Well, what a surprise! He never promised us a rose garden. Yet, dwelling on these crucial, but in a sense formal, discrepancies is not as informative as minding the substantive theses of the book.

Piketty’s chief empirical claim is that, if current trends continue over the next decades, then the global distribution of income and wealth will grow more polarized, reaching levels not seen since the late 19th and early 20th centuries, a period of gaping social inequity that ushered in two world wars and social dislocation at such a scale that capital accumulation was halted, social polarization slowed down and, even in localized cases, got reversed. The stock of empirical material he brandishes to support his claim is gigantic. In Piketty’s view, the main driver of this powerful trend is the lack of an “automatic” rebalancing economic mechanism inherent in modern capitalist societies, which would keep the profit rate on capital, \( r \), from systematically exceeding the annual growth rate of production, \( g \). This is summed up in the relation \( r > g \).

It is of note that conventional or “neoclassical” theories of economic growth tend to share with Ricardo (and Marx!) the anticipation of decreasing profitability in the long run. The specific mechanism envisioned is, of course, different in each case. To the neoclassicals, it follows from their axiom that, as the proportions at which productive inputs combine to produce new output vary, the productivity enabled by the fast-growing inputs declines. Furthermore, under competitive conditions, the profit rate fetched by individual capitalists on the value of a given productive input is proportional to the market value of the additional output produced with the aid of such input, for if it is higher, capitalists will acquire more of that input, thus driving its relative price up, and increasing costs until the excess profitability disappears. For example, if the number of employed workers in shoe production remains constant and another machine (privately owned as capital) is incorporated, the extra shoes produced per machine (and with it the average quantity of shoes per machine) decreases, and with it the profitability of such machines. The implication is, therefore, that as more capital is accumulated in capitalist hands each additional dollar of capital is bound to yield a decreasing profit rate. The only way out of this dead end is better technology (*e.g.* smarter ways to combine the productive
inputs and produce a given amount of shoes); however, at the cutting edge, technology expands at a dismally slow pace.

Piketty’s argument here, based largely on a hunch, stands in contrast with the conventional view: Nowadays, productive technology is such that machines and labor power are highly mutually replaceable. Consequently, the accumulation of machine ownership by the capitalists does not translate into a quick decrease of machine profitability, as the neoclassicals predict. This is why, in spite of larger piles of capital (measured in annual net product terms) \( r \) can stay above \( g \) for as far as the eye can see. With existing data, it is difficult for Piketty (or anyone else for that matter) to confirm or refute this conjecture, as measurement of technology and key productive parameters (the so-called “elasticity of input substitution”) is mired in all sorts of conceptual and practical difficulties. But it is important to have a sense of the crux of this controversy.

But let us return to Piketty’s memorable inequality: \( r > g \). How does it work exactly? Start with \( r \). Say a capitalist begins the year with a capital of $100 and earns an annual profit rate \( r \) of 10%. Then by year’s end he will pocket $10 in annual profits. Say also that he (most likely a “he”) saves half of his annual profits (technically, the out-of-profits saving rate is 50%); then he will start the next year with $100×[1+(0.1×0.5)] or $105 in capital. If the profit and savings rates stay the same over a second year, then two years from today he will have $105×[1+(0.1×0.5)] or $100×[1+(0.1×0.5)]^2, that is $110.25. Under these assumptions, a generation (25 years) from today, he will be holding a capital of $100×[1+(0.1×0.5)]^{25}, or about $339. If instead of $100, this capitalist starts with $100 million, over a generation he will hold approximately $339 million. The sum will be bigger if the annual savings rate is greater than 50% and/or the annual profit rate rises above 10%.

Now, consider \( g \). The market value of the net product is received by those who sell it. These receipts resolve into individual incomes, or collectively the national income. Therefore, its growth rate \( g \) tells us how fast the average income of individuals (capitalists or not) would grow annually with zero population growth (i.e., if annual births just replace annual deaths, with no migration). Thus, if national income grows at 2% annually, the income of the mythical “average” individual would grow at that same 2% annual rate. As a rule, labor income is spent on consumer goods during the same year it is earned. On an annual pro rata basis over a worker’s lifetime, the payments and receipts of retirement benefits do not fundamentally alter this fact. On the other hand, capitalists can afford to save a larger percentage of their annual incomes. That goes with being rich. Increases in profits (dividends, capital gains, interests, and rents) lead to even higher saving rates, i.e., to increased capital accumulation, by the direct personal acquisition of additional productive wealth or of financial assets entitling them to share the
future income of corporations and other legal entities. In sum, the filthy rich tend to save the bulk of their income.

