8 | Amplifying, Confirming, and Proposing

The present study has been drawn most heavily from two major points. The first six chapters presented and analyzed sale/purchase-in-time as characterizing modern microeconomics. Then the first part of chapter 7 presented a methodological critique of the value subsystem, followed by a sketch of an altered theory of value. In this chapter I further analyze that altered microeconomics and theory of value. Thus the chapter title, as I want simultaneously to amplify the views presented there and show some of the ways in which they are apt to the investigation of modern capitalism. Finally, I want to indicate, if only briefly, how this analysis bears on the growth of fabricated society at the expense of "natural" or spontaneous society. The discussion is organized around the role, forms, expansion paths, and "ownership" of capital today as seen in the light of price relativism and our rejection of the value subsystem.

The Cost of Change

We should start with a negative observation, namely, that no analytical or investigatory loss is incurred by giving up the value subsystem and its associated doctrine of price realism within general equilibrium. What is most striking about both the Marxist and the neoclassical microeconomics is that they raise problems which are often of important theoretical interest but have little practical utility in economic investigation. This comes of the fact that neither the Marxist nor the neoclassical microeconomics satisfactorily effect the transformation between an apriorist world of *Prices* and values and the unruliness of empirical prices. The logical distance between exploring general equilibrium/price realist conditions and trying through partial equilibrium or other price-determinate models to

understand the dynamics of actual markets or other changes for a firm, a product line, or even a specific, real-world economy is enormous. A general equilibrium cast within the value subsystem is not a sum of partial equilibria; methodologically, they are two different species entirely. In the latter, and not in the former, one makes difficult, often compromise methodological decisions such as how to construct variables and measure them, how to identify the actual conditions that would reasonably be modeled as an equilibrium, and, more importantly, the nature of possible findings that might falsify the equilibrium assumptions. In short, one has to "solve" the transformation problem between price and value, but this is precisely what cannot effectively be done within general equilibrium theory and its associated price realism and value subsystem, for the latter three are defined in such a way that in principle they cannot be falsified by price evidence. Simply by employing them one has swept aside the problem.[1]

Thus the question "what is lost in giving up the Marxist or neoclassical microeconomics and their equilibrium assumptions, price realism, and the value subsystem?" The answer is that very little if anything is lost! No criticism made in these pages even crowds, much less devalues, the use of quantitative methods, econometric procedures, and even price-determinate models in economic research, and no obloquy attaches to their employment. We merely accept as a theoretical principle that the meaning of no price is given a priori but must be searched for by a variety of, we hope, mutually supporting and over time correcting empirical investigations.

We do lose, of course, the ideological implications of those microeconomics, which depict analytically an absolute dictatorship of capital over "the proletariat" or, alternatively, a realm of superior, almost unlimited freedom for that "sovereign consumer." In foreswearing those dubious claims one instead has made a net analytical gain with the concept of a constrained and productive "final" consumption, which, regardless of its exact development in these pages, provides a more useful, nuanced, investigatory logic than those it replaces.

The Courses as Functional Units of Capital

The courses take on a special, though somewhat paradoxical, significance when we view them as functional units of capital. As a social organization of labor-power they have, for capital, several enormous advantages over their predecessors. In the first place, the course division of the work force

into Managers and workers restricts the more and more decisive growth areas of knowledge and technique into a Manager course small enough to be especially rewarded and thereby its links to the capitalist property system drawn tighter. At the same time the amplification of their productive services and deployment in the economy and society can be more closely controlled. Further, in a democratic age the privileges of this "meritocracy" are more easily defended on functional grounds, that is, on grounds asserting—truly—the especially important role that cadres play in a modern, dynamic economy.[2]

The modern Manager course is not the product of the private sector alone. It is an institutional product of the intersection of business, government, and university and can also be usefully employed for the most part only within that intersection in which business is the dominant though not the exclusive power. In that sense, business has an oligopoly position with respect to the services of the Manager course. This sort of oligopoly is of at least equal, and probably greater, importance to capital than the sort winked at in the antitrust laws. It confers upon capital the ability to choose between different trajectories for its own growth and, to a significant degree, the pace of that growth. Analytically, the self-expansion of capital, now free of "the free market," becomes to a significant degree self-directing as well.

Second, the existence of a special managerial course has historically been associated with an enormous expansion and an equally enormous ramification of capitalistically usable knowledge and techniques; here oligopoly over scientific and technological knowledge paradoxically encourages growth and ramification. If as before we schematize the work of managers as multiplying the output of workers, then that multiplier is itself particularly susceptible to multiplication. Does it follow that as a strategy for capital growth the higher unit costs of investing in the education of a minority should generally lead to greater increases in capitalist value productivity than the same investment spread over more persons? We do not appear to have the empirical ability to test that particular thesis, but it is clear enough that it is that strategy that has been enacted by modern capital since the last decades of the nineteenth century.[3] Following the U.S. lead, manpower investments internationally have tended to be overly weighted in favor of the Manager course and to be associated with the "deskilling" of the rest of the work force, here meaning the removal from the worker ranks of the more important types of knowledge and skills necessary to guide industrial work both organizationally and technically.

It is only a metaphor, but one can say without great imprecision that Managers function as the producers per se in modern industry and the

workers more as a kind of raw material for production. With true capitalist logic, there tend to be one-sided increases in investment in the former while the latter play a relatively declining role. To repeat, for the point is of cardinal importance, by virtue of modern cadres, capital has achieved a degree of selective self-pacing over its own growth.

Third, the productive system is commonly likened to an army. In that sense, by treating workers as the simple soldiers of production with a course possessing a technological but changing "oligopoly" the workers themselves may function almost as interchangeable units to be deployed now on this production front, now on that. The most significant productive feature of the erosion of crafts-based technologies in industry is that the labor force becomes more job mobile, which is more important in a modern economy than geographical mobility. I don't mean that there is frequent switching of jobs for an individual worker, but across the generations the modern work force is immeasurably more mobile than its predecessors, for not only crafts skills but also city-country differences, the separation of the sexes, and the withholding of children from the central economy, all once operated to compress the numbers, range, and adaptability of the productive services of the social labor-power more closely than now. Within the Manager-worker relationship these restrictions can be socially erased so that virtually all the social labor-power can be deployed to industrial and commercial uses, or preparation for such uses, in each generation.

Analytically, this also means that capital has achieved greater freedom to change its actual, empirical productive form, now appearing in the garb of the steel industry, now as auto manufacturing, and subsequently as communications or electronics. To view this phenomenon only under the rubric of the "mobility of financial capital" is to substitute a fetish form of analysis for the real thing. In a modern economy, the vast proliferation of financial procedures, credit forms, payment modalities, and investment opportunities is a reflex of the real economy based on a polyvalent modern cadre dominating an unusually adaptable work force. Basically, the empirical form of these things consists of changes in the use of a social labor-power organized by courses, which are themselves subsumed within capital's own growth circuit.

Fourth, and as already pointed out, the Manager-worker relationship, by bringing into social labor-power virtually the whole population of a modern country, creates the possibility for capital to advance to and hover at the very limits of its own possible amplification.

As long as the circuit of capital was not completed by integrating final consumption into it, capitalist institutions were limited in the numbers

of people who could be brought into the work force, limited in the skills and educational changes it could impose on them, hence limited in the way it could make use of them, and limited in the modes of exerting social control over them. Its self-expansion was hemmed in by "the Market," as was its trajectories of growth and the pace of those trajectories. Earlier capital coexisted with a social labor-power of primitive productive characteristics, and capital's ability to alter those characteristics was also severely limited. Through sale/purchase-in-time and what I have elsewhere called Social Taylorism (McDermott 1991: 150ff.) the processes of final consumption are brought within the productive circuit of capital, quickly evolving into the purchasing/consuming/preparing/working ensembles we have called courses. The development of these modern courses in effect brings virtually all stages in the life of each person within that circuit of expanding capital, increasing the scale of its growth far beyond what could have been expected in the Victorian economy that both Marx and Jevons experienced.

It is not at all clear that the Manager-worker relationship as it has developed since Taylor in every case must be more efficient than, say, a work regimen in which the workers, each with a higher level of skills and knowledge, control the organization and pacing of the work. Whether or not that sort of microefficiency holds in the general case has to be established—or refuted—by means of appropriate empirical investigation.[4] But the division of the social labor-power into its contemporary courses brings nearly all aspects of the life of virtually every person in the society immediately and directly into the expansion of capital; it is this—let us call it macroefficiency—that serves to further confirm that the courses are the human elements of modern capitalism's ability to grow at an optimal pace.[5]

The Altered Role of Money

Theoretical constructions are always conditional on contingent events; historical change requires adaptations in theory. "The Market" in its several manifestations has become an obsolete construction; the dominant idea that auctionlike behavior should have a theoretically privileged standing to which other economic phenomena must be made logically hostage is no longer sustainable. As the present study has been at pains to show, modern markets have been shaped and engineered as much as or perhaps even more than the products that appear in them. An actual market, today especially, is no more "natural" than the credit card slips or

electronic signals that change hands in it. As much as anything it is that which weighs against the existing microeconomics of both the traditional Marxist and neoclassical traditions.