Now, individual capitalists do not go on forever accumulating capital. They die. But given their typically smaller families and low rates of inheritance taxation, their capital tends to stay concentrated in a few hands upon their deaths. Under these conditions, it is almost self evident that if $r > g$, gigantic blobs of capital will concentrate at the top of the social pyramid. Obviously, the less wealth, high incomes, and inheritances are taxed and the higher the capitalists’ savings rate, the more $r > g$ will lead to increased social polarization. On top of this, the massive accumulation of capital by an ever smaller number of individuals or families leads almost directly to the accumulation of political power among the privileged.

Capital, a fungible social power, can rather easily buy political influence. As a result, politics, legislation, and justice administration wind up entrenching the power of Big Capital, to the exclusion of the rest of society. All that said, Piketty is sophisticated enough to hedge his empirical claim on the hypothesis of a persistence of current trends, something that should not be taken for granted.

Clearly, with serious fiscal mechanisms in place to keep wealth from concentrating in ever fewer hands or being passed on dynastically to the next generation of plutocrats (or with social catastrophes disrupting capital accumulation), the combination of higher profit rates with high saving rates and low population growth would not have to widen inequality. However, Piketty believes strongly that this fateful combination (without the fiscal checks in place) is a highly likely scenario. If so, the always preposterous yet persistent mythology of Western capitalist societies as “meritocratic” and “democratic” is bound to face a painful “reality check.”

Piketty, imbued with these “meritocratic” and “democratic” values, would like to implement controls on concentrated capital so reality can look a bit more like the ideological fantasy. Again, it is trivial to insist that Piketty is no Marxist. He doesn’t view himself as a Marxist, or even regard Marx’s influence on his work as significant. And who are we to second-guess him? Yet, Marx’s work is such a grand historic factor that Piketty has had to absorb it, somehow. All that aside, much more importantly than intellectual parentage is the fact that, regardless of the theoretical frame Piketty used to organize and analyze his empirical material and couch his story, his main conclusion is consistent with the Marxian view that, by and large, as long as the workers stay fragmented, confused, and unwilling to fight in concert, capitalism functions as an out-of-control juggernaut, reproducing at an expanded scale wealth and power at one pole of society, and misery and helplessness at the other.

Conversely, if workers resist and mount a political counterattack to reshape legislation, forcing the introduction of reforms and conquering
political dominance to scrap and remake the legal constitution of society, they can deactivate the juggernaut, and place social life under their conscious collective control.

However feasible it may or may not be in particular contexts, the global implementation of hefty progressive tax rates on profits and capital, the most important policy measure Piketty advocates, is compatible with the aspirations and struggles of socialists most everywhere. It has been rightly noted that, as an abstract fiscal-policy proposal, Piketty’s does not go beyond a mere technocratic fantasy. But the point of making a proposal of this sort, from a reputable academic tribune, is not to be discounted simply as an attempt to persuade the unpersuadable. Mass political struggles are sparked by individual initiatives prompted by influences present in the collective consciousness. This is why we can only welcome the sharpened public perception of growing inequality as needless, wasteful, and unjust, as such perception will help spark and sustain workers’ struggles for a better social order.

IN THIS ISSUE

We have bracketed two articles that arrived independently, yet share a certain common purpose. Jean Batou’s “Accumulation by Dispossession and Anti-Capitalist Struggles” examines the work of David Harvey, which dovetails nicely with that of other writers (e.g., Werner Bonefeld, Tom Brass); all of these authors, in different ways, have questioned the relegation of “primitive accumulation” to the distant past and the study of capitalism’s origins. Batou, while critical of Harvey, does not advocate a return to some orthodox formulation, but instead urges that we view primitive accumulation, in its enduring aspects, as a “dependent variable of expanded capital accumulation.” He suggests a synergy between accumulation by dispossession, on the one hand, and “super-exploitation” of labor, on the other; the relativizing of the latter may be only apparent, in a period in which newly formed strata of wage-earning masses, particularly in East Asia, have not yet realized their potential for organization and consciousness.