Both the Marxist and neoclassical paradigms are predominately theories of exchange, having the effect of obscuring the degree to which formal exchange normally now occurs within and is subordinated to other kinds of economic behavior states, in particular to administrated processes of production and distribution, which have come to the practical and therefore theoretical foreground.

This shift from exchange to distribution further implies that there has been a substantial alteration in the role of money, an implication that is quickly and richly confirmed. As we have seen, the process of production and distribution of commodities from design through fabrication through empirical distribution, including the processes of final consumption, are manifestly steps within the circuit of productive capital (see chapter 3). They complete that circuit so that in fact as well as in theory commodities never drop out of the circuit, with even their "final" consumption occurring within the circuit itself.

Money still functions as a means of exchange and a unit of account, but it is only a temporary unit, for the commodity is normally a value shell, that is, a value in the process of change. The commodity still appears to be a crystallized, self-contained value, as we imagine it in the Market, but in reality it is only a phase in a circuit of expanding capital in which there is an enduring tension between processes of expenditure and delayed utilities: we buy and maintain the car with a view toward obtaining certain services from it over time. But there is no guarantee that to each present expenditure, nor even to the whole stream of expenditures, the expected future services can and will be enjoyed in the time frame expected. Probably they will be and the expenditure-return tension will be erased in time, but the tension will continue until that time has come.

Money-denominated prices function in general within the wider tension between price and value in a modern economy, that is, prices of exchange reflect past historical phases of the sale/purchase state, including prominently the property costs imposed *ante diem* by the producer/seller, but which will also live on in a future world in which those values may become undone. Costs by purchasers/consumers are incurred in anticipation of value, but the expenditure must be subsequently validated in real time and often it is not.

The widespread practical and theoretical use of the concept of "opportunity cost" provides further evidence of this tension between (historical)

price and (anticipated) value. In employing an opportunity cost analysis in a given situation, we assume that quantifiable returns over time for alternate uses are reliably enough assured that one can make a warranted calculation of them, not a wild guess or a sheer speculation. We should here distinguish a purely technical computation of some sort, which is always more or less possible, from the social practice of regularly making those computations. In a purely technical sense, a fifteenth-century mariner-adventurer could guesstimate the differential returns to be gained between plying conventional cargoes of wheat and olive oil between Algiers and Lisbon compared to a voyage out to the Indies, hopefully to avoid uncharted shoals, unpredictable storms, and the surer attentions of pirates and disease so as to return with a cargo of fabulously valuable spices. It is a different thing today, as we can realistically assume that alternate investment opportunities are always at hand, all within the boundaries of conventional not daredevil behavior, and with some experience of the likelihood and scale of returns for each alternative. Even the expression, "alternate investment opportunities are at hand" underdescribes the situation. In a modern economy every commodity is in fact a "piece" of capital because of its location within one or more actual or possible capital circuits. It is precisely this that the conception of opportunity cost reflects. In short, the warrant for employing opportunity cost reflects a social reality in which the nature of the tension between (past) costs and (future) returns is well understood and whose calibration lies well within the range of common economic practice.

The Money Form of Value Superseded

The empirical worth of commodities is decided by their locus in one or more capital circuits and in light of the degree to which, for that reason, the commodity's (money) value is expected to grow. Empirically speaking, commodity production and distribution occur within and as conditioned by markets engineered to make the size and surety of returns as predictable as human artifice can allow. Commodities are made and sold with those returns in mind, and their empirical prices of exchange established to facilitate it. Literally, commodities and their services are capitalized, their historical prices of production being expectantly precoordinated (or subsequently adjusted) with the later, constrained purchases and consumption of consumers. Their money worth is established by neither of these two crystallized poles but by their changing relationships in

time. Their worth is their value as capital, their (money) value within the capital expansion process, not their various historical prices nor various anticipated prices taken by themselves.

In Marxist terms, we can say that a modern economy has burst through the older "integument" of the Money form of value and exchange and reached a Capital form of value, meaning simply that the money price of a commodity is determined less by its crystallized historical costs of production, and less by what it will today bring in a market, than by the worth in money conferred on it by its place within different actual or possible circuits of capital. Crudely, its worth is evaluated by its function as a unit of capital, not a static element of property. Or, more generally, commodities in a modern economy never exit entirely all the circuits of capital, never appear, so to speak, shorn of that character in this or that market, and it is this phenomenon that dominates the establishment of both their value and their money value.

This finding again emphasizes that the capitalism that Marx knew and that even the Jevons-Walras generation of economists met was a capitalism still in its infancy and not fully liberated from the merchant-dominated capitalism that preceded it. In both of their microeconomics, trading categories predominate—money, market, and exchange—categories that can be used to characterize modern capitalism only as to the effect of distorting or at best delaying our understanding of it. The concept of "monopoly capital" provides an illustration. It expresses ultimately a narrative of competing merchant rivals, of commodities that can be monopolized because they have technical qualities that cannot be readily substituted for. It fits a narrative of "industries" consisting of relatively specialized firms that collaborate in producing and selling their one or a few products at finagled prices. It is only with difficulty that one can fit into such a monopoly scheme diversified firms, firms that engineer the growth of their markets through the advance of credit, or autonomous firms that nevertheless are historically partnered, for example, GM (engines, frames) and DuPont (fuel additives, and paints).

Understanding this further evolution in the forms of value changes our view of credit, especially consumer credit, in two ways. First, the increasing ubiquity of credit cards and credit purchases, along with the huge ramification in the different scale and modes of extending or receiving credit, should give us pause. To use a credit card is not to gain a discrete series of credit advances and incur an equally discrete series of payback obligations. To have a credit card is to have an instrument equally useful through a period of time to make any and all purchases whose costs do not exceed a certain time-adjusted balance. Moreover, the time period

is normally fixed only on its past historic side—the date when one "got the card." The cards themselves have nominal termination dates, but the universal commercial practice is to renew them automatically as long as the relationships between credit advances and payments lie within certain parameters, parameters initially set by the size and surety of one's income. To have a credit card is to exist in an open-ended state of being able to enter into a wide range of sale/purchase relations. A credit card expresses a social practice keyed to the size and continuity of one's income stream, not the discrete purchases one makes.

Thus, the credit card is a social expression of the fact that the (money) value of our own commodity labor-power has also been capitalized, and in that respect it is a major institutionalized expression of a socially manifest expression of the shift from the Money form of value as the dominant form in which value appears to a situation in which value is almost universally capitalized, that is, to a Capital form of value.

Thus, the credit card is keyed to one's course identity, not just one's personal identity; one qualifies for it by fitting a certain socioeconomic profile and not, as in previous forms of consumer credit, because the creditor has direct reason to attest to the debtor's personal uprightness. In turn, the cardholder's income stream is in a socially manifest way "measured" within the series of payments of income, payments for commodities, and liens against future income, with the whole coordinated by the policy practices of the credit card issuers seen in light of their relationships with the commodity producers/sellers. In short, a credit card socially manifests the tension between past expenditures and future earning, and, to the extent that the Visa and Mastercard statisticians can do so, the cards actually try to calibrate that very tension. In another sense, the card issuers function as a special institution coordinating the income stream of purchaser/consumers with the capital needs of corporate business.

A further manifestation of a historic change in value form comes in the macroeconomic shift from commodity money (the "gold standard") to credit- or bank-created money, the former the exemplar of the Money form but the latter designed to take account of the need to expand and/or contract the supply of money so as to make sure that the economy's performance will not needlessly threaten historically established property values. Again, in the tension between money price and capitalized (money) value, the value pole more heavily determines the kind and quantity of money that circulates within an economy, and in fact nowadays that quantum is normally designed to bring about a steady inflation-free expansion of economic activity, that is, one in which the threat to the deflation of property values is minimized.

This shift from the Money form to the Capital form of value raises interesting questions about the nature of capital itself as it is revealed in a modern economy.

What Is Capital?

As we know from the Cambridge capital controversy and kindred debates, the concept of "capital" is elusive and not at all trouble free. One needs the concept so as to be able to make comparative judgments about the (money) value of productive assets, but, as we saw with the concept of utility value and labor-power value, postulating a unitary substance called capital seems to press against the margins of metaphysics.

Marx characterized capital as self-expanding value ([1867] 1967: chap. 4). On the narrative level his meaning is sufficiently clear. He cites the development, beginning in Europe in the sixteenth century, of distinct classes of persons, organizations, and social institutions devoted to making money, not as an end in itself, as with a miser who hoards it, but as a continuing process of making money in order to make more money. At a somewhat different level, he cites the "magical" phenomenon of investment, that is, spending money as a way of increasing it.

Yet there is a peculiar analytical gap in his views on the subject. Value is for him virtually equivalent to labor-power, but this conception is only incompletely and erratically related to his definition of *capital* as "self-expanding value." As he writes, "labor-power is the substance of value" ([1867] 1967: 46). Accordingly, he treats the expansion of capital as a process of capitalists extracting surplus value via the wage system from the workers' exercise of their labor-power. In Marx, that possibility arises because, while labor-power is paid for at its value like any other commodity, that is, the cost of its production and reproduction, it is capable of producing value beyond its own cost of production; it creates new, additional value. The capitalist pays only for the value of labor-power and so is in a position to garner the newly created surplus.