Current efforts to re-envision the grand political economy of world capitalism in its present stage, and to recuperate important concepts from Marx for this project, extend also to the nature and role of the state, in relation to increasingly transnationalized capital. The second article in this issue’s pairing offers a similarly critical investigation into the work of Leo Panitch and Sam Gindin, especially its latest vintage, their recent The Making
of Global Capitalism. J. Z. Garrod’s “Critique of Panitch and Gindin’s Theory of American Empire” focuses on both empirical issues (the extent to which the dominant units of capital today can be thought of as “national”), and conceptual ones (where does agency reside in the complex interactions of firms, private policy centers, and governments?). Garrod argues that the Panitch–Gindin concept of “American imperialism” does not grasp the weaknesses of “the particular nation-state–centric framework through which such concepts operate.”

Both papers in the “Accumulation and Empire” set speak to the continuing need for creative application of Marxist theory, in a world that seems to cry out ever more loudly for systematic explanation and guides to action. They both also call for careful attention to historical materialist fundamentals, in the effort to grasp both continuity and novelty in present-day capitalist development.

Josep Maria Antentas’ study of “Daniel Bensaïd’s Joan of Arc” enriches our knowledge of both figures. English-language Marxists may know of Ben- saïd, the French philosopher who died in 2010; they may not be aware of the enormous extent of his literary and theoretical work, most of which has not been translated. His engagement with Joan of Arc — the reality and the myth — is intimately connected to his lifelong effort to grasp the qualities of the present moment. Along the way, we learn, or re-learn, the multiple dimensions of Joan as a concentration of the conflicts and symbols of the social transition that she embodied.

Science & Society has published a number of studies of Lev Vygotsky’s work in human psychology and pedagogy (e.g., Richard Bickley, Summer 1977; Wayne Au, July 2007; Siyaves Azeri, January 2011). Now Luis S. Villacañas de Castro continues this project. He offers, however, a critical view, arguing that a more complete integration of Marx’s theory of phenomenal forms into his framework might have helped Vygotsky to avoid certain flaws in pedagogical reasoning. Villacañas draws on the work of Paolo Freire and his students to round out his critique.

Economist Paddy Quick responds to the recent article by Renzo Llor- ente (“Marx’s ‘Universal Class’”, October 2013), which studied the various possible definitions of “universal class” and sought to substantiate this concept as applied to the working class in capitalist society. At issue is the question whether the “universality” of class exploitation, as compared with other forms of social oppression, must mean that proletarian emancipation a) will eliminate all other forms of domination; b) will automatically eliminate all other forms of domination; c) alone offers the possibility of such elimination. Can oppressions based on race, gender, sexuality (and ?? — the list may be incomplete) be comprehended fully (one assumes that this includes denial of any view that treats them as “secondary” issues from a practical–political
point of view), within a framework that posits the universality of the working class, and of working-class emancipation? Quick’s comment raises this question, and others.

Finally, we present Tony Mckenna’s review article on a recent (2011) Hollywood film, In Time (written/directed by Andrew Niccol, starring Justin Timberlake and Amanda Seyfried). The film, in the dystopic sci-fi mold, pictures a world in which haves and have-nots are separated by their control of time — literally: the time they have left to live, which can be bought and sold. The question of the relation of this to a Marxist view of control/performance of labor time as central to social power is obvious, and intriguing. This essay is part of our effort to expand the coverage of reviews in S&S to works of fiction, and to media other than books.

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Unusually, we take note here of one book review, the lead review in this issue. The book is Taking Socialism Seriously, edited by Anatole Anton and Richard Schmitt. The topic, of course, is one that S&S has covered in detail in both earlier and more recent issues, and we asked Mark Jablonowski, who has written for us on this and related topics, to review the book for us. In November 2013 I wrote to Mark informing him that his review had been accepted, and requesting a few minor revisions (as is our practice). When I did not hear back from him in good time I became concerned, and made some inquiries. Sadly, I must report that Mark died on December 14. He had been a Lecturer in Economics at the University of Hartford School of Business. We learn that he was, in addition to his scholarly pursuits, a devotee of music; that he had a “wonderful knack for weaving yarns and pulling pranks”; that he was a lover of cats. He is survived by his wife Sheree, son Stephen, and other relatives. We at S&S obviously knew of only one side of this many-sided contributor to our pages. His review of Taking Socialism Seriously appears as submitted, without the benefits of any revisions he might have undertaken.

D. L.