Clearly, there is a gap in Marx's analysis. If by nature capital expands as a residue of something else, it cannot be *self*-expanding. Something else must be expanding; in Marxist terms, capital would be only the phenomenal form of that something else. But what is that something else?

Clearly, it must be labor-power, but it can't be, at least in Marx. His concept of labor-power doesn't permit that inference; he's already identified labor-power, all labor-power, as having at any given time a crystallized or fixed value, to repeat, the "socially necessary" cost of its pro-

duction and reproduction. Moreover, the fact that the value of labor-power can be crystallized, as in "a (definite) bundle of commodities," is the pivot of his whole theory of value, surplus value, exploitation, and the rest. Thus, the conundrum: if fixed at every given time, then not expanding at any time; if expanding, then not fixed.

As far as I can tell from Marx's writing, nowhere does he address this conundrum. In his system, the social and narrative meaning of "self-expanding value" is both central and clear, but at the analytical level it remains just as central but is by no means clear.

In its narrative dimensions, the Marxist economic scheme is presented as a theory of production, with labor-power at its heart, the "labor theory of value." But analytically, in fixing the value of labor-power as he does, via the wage-for-work exchange, Marx's theory is in fact an economics of exchange, not production.[6] In the logic of his position, he implicitly allows the market abstraction to interrupt the (notional) circuit of productive capital so that the value of labor-power and the value of some bundle of commodities are made identical; again, not narratively identical but, more importantly, analytically identical. Narratively, we can actually see change in the value of labor-power, but analytically there is no logical room for that obvious change in the scheme.

This shift, however important analytically, is also very subtle, and we have met it before. It is another instance of mercantile categories creeping into an ostensibly supply-dominated approach to economic theory. In Marx's case it comes of the fact that the capitalism of his era had only partially evolved away from the merchant-dominated capitalism of the previous era. But now we appear to be at a historical point in which we are—or can be—less blinded by the "naturalness" of trading categories in economic analysis. The concept of the social labor-power provides the formal analytical conception that corresponds to this historical change—and it is the key to the expansion of capital.

As already indicated, the concept of the social labor-power includes all those capacities to work, trained as well as natural, in an entire economy or, better, society. The value of commodities, including that of labor-power itself, comes only in their role as complements to the expansion of that labor-power. A given commodity or class of commodities, no matter how dearly produced in terms of human effort and natural resources or however ardently desired, has value only to the extent that it adds to the capacity of that labor-power, that is, to the expansion of its productive services or quasi services. As before, that expansion does not have an absolute character. All such expansions are only relative and perhaps only temporary and situational, for to the degree that a tool, or a substance or

an effort or a skill or a bit of knowledge, has been superseded, for good reasons or bad, its former value is eradicated. Value attaches not at all to the past but is, as before, validated or disconfirmed as futures unfold.

From this it follows that the historical values of a commodity can be entirely reduced to the role of that commodity and its quasi services and services at some definite extent of time in the history, the present or the anticipated future of the social labor-power. In this new perspective, the values of commodities have—ultimately—only a labor-power component, that is, they represented at some point or points in time a resolution of some price-value tension within the social labor-power. Consistent with this standpoint we can define the universe of goods and services, that is, "the economy," as consisting solely of dated labor inputs that are being constantly revalidated (and devalidated) by their complementarity to the needs, actions, and changes of the social labor-power.

These formulations provide the key to relating value theory to Marx's old formula about capital as self-expanding value. The self-expansion of capital is the social and institutional form taken by the self-expansion of the social labor-power but as constrained by the past historical prices that must be made good to sustain the existence and health of the property system. Analytically speaking, the expansion process of capital is thus the ultimate expression of the price-value tension we have been discussing.

From this point we reaffirm the economic and dynamic definition of *property*. Property consists of goods and services whose money price is expanded, preserved, and protected to at least some extent without regard to their contribution to the expansion of value.[7]

Again we see the tension between price and value as it is socially manifested. In fact, this is the deep root of that tension; it comes of the contradiction—a contradiction of true, classical Marxist proportions—between prices ultimately imposed by the need to preserve historical property "values," irrespective of their contribution to the growth of the capacity of the social labor-power, and the other value-enhancing possibilities and paths of the social labor-power freely choosing and rechoosing its own course of development. In a modern economy, property" is ultimately not a set of legal arrangements about "ownership" per se; owning and the attributes of owning are, again in Marxist terms, the phenomenal form of the deeper system of constraints imposed on sale/purchase-in-time by the operation of the contemporary capitalist production and distribution system. In that sense, we could replace the foolish old epithet "Property is theft!" with the appreciably more accurate "Property is constraint!"

Because the rate(s) of interest in a modern economy is prescribed with

a view toward preserving property, it becomes impossible to discriminate between the, as it were, "true cost" of producing things and the additional costs levied by the owners who control the paths between production and (final) consumption. Thus, the centrality to modern capitalism of the sale/purchase-in-time; the sale/purchase state is the modal locus in which constraint is exercised. Even the ability of capitalist firms to discipline their employees by administrative means is a function of the latters' constrained place in the network of sale/purchase arrangements linking wages to consumer commodities.

In this discussion I would emphasize the word *arbitrary*. There are often occasions when the past imposes unavoidable constraints on our present economic activities. Consider the farmer's adage "One must work if one is to eat." In my use of *arbitrary,* I refer only to those constraints (or that degree of constraint) imposed on prices that represent a tribute to property and entirely aside from returns keyed to value productivity, that is, to the expansion of the productive services and quasi services of the social labor-power. We sometimes can make realistic calculations around this distinction, but not entirely. It is, for example, almost surely the case that patent protections make pharmaceutical prices too high while the ready availability of workers with little political "clout" just as surely lowers the prices of processed chicken in the United States, and textiles worldwide, below where they "ought" to be. Whatever the calculable technical range of indeterminacy to a given set of prices, the property system adds an economically arbitrary component.

Seen in this light, while one can distinguish profit from (economic) rent in a putatively competitive economy, it is impossible to do so in our contemporary one. Even, or especially, when taking into account Schumpeter's "creative destruction," there is no unambiguous way to assign a (money) value measure to productive assets that are actually destroyed (or preserved), or technologies pursued (or not) for no other reason save that capitalist institutions believe that the chosen alternative is more likely to be more price profitable or pari passu more enhancing of the property position of the dominant firms, their chief beneficiaries, and their social-political allies.

The "real productivity" of capital is an analytical chimera because in the last analysis there is a systematic effort among business firms and their central bank allies to preserve "historical values" per se. If a theory of general equilibrium in time could be satisfactorily formulated and with methodologically testable transformation criteria then perhaps on different plausible assumptions about rates of growth we could estimate "natural" rates of interest or the "normal" profit. But such constructions have

no bearing on an economy in which sale/purchase-in-time is coordinately constrained by one side, all the way from the nominal price in the retail shop to the value of money as determined by the central bank.[8]

There is yet another reason to conceive of capital as the social labor-power acting under constraint, with increases in value calibrated to increases in labor-power-productive services. It comes of the fact that the productive contributions of the social labor-power are becoming more socially manifest over time. There has been a historic trend in modern capitalist economies to supplement or even replace natural resources in the production and distribution of commodities. It takes various forms. Obviously, one form is the growth of materials science, which, for example, has allowed petroleum-based fibers to replace "natural" ones in the textile and clothing industries. Here the role of nature in providing materials is vastly altered by human artifice. The fabled growth of services at the expense of manufacturing gives us still another form in which human artifice and labor replace natural endowments in the provision of commodities. Relatedly, economic growth in a modern economy seems to be increasingly keyed to its superior organization, including in this its organization of intellectual resources and improvements in transportation and especially communications. As we say, a really modern economy consists predominately of people, not things.

This point serves to give analytical support to the growing awareness that we have pushed some natural resources to their limits. These include, most importantly, fresh water, petroleum, forests, and the favorable temperature and quality of the atmosphere. In principle if not in practice, "we" understand that the era of free gifts from nature is drawing to a close so that our balance with nature will have to tend toward zero; we can use natural resources only to the extent that by human action we do not over time diminish or degrade them. These things suggest a trajectory in economic affairs in which the only resource whose services can be expanded without limit is the social labor-power. In that sense, labor-power comes over time to occupy a greater, and natural resources a smaller, role in providing goods and services.

In these senses, too, our social labor-power theory of value becomes more and more an emergent, empirical characteristic of a modern economy. The identification of capital expansion with the (constrained) expansion of the social labor-power here functions as a description of an actual secular process. The practical dominance and importance of the social labor-power, even as constrained and distorted in its growth by capital, are already the central elements in the growth of a modern economy. It constitutes the primary fructive element and the only productive com-

ponent whose use expands, not reduces, its further and continued availability.

How Should We Evaluate Capital's Performance?

It is a good investigation that successfully answers the questions it set out to answer but a better one if in the process equally important questions are unearthed or even just usefully redefined.

We have argued that in a contemporary economy there is reason to view "the self-expansion of capital" as comprising the self-expansion of the social labor-power but as constrained in its activity and path of development by "property," that is, as we have defined it, by claims to authority over the direction of the economy and society and the rewards pertaining to them, which are, at least in principle, nonproductive.

Thus, the question is: How should we evaluate the performance of capital? becomes, under our theory of value, How do we optimize the free development, the self-chosen expansion, of the powers of the social labor-power? In stating the question in this way I am not reintroducing either morally or ideologically, and certainly not analytically, the traditional labor theory of value associated with Adam Smith, David Ricardo, and especially Karl Marx. As for the moral and ideological issues, Schlatter ([1951] 1973) has convincingly argued, I think, that that classical view comes down to little more than repotted Locke, namely, that "man" is entitled to the fruits of his own labors for no other reason than that he has mixed part of himself with nature's free gifts; those fruits thereby become his "property," that is, extensions of his self, as in the Latin *proprius,* meaning "pertaining to the self."

If one conceives of a society and an economy as a simple aggregate of individuals, each acting and reacting more with nature than with each other, the Lockean view has a certain plausibility, Robinson Crusoe writ large. But once we allow that every individual is born into an existing society and is significantly shaped by it, Lockean simplicity loses its charm. Am I, for example, entitled to earn more than you because I work harder? The answer isn't and can't be open and shut. Perhaps in the course of my life—or course—it has been socialized in me that hard work will bring a socially guaranteed reward—a career, a title, status, a good salary with "perks"—while others will have learned early in their course of life that their ambitions will be frustrated, their efforts sterile, their work socially undervalued, and perhaps even their calling viewed as conferring low, possibly even demeaning status. The point of course is that none of

our personal attributes can be entirely severed from the efforts of others such as our parents, teachers, and mentors and the often unknown men and women of the past who contributed to the shaping of the society we were born into and which has shaped us. There is no Einstein if there was no Newton, no Newton without Descartes, and no Descartes without those unknown ancient workmen who codified a practical knowledge of construction shapes and the unknown scribes who extended and preserved that knowledge across the centuries.[9]

Analytically, of course, the classical labor theory of value rests on the discredited value subsystem, synonyms, and tautologies, lacking a solution to the problems of value-price transformation.

The value theory presented in this study argues for a moral equivalent of the legendary "market." This is not a market as in "market socialism" or "deregulation," one must add, because under modern conditions arguments and conceptions of a "free market" function in fact to inure people to economic necessity. Globalization, it is typically said, requires freer trade, that is, that we should accept as iron necessity whatever happens as private firms, with government assistance, go their own way on their own say-so where and when they want. In fact, this magical transmutation of the rhetoric of freedom into a rhetoric of obedience to necessity has long been the hallmark of market theorizing, especially since its rebirth a century and a quarter ago more or less simultaneously with the growth of economic institutions possessing significant power over labor and other markets.

By the moral equivalent of the market I mean that one wants to shape a program of economic change and reform that confronts the "sovereign consumer" not merely with the chance to buy or not to buy but with the issues involved in to make or not to make. Market conceptions inevitably, it seems, limit themselves to treating economic actors as transcendent, ahistorical, suprasocial individuals. Moreover, they assume, as in the value subsystem, that economic value itself is unambiguous, constant, and equally available to each and every Individual. The sort of moral equivalent I have in mind rejects both of these points. First, of course, it accepts that the economic actor as we meet him or her is a socialized person armed not only with socially conditioned needs and information but with socially created blinders to his or her experience and consequently judgment. The moral equivalent of the market, if it is to contribute to individual and social freedom, must be organized in such a way that there is learning and feedback between individuals, groups, and institutions so that the consumer comes over time to value the good or service not per se but in the wider context of its social, ecological, and other costs and

benefits. Simultaneously, those consumers must have at hand the ready power to punish in significant ways economic institutions that are not sufficiently responsive to not the sovereign consumer but the sovereign citizen.

This view of the matter also implies that value questions can't be answered by appeals to this or that theory; if we take seriously the idea of the moral equivalent of the market, value preferences, that is, the value preferences of individuals and groups of people and ultimately of an economy taken as a whole, can only be answered by looking to see what people prefer when they possess the best practical information as to the costs and consequences of those preferences with respect to other possible choices. Values, ultimately, don't exist in philosophic space, and they really can't be imposed. They have to be discovered in critical practice. Just as we allow the novice to make mistakes as part of a learning curve based on trial and error, economic arrangements must be such that the actors can and will be confronted with the consequences of their choices and hence allowed the possibility of learning from them. I grant that it is easier to say this than to specify how to embody it in a scheme of new economic arrangements, but what is the alternative?

The existing economic mechanism works visibly and powerfully to shape the consumer market and hence to shape consumers en masse to fit its needs not theirs. The tobacco companies give only one instance of the power that modern economic institutions routinely exercise against—or within—government and against the consuming public. Like the home insulation companies, auto companies, tire companies, and chemical companies, big tobacco has long produced and distributed a product that menaces the health, indeed the lives, of its customers. What is striking about big tobacco is not that there have been steps taken against them in recent years, but that it took so long for scientific studies of tobacco to break through industry smoke screens, that so little has been done to date to check their ability to target children and adolescents, and that even the fines they've suffered will be amortized through the tax and regulatory systems. Under an agreement with the states' Attorneys General and the Justice Department the companies have been given an exemption from antitrust prosecution in order to jointly raise their prices for the purpose of paying their fines!

If one wants to preserve, even widen, areas of social spontaneity and diversity, if one wants to avoid the worst effects of fetishized experience, if one, in brief, wants to prevent, as I put it earlier, the victory of property over society, then clearly one must set about to do that in those terms and under that banner. Historically speaking, the strategies of progressivism

and social democracy at the turn of the twentieth century were to coexist with the property system of corporate capital by ameliorating its effects through schemes of partial regulation, countervailing institutions like trade unions, and an objective science and social science. That strategic vision has obviously failed. Today government regulators are typically industry representatives, the trade unions are staggering, and the voices of "objective science and social science" are, as in the case of tobacco, more often than not drowned out by the hired scientists and other experts put forward by industry. In short, the present dominance, both nationally and internationally, of the big firms has placed us right back where our ancestors stood over one hundred years ago. We must confront the task of making a humane economy in light of that hundred years, that is, in light of the historic failure of the trio of government regulation, trade unions, and objective social science to sustain themselves against the corporate counterattack exemplified by the Reagan-Thatcher years.[10] If there is a lesson in this failure, it is that the evolution of constraining property relations now threatens the very existence of freely chosen social relations, for those are the ultimate terms of today's dilemma. It is in the name of a threatened society that we must radically revamp our economic priorities, which is to say our economic arrangements and institutions.[11]

On the Tension between Prices and Values

The value system advanced here seems required in order to provide a consistent microeconomics for modern sale/purchase, that is, for sale/purchase-in-time. As such it is incompatible with both so-called free markets and a program of state ownership of producer assets. As we have seen, in value terms those hoary conceptions represent not alternatives but mirror images of one another. Both—pointedly—don't measure up to our standard, the moral equivalent of the market, because both lack or block the social learning connection between producing and consuming that in principle exists within the social labor-power and of which any system of propertied capital, state or private, is a truncated and distorted expression.

To put the matter another way, if we continue to accept the immense advantages and flexibility of price-denominated production and distribution of goods and services, then those prices should lean more and more heavily over time toward being social labor-power prices and not property prices. They should be weighted to reflect the present and future needs and desires of the social labor-power in some manner democratically

organized—value—and not to preserve property values established in the past and nonproductively projected into the present and the future. Without "going utopian," what I have in mind is clearly a further projection and amplification of familiar present-day pricing policies that incorporate such things as energy consumption taxes, fair wage requirements, and health and safety regulations, in short, price-influencing policies that attempt to incorporate into empirical prices what economists typically call negative externalities, that is, the costs that are normally excluded or minimized in a pricing system in which the preservation and expansion of property values is sovereign and imperative. The public, too, should earn the benefits of its own considerable contributions to so-called private investment, that is, to pay discounted not premium prices, for example, for drugs and other pharmaceuticals developed at public expense, for timber and cattle companies to pay full price for public lands, and, of course, for the citizenry to play a direct, immediate role in the investment/planning processes of private firms that is fully commensurate with their financial contributions both direct and indirect.

The famous American socialist Eugene Debs is reputed often to have ended his appeals for socialism with a particularly fine peroration. I've always admired Debs, but I also like the irony of quoting a socialist on behalf of the ideas, ultimately hostile to state socialism, that I have presented here under the rubric of microeconomics. Debs's coda is entirely appropriate: "If I could lead you into the promised land," he told his audiences, "I would refuse to do it, for if I could lead you in, others could lead you right out again. You must learn that there is nothing that you cannot do for yourselves." Or, in microeconomic terms, the transformation of prices and values does not have an ontological solution, for it is not at all an ontological problem. It is a wholly practical problem and one whose progressive resolution is increasingly overdue.